

INDUSTRY REPORT

Driving growth in today's market

The car wash industry report 2024



Driving growth in today's market: The car wash industry report 2024

Whether you own a car wash, worked at a car wash, or have gotten your car washed, the last four years have been nothing like the decades prior. From tremendous growth to declining consumer spending, to car wash consolidation and expansion — this industry has seen it all.

This report lays out survey findings from car wash operators and owners across the United States. From single-location to multi-location to hundreds of locations, car wash operators and owners have had to weather many challenges the last few years. The report unpacks growth levers, technology, and what it takes for car washes to thrive in today's economic climate.



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1.0

Macroeconomic impact on the car wash industry

Car wash operators face multiple macroeconomic challenges, especially when it comes to new business owners breaking into the industry. Tightening access to capital, decreasing profit margins, and wage costs may have created challenges for car wash operators.

The following snippets illustrate the key statistics describing the state of the industry today.¹



Tightening access to capital

Interest rates for new fixed term small business loans rose significantly from 4.08% in Q4 2021 to 6.44% just a year later in Q4 2022.² Similarly, interest rates for fixed lines of credit grew from 3.86% to 6.22% over the same period.



Decreasing profit margins

While profit margins are generally high for the industry as a whole (16.1% in 2023), they've taken a hit in recent years, decreasing 2.6% from 2018–2023 (IBIS).



Wage growth and inflation challenges

Wage growth also plays into challenging economic conditions for operators with total industry wages expected to grow 1.3% in the next five years (IBIS).

1 Statistics sourced from the IBIS World Industry Report 81119A: Car Wash and Auto Detailing in the US - July 2021

2 **Survey findings** from the Federal Reserve Bank of Kansas City

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How car wash operators are responding: Our findings

To understand how car wash operators have responded to market conditions, Spot AI ran a comprehensive survey and one-on-one interviews across various car washes of differing size, scale, and growth challenges. What we found out was particularly interesting. It's clear that car wash operators are searching for new and innovative ways to drive growth in today's market.

To start with, the survey responses showed the clear emergence of car wash operators using an innovative blend of tactics and operational measures to drive growth and efficiency, resulting in more locations, more cars washed, and higher membership conversion. In this report, we will call this group "leaders" and delve into what drives their success.

These leaders operate within various car wash categories and own multiple car wash locations. So what sets them apart from the rest of the group?

We found that three key themes emerged in our survey results that demonstrate how leaders are differentiating themselves:

- Customer experience and memberships
- Employee performance and retention
- Technology adoption

The subsequent sections in this report dive deep into each of these themes, and the strategies and tactics leaders are taking to stand out.

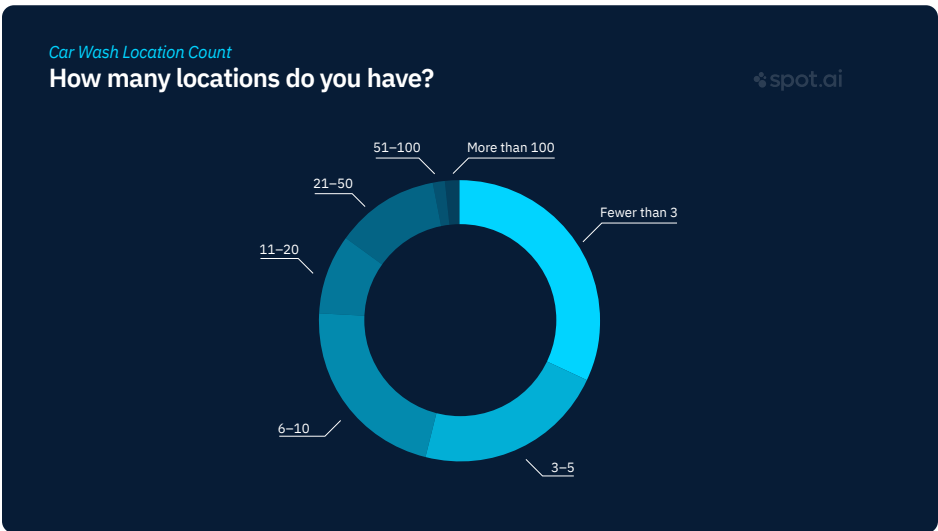
This includes strategies for acquiring new customers and driving retention, as well as improving employee performance and adoption of key technology. We also distill these survey findings into takeaways, which any car operator could deploy to gain advantage in this competitive market.

Spot AI ran a comprehensive survey across various car wash operators of differing size, scale and growth challenges.



Survey respondents at a glance

Before we dive into the results of the survey, let's begin by understanding the nature and scale of our car wash survey respondents as a whole.



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Theme #1: Focus on customer experience and memberships

When it comes to customer interactions, one thing is evident from the leaders: they are laser-focused on the customer—from acquisition to retention—and the overall customer experience. This effort begins with doubling down on specific marketing channels, to interactions at Point of Sale (PoS), all the way to customer engagement post-visit. A focus on all of these areas is what separates the leaders from the rest of the group, marked by a critical KPI: membership conversion. Our survey results showed that the leaders convert up to 9% of their retail customers to members, whereas the rest of the group falls well below this benchmark.

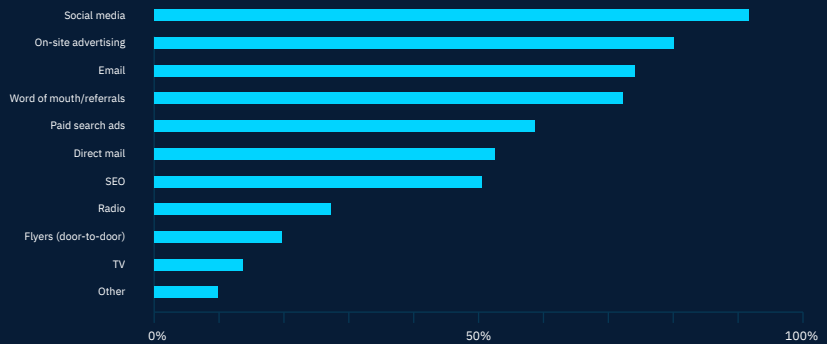
The following responses show us how the group as a whole has been prioritizing their marketing and sales tactics.

Car wash leaders are focused on the customer and the overall customer experience.



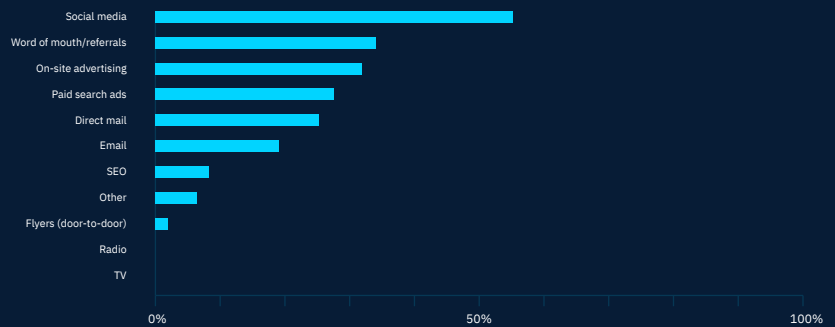
Marketing Mix

What marketing channels do you use to drive new business? 



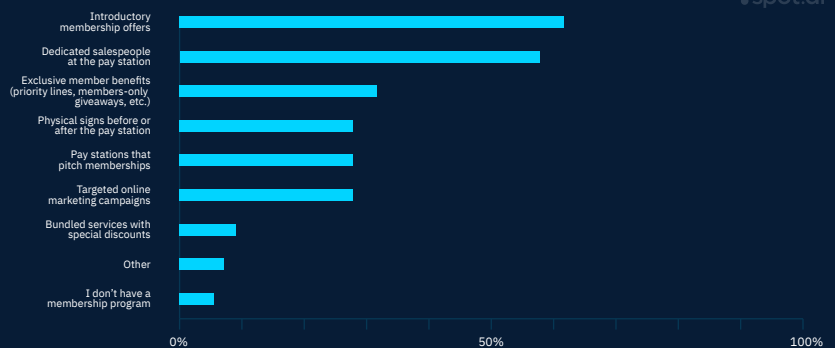
Most Effective Marketing Channels

What are the most effective marketing channels you use to drive new business? 



Membership Sales Tactics

What tactics have been most successful for turning customers into members? 



While the group indicated that social media marketing, word of mouth, and on-site advertising were the most effective marketing channels, we uncovered different insights that set the leaders apart.

What did they do differently?

The key aspect which starts differentiating the leaders from the group is how they pair their sales strategy with their marketing approach.

Leaders aren't taking a single at bat with their tactics to convert memberships

- 73% of them were using *both* dedicated salespeople and introductory offers to entice retail customers, compared to just over 50% of the rest of the group.

Leaders are also arming their teams with better quality information collected at their Points of Sale

- 73% are collecting license plate details at their pay station
- They're also more likely to collect customers' names and phone numbers and track KPIs like time idle at the paystation whether an employee is present or not

Leaders are pairing their sales tactics with a different marketing mix than followers

- 87% of the leader group are using email marketing compared to only 51% of the rest of the group
- Direct mail is leveraged by 60% of leaders vs. only 43% of the rest of the group
- Paid search takes somewhat of a back seat, with only 47% of leaders using this tactic vs. 54% of the group as a whole

What are car wash leaders doing differently with their marketing strategy?

73%

attract retail customers with both dedicated salespeople and introductory offers.

73%

collect license plate details and are more likely to collect other customer information.

87%

use email marketing as a key component.

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Theme #2: Employee performance and retention is a clear priority

When it comes to running a well-oiled operation, our findings show that leaders prioritize their most important asset: their employees.

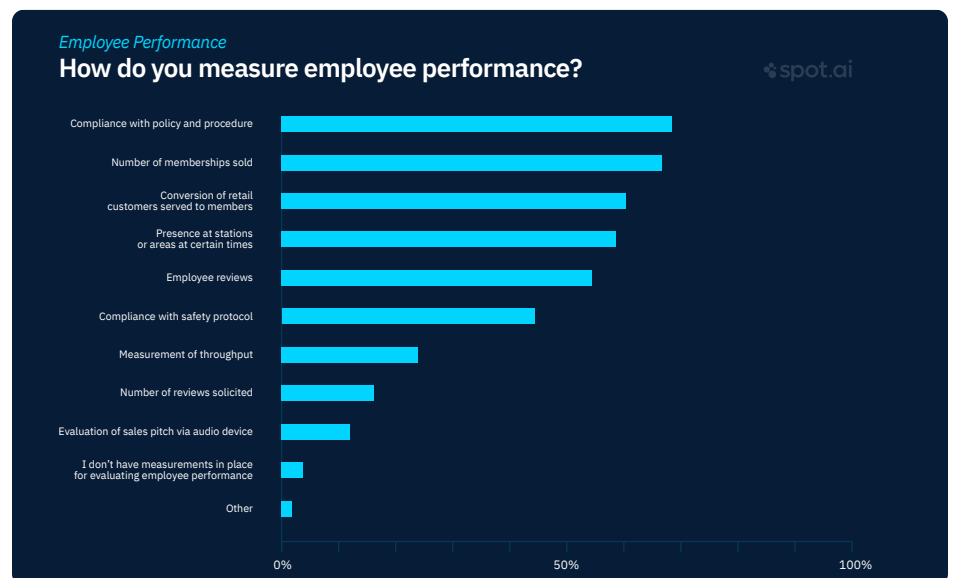
Employee turnover and morale are crucial factors that keeps car wash operators up at night. In an industry with no single dominant player, their workforce is the clear differentiator, particularly when it comes to improving the customer experience.

Our survey findings show that, particularly for express car washes, more than 50% of them measure employee performance through the following measures:

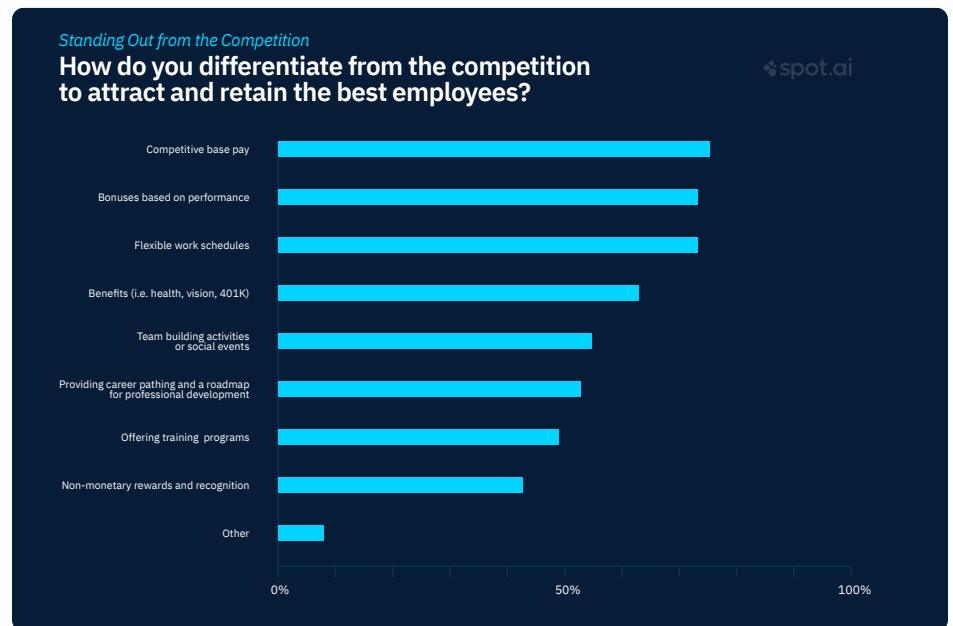
- Employee reviews
- Presence at stations
- Retail to membership conversion
- Number of memberships sold
- Compliance with policy and procedure
- Compliance with safety protocols

Using a mix of these metrics allows these operators to track employee productivity holistically throughout the car wash location. Their ability to thus closely monitor and tie these metrics to employee rewards sets them apart as leaders in internal operations.

In contrast, the larger group focused mainly on compliance with policy and procedure and number of memberships sold to track employee productivity, thus missing an opportunity to track overall performance.



Our interviews with car wash operators made it clear that employee experience and satisfaction are extremely important. We wanted to go a bit deeper here in our survey, and asked operators directly what they felt differentiated them from the competition in terms of attracting and retaining the best employees. Interestingly, across leaders and the larger group, there was no clear finding on what helps car washes stand out for its employees. While the majority of the respondents noted that competitive base pay, bonuses paid on performance, and flexible work schedules were the most important factors over training programs and non-monetary rewards, it remains unclear the impact this has on actual employee retention and overall success for car washes.



“We need to stay laser-focused on our employees and customers. Our people are the one differentiator between car washes.”

— Car Wash Survey Respondent

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Theme #3: Technology adoption plays a major role in operators' success

The third theme that emerged was around technology adoption, which enabled leaders to optimize customer-facing and internal operations at a different scale than the rest of the group.

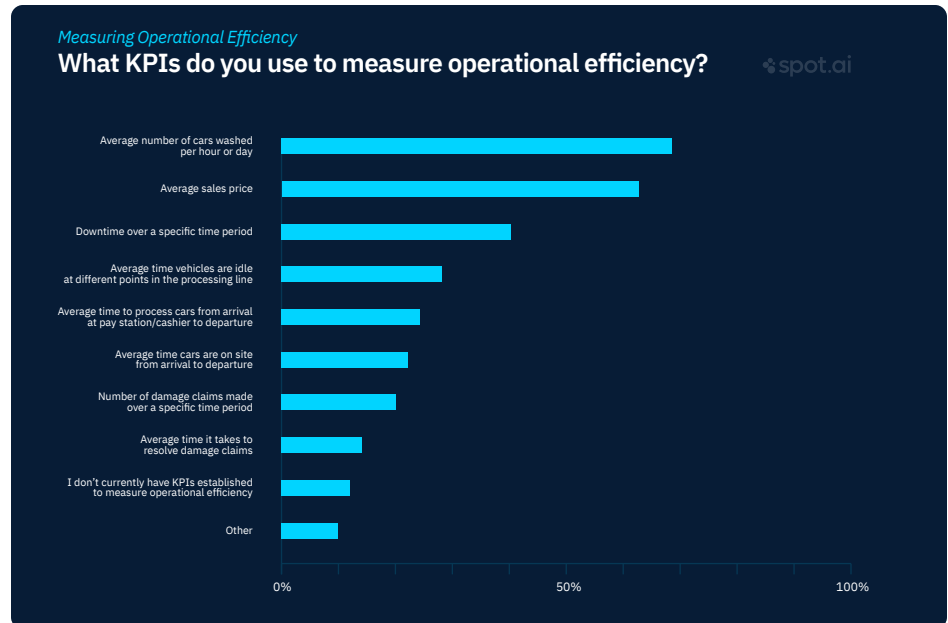
The leaders in the group have consistently invested in tech and data to intently solve a variety of challenges: downtime, measuring throughput and efficiency, resolving damage claims, and monitoring employee productivity.

As operators scale in both number of locations and number of cars washed per location, the general finding is that they tend to purchase more technology than smaller operations.

- For example, operators with six or more locations are much more likely to invest in the below technology compared to their counterparts:
 - Camera systems (74% vs. 57%)
 - Data warehousing (47% vs. 26%)
 - Business intelligence (68% vs. 30%)
 - CRM (63% vs. 52%)
- Similarly, operators washing more than 500 cars per location are investing more in obvious technology like anti-collision (64% vs. 23% of those washing less than 500 cars per location). But they are also investing more in less obvious technology, such as:
 - Business intelligence (64% vs. 31%)
 - Back office software (i.e. accounting, human resources software) (64% vs. 36%)
 - CRM (72% vs. 45%)
 - Data warehousing (56% to 18%)

Car wash leaders consistently invested in tech and data to solve challenges.

While the above findings show the stark differences between the leaders and the larger group, we found there were interesting insights across respondents when it comes to their tech stack and how its being used to evaluate and improve business operations.



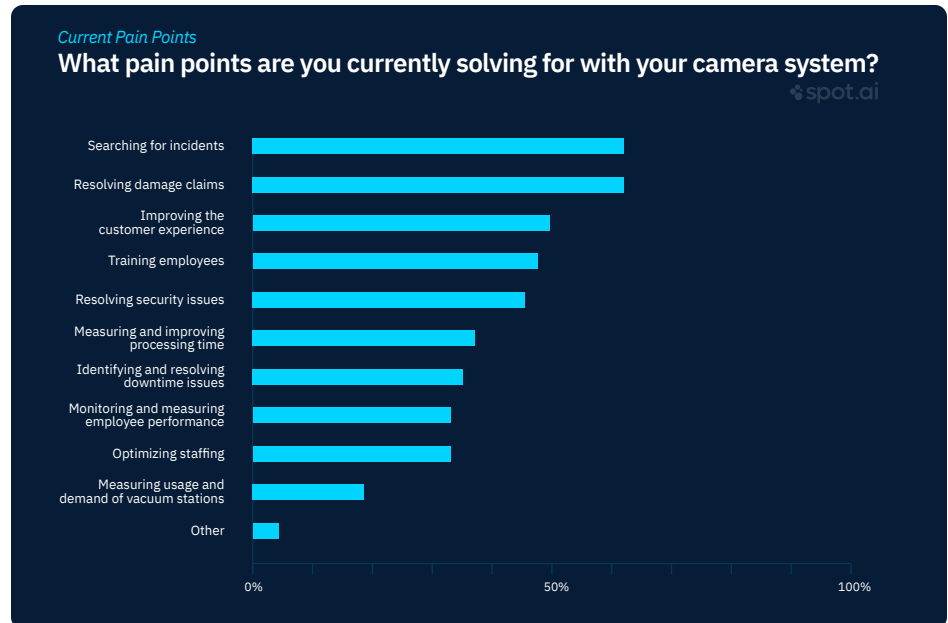
First, efficiency and performance KPIs dominate when it comes to evaluating a location's success. Here's what we found:

- 69% of respondents are tracking and analyzing number of cars washed per hour
- 63% are tracking average sales price as a core KPI
- 48% are tracking downtime over a specific time period

KPIs that aren't directly linked to efficiency but still impact a location's bottom line are less common, but still widely used:

- Average time to resolve damage claims is a core KPI for 1 in 5 operators
- Others are tracking mixed metrics like cars per labor hour, return rate, and monthly recurring revenue to provide more insight into performance





Lastly, we found that operators see value in camera systems as a key technology for their locations, but not many are taking full advantage of the capabilities on the market. For example, resolving damage claims is the most common use case, but fewer car washes are leveraging video to improve the customer experience or measure the efficiency KPIs that we know are critical.

- 62% of respondents are using their camera systems to search for and resolve damage claims
- 49% are using video to improve the customer experience
- Despite increasing use of video across the board, only some car washes are leveraging their camera systems to improve efficiency:
 - 36% of respondents using video reported using those systems to measure and improve processing time
 - 34% reported using video to identify and resolve downtime issues

“[Our camera system] helps us identify potential issues before they become real issues. I’m able to know why a customer is waiting too long, if we’re staffed enough, or if we have an opportunity to better train our team”

— **Heath Owsley, Director of Operations, Glide Xpress**

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Conclusion: Key takeaways for future growth

The car wash industry has seen tremendous growth over the last few years. This report has shown what has helped propel successful car wash owners and operators as well as opportunities that lie ahead for future growth.

To recap key takeaways from this survey:

- **Takeaway 1:** Leaders drive car wash memberships by deploying a mix of sales and marketing tactics
- **Takeaway 2:** Employee performance and retention are a clear priority
- **Takeaway 3:** Technology is a force multiplier, allowing operators to “do more with less”

Car washes vary in number of locations, the amount of cars washed each day, hiring practices, and approaches to improving experiences for customers. But our findings show that there are certain strategies that work better than others in today’s environment, and it likely took trial and error to find the right mix of tactics, particularly when it comes to customer and employee experience. Additionally, it became clear to us that the industry is forward thinking in their adoption of technology. This rise in usage of technology allows car washes to stay ahead of operations with robust reporting on everything from their PoS to metrics on their tunnels. As the industry has grown, forward thinking car washes have implemented more technology to help grow their businesses.

Car washes are now using camera systems to reduce downtime and damage claims, marketing automation and CRMs to drive memberships, and business intelligence tools to ensure that operations are running smoothly and customer experiences are world class. Across the board, the car wash industry has adopted technology and continues to find new and impressive ways to implement technology into their daily workflows.



About Spot AI

Spot AI is the industry leader in AI Camera Systems, on a mission to create a safer and smarter physical world with the power of Video Intelligence. Spot AI's Camera System equips organizations with video-driven insights that helps any user in any business instantly surface and resolve problems. Spot AI is deployed at thousands of locations across the U.S. and trusted by leaders across 17 different industries.

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