

## Car Wash (Standard) in a Nutshell



By Earnsmart Business Kenya



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**This is a quick guide to the standard car wash business.**

We define the standard car wash as the stand alone car washes found in urban neighborhoods. This is as opposed to automated car washes, car salons and car washes which are part of big bars. However we touch on each of these.

### **Quick Static**

According to Kenya National Bureau of Statistics (KNBS) Between January and June 2014 the number of new vehicles registered was 89728. The lowest number was in April at 12,789 and the highest in February at 17,779. The average is 14, 956 per month. See the table in the appendix for breakdown by type of vehicle.



## **Trends in the Car Wash Business**



### **Automatic Car Washing**

Since 2011 there has been a slow but steady growth in automatic car wash services. The major advantage of the automatic car wash is speed. Within 15 minutes or so the body of the car is washed and clean. The services have not gone gained mass traction yet, though they are gradually becoming popular.

From the point of the entrepreneur automated car washes systems are capital intensive; at least Kshs. 5M (though cheaper models are increasingly available). There are fears of losses in case of breakdown if spare parts and support skills are not easily available.

Some entrepreneurs are also skeptical whether motorists would convert from the traditional car washing habits to the instant automated car wash. Others cite the lack of many ideal spaces in terms of location and rent to set up such car washes as the reason they are hesitant to invest in the business.

On the other hand consumers reluctant to use automated car washes have talked of ‘awkward’ locations of the automated car washes. Some quote unsubstantiated information they have heard that automatic car washes scratch the cars, damage the paint and can dent the bodies of weaker cars because of high water pressure and faulty dirty brushes. They also don’t wash interiors.

The major automatic car wash services in Nairobi are Eclipse Car Salon, at the Nairobi Safari

Club annex along Koinange Street ( where Kengeles is located), and a Geco in Lavington. Geco is extremely popular with a sizeable number of motorists coming from all parts of the city to have their car washed there.

Geco has managed to win customers by not just insisting on speed but also superior quality of their service and making the car wash experience more of a hip social event. In addition to the body wash which takes about 15 minutes, Geco does upholstery, buffing and even such cosmetic car services as perfuming.

If speed is combined with unique quality service then an automated car business will attract customers who are willing to pay a premium. There is market and potential for automated car wash systems in an area with big enough numbers of the right kind of customers to sustain the business. The right kind is not just about income or the cars they drive but a more open mind to embrace such disruptions. (*Automated car washes are the subject of another full research*)



### **Car Washing as a Social Event**

Nowadays there are car washes that try to differentiate in the market by making car wash moments social outings. Unlike the traditional setting where say a bar is set up and a car wash included as an extra, in this case the car wash starts as the core business, and then extras such as bar are added.

There are also family friendly settings which have a hotel, bouncing castles and other children entertainment facilities. Some charge for the extras like bouncing castles, while others offer them as a complimentary service to customers.



### **Car Salons**

There is an emergence of premium car wash services which brand themselves not as mere car washes but as car salons or car spas. The difference is in the quality of service where much more attention to detail is given to the whole cleaning process. In car salons cars are groomed rather than just washed. (*For instance Carzspa along Ngong Road says of itself “Contrary to perception Carzspa is not a car wash company. Carzspa is a professional car detailing center dedicated to automobile beautification and preservation...”).* Of course there are the ‘kawaida’ car washes which use the words ‘Car Salon’ as a way of branding without using any superior car cleaning equipment or procedures

Specialized shampoos and equipments are used in Car Salons; there are services like odor removal, specialized rim and wheel cleaning, perfuming and such.

Car salons are growing. To the entrepreneurs running Car Salons this is a way to gain a footing and leadership in the competitive car wash market. This is by targeting a section of motorists who are more passionate about their car and ready to spend. The way to convert a standard

normal car wash to a real car salon is by having premium services and specialized equipment. You also need to train the staff on professional car washing services.



### **Car Park Washing**

This involves washing the car while at the car park either at home or work. The selling point is that this is supposed to save the motorist time he or she uses to drive to a car wash. And also make car wash fit in his schedule.

Although the number of cleaners doing mobile car washes is increasing the kind of service is yet to catch up in a big way. In office blocks there is the issue of access. In public spaces there are the county authorities to think of. How to move with water and equipment, how to deal with water overflow could also be a challenge.

To solve the latter problem there are now waterless car washing materials in the market. Although they are increasingly being used it's not in a very disruptive manner. A relatively successful version of this is a mobile business specializing in cleaning car interiors only which is picking comparatively well compared to other mobile services. The mobile services are not a threat to the standard car washes.



### **Motorcycle Cleaners**

In some small town centers there are a number of 'car' washes specializing in motorcycles. Bodaboda riders are quite price sensitive, and so many have been cleaning their own machines. But with the attraction of specialized machine wash they are moving to car washes.



### **Much Talked About but Never Implemented**

A number of entrepreneurs have theoretically toyed with the idea of starting a car wash fully manned by ladies. The idea is based on the marketing premise that sex sells. The plan is to have 'sexy' ladies, in body suits, bikinis or such other provocative dressing washing the cars. Though very often discussed no entrepreneur has fully implemented it.

In our 'hypocritical' and 'conservative' society there is fear of a backlash, as much as such a car wash would attract a high number of male motorists drawn more by curiosity and fantasies. Some talk of the challenges of managing beautiful women working together and perhaps attracted to the same men whose cars they are cleaning. Also the female cleaners would need to be regularly 'changed' to keep the look 'fresh'.

If such a 'sexy' cleaners car wash is successful then other entrepreneurs will join the business and competition will be based on how sexy, fresh or provocative your girls are. The ladies would most likely demand higher pay, but then one can charge a premium in such a car wash. There is

potential in this kind of car wash but no entrepreneur has fully invested in managing the underlying challenges and launching such a venture







## **Barriers to Entry & Opportunities**

The barriers to entry in the standard car wash business are low meaning that competition in the business will continue to rise. Demand is increasing driven by significant number of cars coming into the market every month, this is attracting more entrepreneurs in the business further raising competition.


Opportunities exist in the business. However the ability to profitably seize the opportunities will depend on the ability to compete by location, service, differentiation and any other attribute that will help the car wash stand out.

## **Reasons for Closing Down**

Despite the general positive outlook of the business there are car washes which are closing down. *(On average two car washes are advertised for sale in the Daily newspapers every week and 9 on internet forums)* From a small sample of 31 previous car wash owners the major reasons for closing were losses, low returns and more profitable alternatives. These were caused by:

-  **Poor Management** – This was especially so when the owner was not present and couldn't acquire the services of a trusted manager, and the employees stole from him
-  **Poor Location** – The location could be poor from the start. Or turn out poor because of economic and social developments in the area. For instance buildings coming up, roads being constructed or insecurity which drives motorists out of an estate.
-  **Competition** – Inability to compete when other car washes opened within the same radius but in more strategic location or offering better quality and variety of services. At other times a well capitalized anchor would open within a location and include car wash as part of its offering. For instance a large bar opens and starts offering car wash as part its services pulling in a considerable number of motorists to it.
-  **Increased Costs** – Other than the costs of water, electricity and labor which more often than not tend to be variable there were several cases where landlords increased the rent arbitrary, supposedly to match the performance of the car wash and the demand for such

space within the area. Some of the increases didn't actually match the performance of the car wash leading to losses or low returns not worth the time and money in the business.

 **Change of User** – This happened when the space where the car wash is operating is converted to other use; could be a building, road or simply the space if it is a road reserve is reclaimed by the county government.

For standalone car washes (as opposed to those which are part of a bar or eatery) the biggest challenge is acquiring a good space in urban areas.

In Nairobi quite a significant number of car washes used to, and some still do, operate on road reserves. But efforts to reclaim the reserves have seen some of such shut down.

Strategic space is available but is increasingly becoming competitive and expensive.

A number of real estate developers have been experimenting with car wash spaces on the ground floor of commercial or residential buildings. Though this is yet to fully catch up it could point to a future trend as availability of open spaces suitable for car washes in urban centers reduces.



#### **Competition in the standard car business is based on:**

- Location ○ Service ○ Variety of services
- Associated Facilities – Bar, Bouncing Castle ○ Opening Hours



#### **Common Ways In Which Consumers Purchase Standard Car Wash Services:**

- **Car dirty and have time** – Leave home, work or other place and drive to car wash
- **Killing two birds with one stone** – Having a drink, having time, car not necessarily dirty but completes the experience by cleaning the car. This is very common.
- **Car dirty but wants to maximize time** by having a drink, meal or shopping while the car is being washed
- **Car Wash as an avenue to kill time and socialize** □ **Travelling, car dirty, pops to nearest car wash**
- **Travelling, car not so dirty but want to travel clean. Consumer unsure of the cleaning services wherever they are going.**

All the above imply that the most important factors affecting the success of a car wash, the **Critical Success Factors**, are:

- I. **Location** – More often than not the motorist will chose the car wash more conveniently located to his or her activities.

**Location is also starring where there is** a high concentration of vehicles and where competition is not intense.

In addition there are benefits of taking advantage of location economies and establishing in an area generally known for car washes. This will ensure there are consistent and readily available customers. Your work now becomes to win them from the competition with exceptional service.

More often than not rent in such an area will be above local averages, but considering the ‘goodwill’ that exists then it could be worth it.

There are many bare bones car washes even without a name but which are very successful by virtue of location.

There are areas with dominant car washes. Dominance is often as a result of service, setting and associated services such as bar, eatery or car maintenance. When setting up in an area with a dominant car wash know that it will take you longer to break even.

Have a clever strategy to beat the dominance. For instance in most dominant car washes the waiting time is relatively long, thus speed could your be edge. Without a good strategy you may never get enough numbers to break even.

- II. **Service** – With competition increasing there will always be several car washes within a reasonable distance from where the motorist is. This means that your car wash will need to differentiate, attract and retain more customers. You will need to stand out. This is by the kind of service you offer. Service includes the general setting, the thoroughness of the wash, speed, and variety of services offered and the basics of customer care.

**Management** as we shall below will also affect the success of the business. Survival of the business will depend on location, service and management.



## Common Locations for Standard Car Washes

- ✓ Part of a bar or near a group of bars. Customer traffic tied to the popularity of the bar.
- ✓ Part of petrol stations – Professional image attracts motorists. Fueling and car wash at the same time
- ✓ At junctions / intersections – Point where motorists are likely to take a break / rest.
- ✓ Along highways - Targeting travelling motorists
- ✓ Residential areas – within a short distance from the motorist’s home. Can easily drive to the car wash. Or have the car wash as he shops, shaves or does something else. ✓
- Standalone – Anywhere there is space

## Car Wash In Terms of Facilities Basic Setting

Open field. No shade for cars. No shade for customers. Water tank. Car washing machine or no machine and purely hand washed. Ground could have concrete, bare or grass. Simple billboard or none at all.



## Slightly advanced setting

Cemented or concrete on ground. Shade. At times shade for car and customer. Ramps – present at times or none at all. Machine. Water tank. Sodas for customers. Payment could be organized- a cashier and receipt or just casuals



## Advanced Setting

All the above. Ramps. Shade for cars. Shade and seats for customers. If standalone could have sodas /snacks for customers. Several machines or one major. Higher capacity water tank. Cashier / manager. Sodas or bites for customers. More advanced washing options – interior, engine, under wash, waxing, buffing and more. Emphasis on setting and customer service.



The kind of setting will depend on the capital of the owner, competition and trends in the area, target market, owner’s taste and customer’s demand. It advantageous to offer superior service despite the competition, trends in the locality or even location advantages.

There is a demand and satisfaction in a superior car wash service, and again despite a present market lead or simply a comfortable position there is always the possibility a competitor will come and sweep your customers from under their wheels with better and wider variety of services.





## Licenses

**County license (Single user business permit)** – This is the standard and most basic license. The cost will depend on county & location within county. At least budget Kshs. 15,000 for this license.

### *Other Regulatory Bodies*

**National Environmental Management Authority (NEMA)** – You don't necessarily require a license from NEMA but once in a while officials might pop in to confirm your usage of water, drainage and so forth. This is more so if you are operating from a road reserve or near a water body such as a river. More often than not a kickback will solve any issues

**Water Regulatory Authority** – Not very common but if you are using water directly from a river they might visit you and genuinely or otherwise harass you about drainage and wastage. Have ready answers and talk of concepts like recycling and fair use.

### **Common Services at Car Washes**

*Body – The only service present in all car wash businesses. The rest are extras or may not be present. Interior*

*Upholstery*

*Under wash*

*Engine wash*

*Buffing*

*Waxing*

*Household Items – Carpets*

## Equipment

### Car Wash Machine

There are a wide variety of car wash machines available in the market. They are differentiated by fuel (petrol or electricity), capacity, brand and whether new or second hand.

When choosing the machine first consider the projected number of cars you will be serving in a day, and how busy your car wash will possibly be. This will help you pick a heavy duty machine that won't 'burn out' after a few hours or a few cars. Alternatively if you are unlikely to be busy and your budget is low you can start with a simple low capacity machine.

Some of the machines in the market are designed for home use and not commercial purposes. But dealers position them as fit for commercial use. If you are dealing with 0 to 20 cars, any machine below Kshs.30, 000 will work. If more cars then you need a more powerful machine which will cost more.

Secondly consider the fuel. Do you have access to power? Is power in your location reliable? What happens when there is a black out? Though electricity machines are the preferred due to their high performance and rising fuel, they cost more.

If your budget is low you can start with a petrol machine then upgrade later. An electrical machine is also tricky if you are sharing a meter with others. Disputes are most likely to arise about your consumption. So make sure you have your own connection. There are many car washes using illegally connected electricity. To do this you have to collaborate with the Kenya Power personnel in the area.

Thirdly consider the efficiency of the machines. Different machines have various levels of efficiencies. Go for the fairly priced and most efficient.

Fourthly consider the features and extras that come with the machine. These include weight, outlets, spray gun, dust blasting, pressure options, anti twist systems and other such features which improve the functionality of the machine.

We are hesitant to recommend any particular brand but the reality of the market is that Karcher from Germany is one of the most preferred brands among the leading car washes. There are different models of the machine. Locally the machine is distributed by Alibahi Sharrif and co. (*See contacts below*). Other commonly used brands include Honda and Aico

When you are buying a car washing machine explain to the sellers what you wish to achieve, let them give several options and then make a choice.


Be careful when purchasing second hand machines. Test and make sure everything is working well.


## Vacuum Cleaner

The price ranges between Kshs. 5000 to Kshs.30, 000 depending on brand, new or second hand, and features. Remember you are purchasing a vacuum cleaner for a car and commercial purposes so size and power matter.


## Tank

The cost will depend on the size. Chose capacity by considering the reliability of water in the area, and how many cars you are likely to be serving. The bigger the capacity the better. Costs range from Kshs. 10,000 to Kshs. 50000 depending on the size.

 **Washing towels, buckets, brushes, squeezer** – Kshs. 3000 to Kshs. 5,000

 **Ramp** – Optional – Kshs. 10,000 to Kshs.50000 depending on blacksmith, size, quality etc

 **Shade for cars** – Kshs.20, 000 to Kshs. 70,000 depending on the setting

 **Shade for customers** – Kshs.10, 000 to Kshs. 50,000

## Detergents

Most of the standard car washes don't use any specialized shampoos; rather they will go for Omo and other general detergents available in the market. However Nakumatt stocks a variety of car washing shampoos and perfumes which are fairly priced and help your car wash stand out. A starting budget of at least Kshs.4000 is good for detergents and shampoos.

## **Other Considerations** **Source of water**

Make sure you have a reliable and cost effective water supply. If in a place with water problems think of simple ways of recycling water or harvesting during the rainy seasons.

## Equipment Suppliers Nairobi

- River Road – Lower part of River Road and the area around the junction of River Road and Accra road
- Some shops along Kirinyaga Road
- Some shops along Enterprise Road in Industrial Area
  
- Some shops along Kijabe Street opposite Globe Roundabout
- Nakumatt supermarkets
- Car and General

- Selected shops along Mombasa Road
- Selected Hardware shops
- Alibhai Sharriff and sons – next to Panari Hotel, Mombasa Road

In other areas check supermarkets and leading hardware and equipment suppliers. Wwww. Olx.co.ke also has a sizeable number of people selling second hand car wash machines.

## Capital

The exact amount you need will depend on your setting & location.

A basic set up you only pay for a car washing machine, buckets, washing clothes, brushes, detergents electricity, sign board, license and rent. Depending on the location this could cost an average of Kshs.100, 000. There are basic car wash businesses which started with amounts between Kshs. 80,000 to Kshs.200, 000

For a slightly advanced car wash you will need at least Kshs.300, 000. Standard Car washes in urban areas have invested between Kshs.300, 000 to Kshs. 1,500,000. The amounts vary depending on the setting, rent, goodwill, facilities and the variety of services being offered.

## Set Up Process

- Identifying location - consider in terms of convenience to customers, competition, source of water, electricity,
- Renovate and purchase of equipment
- Apply for license
- Hire staff
- Advertise and start operations

## Operations

The common methods used in standard car washes are:

- The car is washed by one cleaner. He does everything from the body to the interior. This could be on a fair rotation basis where one cleaner can't wash two cars when his colleague is yet to wash even a single one. So Cleaner A washes the first car, Cleaner B the second and so forth.
- In other areas it's on an open, winner takes it all, policy where the cleaner who convinces the motorist most washes the car. This sometimes can lead to confusion or very aggressive moments that some motorists are uncomfortable with.

In some cases motorists will insist they want their washed by particular cleaners because they love their services.

Whatever the method it's good to be clear to the cleaners what you prefer so that all flows smoothly and motorists are not confused.

Also make sure your cleaners are honest and they won't be tempted to steal anything from the customer's car. There have been cases where cleaners steal small items from the interior could be money, a tool like screw driver and jewelry. Insist on the need for honest and give that kind of assurance to your customers. Let not everything be "at your own risk"



## Revenue & Margins

*Actual Figures from a Standard Car Wash in Kariobangi Area, Nairobi*

<b>Prices (Kshs)</b>		
Washing a Saloon car -	200	
Upholstery -	100	
Engine cleaning –	200	
Vacuum Cleaning of the interior	150	
Buses/ lorries	500	
Motorcycle –	70	
Carpet cleaning –	100	
<b>Expenses (Kshs.) May 2014</b>		
3 cleaners @ Kshs.250 per day each –	22500	
Electricity -	7860	
Water -	4900	
Manager –	14,000	
Rent –	18,000	
Detergents –		1500
Miscellaneous-	7000	
<b>Total - 75760</b>		

**Total Sales in May 2014** – Kshs. 192,400

**Profit**

Kshs. 192,400 – Kshs. 75760 = **Kshs. 116,640**

**Notes:**

- The car wash has operated for almost 2 years - When it rains they harvest rain water.
- They wash an average of 20 saloon cars every day - They have no rumps, don't used specialized detergents
- Sometimes during weekends the owner motivates employees by paying them a commission of Kshs. 30 per car. This on top of their daily wage
- Opens everyday at 7AM and closes at 9PM



**Average Price of water** (Per cubic meter consumed. A cubic meter is 1000 liters)

*Nairobi* – Kshs. 53.80

*Ruiru* – Kshs.111

*Mombasa* – Kshs. 116



**Average amount of water used to wash a saloon car – 76 liters.** The exact amount will depend on the machine, the employees, the style of washing, the size of the car, the parts being washed.



**Average monthly Electricity consumption for a car wash serving 50 cars daily** – Kshs. 15,000. Again the exact amount will depend on the efficiencies in the car wash, including choice and power of machine, whether you alternate with petrol and the skill of the cleaners.



**Average Break Even point – 7 months. Will depend on location, services and charges.**



**Pricing**

Prices are based on competition, location, facilities, setting, standard of service and the general price trend within the region. Most motorists are comfortable able and willing to pay a fair price for having their car washed in the best way possible. Thus if in a good location lower prices will

not have a very positive impact on revenue. Depending on your services and setting there is room to charge a premium for higher standards, provided the premium is reasonable. When settling on the price considers labor, cost of water, rent, competition, setting and the leverage you have.

### Major Costs

- Rent
- Water
- Electricity / Fuel
- Labor

### Other costs

- Detergents
- Security
- Repairs

### Revenue and profits are influenced by:

- **Location** – A good location will attract more customers and thus higher revenue
- **Service** – Exceptional service will result to loyal customers, word of mouth and thus increased revenue. With great service there is also room to charge a premium
- **Variety** – There more services, beyond body wash, the higher likelihood the customer will spend more.
- **Management** – Good management prevents high revenue leakages. Poor management leads to revenue leakages, unresponsive marketing efforts and strategies and thus lower revenues. See more on management below.
- **Costs** - Higher costs eat into profit. The way you manage costs without affecting service will affect your revenue and profits



## Management

**Best Management Method** - When you as the owner is present to manage day to day operations. This way not only do you interact with customers, maintain and improve standards but also you monitor how many vehicles are washed in a day since there is no exact fool proof way to do this without trusted employees.

However a personal presence is not always possible and car wash owners use alternative methods

### Management Alternatives

- Have a trusted employee to act as manager
- Give employees a daily target. Say Kshs. 5000 per day. If they make Kshs. 7,000 then they keep the extra. This could be in addition to a daily wage that you give them.
- Pay employees a salary or daily wage rather than commissions. Some car owners say this reduces motive to steal, but it can be demoralizing if the traffic is high. There is no enough evidence to make a very good conclusion about this, and you have to experiment.
- Install CCTV cameras and monitor employees -. This is not fool proof, but it might help. Some car wash owners have been experimenting with it. One of the common complaints is that it's too much work viewing the CCTV footage just to count the number of vehicles. This may also de-motivate employees or they could find clever ways to outsmart you even with the CCTV cameras.

Monitoring is a big challenge especially without trusted employees. So seek to have a very trusted manager, use receipts (not fool proof but it helps) or be innovative in your management that you find some sort of middle ground where the employees have their take but you still make a profit.



## Manpower

Cleaning a car is a low skill job. Even for those doing it for the first time the learning curve is not steep. Still some proprietors prefer employees with some experience apparently because they work faster. Also they don't waste too much water and electricity. It's good to have at least one experienced cleaner in your team of cleaners.

### Reward methods:



- **Commissions** – Workers paid a commission of the total cost of washing a car. Commission averages 20 % but ranges between 15% and 30%. This method is supposed to control cost, avoid losses if business is low and also motivate workers.
- **Daily Wage** - Some proprietors pay their employees a daily wage. This depends on location but ranges between Kshs. 150 and Kshs. 400
- **Salary** – A few people a monthly salary. This depends on the area, proprietor and the negotiating skills of the employee. Ranges between Kshs.4500 and Kshs. 8000.

Commission is the most common method used since it manages costs, makes employees motivated and work hard to attract and keep customers. On the other hand commissions sometimes lead to below par cleaning as cleaners try to finish fast and wash the next car on the queue.

### **Average Daily Take of Car Wash Cleaners in Nairobi Eastlands – Kshs. 400**



## **Consumer Behavior**

### **Consumers want:**

- Convenience
- Excellent and thorough service
- Speed
- At least some minimal level of comfort as they wait
- Fair Charges



## **Expansion**

There is not much room for expansion in the business. With increased competition and distribution of car washes, a standard car wash can only grow to some level. This does not mean

that a car wash business cannot be profitable, it can but it's the kind of business with a somehow revenue ceiling.

However this can change say with the introduction of something disruptive in the local market – the region where you are operating. For instance, a Car Salon, an automatic car wash on a busy high way. Or a kind of service than can't be easily replicated by the competition.

### **Level of risk**

With all factors constant and with right location, service this is a low risk business. On a scale of 0 to 100 %. Where 100 is the highest risk we rate it at 40%. You can fail but with the right of the critical factors your chances of success are high.