

Mountain/West Coast Regional Breakdowns

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Two months ago, we began the first in a four-part series analyzing the fast lube industry by various regions. We take, as the basis for this analysis, *National Oil & Lube News'* annual Fast Lube Operators Survey, published this year in our August issue.

However, the national aspect of the survey often leaves fast lube operators scratching their heads, especially when their own averages do not match up very well with the national averages in the survey. That is why we take the time to break the survey down by region.

Rather than reproduce the entire Operators Survey, though, we

attempt to grasp the data most pertinent to fast lube operators. In doing so, we have eliminated topics like computers, advertising, keys to success and most profitable services. We have also cut questions from areas like add-on services, oil and equipment, employees and insurance. This leaves us with a concise yet thorough picture of the lube industry from var-

ious regions.

This year, we decided to publish two regions per month. In previous months, we discussed the Northeast, Southeast, Midwest and Southwest regions. This month, we will cover the Mountain and West Coast regions. Next month, we will compare results from all the regions.

We hope that you find the results of the following survey breakdowns useful.

Mountain

The region we have designated Mountain includes the states of Colorado, Idaho, Montana, Nevada, Utah and Wyoming. Though sparsely populated in many locales, the Mountain region contains many of the most thriving metropolitan areas in the country, including Denver, Colorado; Salt Lake City, Utah and Las Vegas, Nevada.

Fast lube operators from the Mountain region reported owning and running an average of 1.2 stores each, making it reasonable to assume that many operators in this region are single-store owners. Despite this, a full 28 percent of the lube operators from the Mountain states that responded to our survey indicated that their facilities are franchised, much higher than the national average of 16 percent.

Additionally, only 57 percent of Mountain region fast lube operators are a member of a lube industry trade association, 11 points lower than the national average.

The average Mountain region lube operator has been in business for 10.4 years, more than two years more than the same figure nationally.

Competition in the region appears to be fairly intense, with lube operators reporting an average of 2.9 other fast lubes within three miles of their best store, and an average of 6.0 oil change facilities within three miles of their best store. Nationally, those figures are 2.4 and 5.4 respectively.

Almost nine in 10 Mountain region lube operators reported that their competitors discount oil changes, to the average tune of \$4.25. However, only 55 percent of Mountain lube operators reported discounting their own oil changes, and did so by an average of only

Regional Breakdowns

of Fourteenth Annual Fast Lube Operator's Survey

Mountain:
Colorado, Idaho, Montana,
Nevada, Utah, Wyoming

West Coast:
Alaska, California,
Hawaii, Oregon, Washington

Operations

| | National | Mountain | West Coast |
|--|-----------|-----------|------------|
| Number of facilities per response | 2.0 | 1.2 | 2.2 |
| Independent/company-owned facilities | 84% | 72% | 91% |
| Franchised facilities | 16% | 28% | 9% |
| Member of fast lube trade association | 66% | 57% | 42% |
| Years in the fast lube business | 8.1 yrs | 10.4 yrs | 7.1 yrs |
| Number of bays per facility | 2.8 | 2.6 | 2.8 |
| Time required to perform a lube, oil & filter (LOF) | 11 min | 10 min | 13 min |
| Fast lubes within three miles of respondent | 2.4 | 2.9 | 2.2 |
| Oil change facilities within three miles of respondent | 5.4 | 6.0 | 5.4 |
| Competitors discounting their oil changes..... | 83% | 89% | 94% |
| How much | \$4.94 | \$4.25 | \$5.66 |
| Operators discounting their own oil changes | 62% | 55% | 76% |
| How much | \$3.59 | \$2.71 | \$3.56 |
| Population within three-mile radius of operator's best store | 28,324 | 29,821 | 29,118 |
| Customer base: | | | |
| low income | 5% | 0% | 4% |
| average income | 81% | 76% | 94% |
| high income | 14% | 24% | 2% |
| Number of stores operator will open in next 12 months | 0.4 | 0.3 | 0.3 |
| Percent of business that is repeat | 70% | 66% | 73% |
| Operators planning to sell their facilities next year | 8% | 5% | 6% |
| within five years | 21% | 26% | 10% |
| Price of basic lube, oil & filter | \$25.35 | \$26.98 | \$27.21 |
| Cost of goods sold for LOF | \$8.54 | \$8.42 | \$8.79 |
| Operators who offer up-scale/premium LOF | 70% | 67% | 83% |
| Price of up-scale/premium LOF, if offered | \$38.03 | \$45.68 | \$41.16 |
| Operators increasing LOF price in the past 12 months | 66% | 48% | 52% |
| Amount | \$1.46 | \$1.75 | \$1.36 |
| Ticket total | \$36.66 | \$40.66 | \$41.53 |
| Number of cars serviced per day..... | 41.4 | 40.3 | 39.0 |
| Break-even car count..... | 26.7 | 26.0 | 26.6 |
| Hours open each week | 59 | 61 | 58 |
| Days open each year | 320 | 320 | 326 |
| Building cost for most recent fast lube | \$273,857 | \$298,375 | \$298,129 |
| Land cost for most recent fast lube | \$145,177 | \$105,667 | \$167,514 |
| Customer base that is female | 51% | 49% | 49% |
| Operators reporting customers extending o/c intervals..... | 88% | 81% | 87% |
| Miles customers drive between oil changes | 4,409 | 4,443 | 4,484 |
| Mention 3,000-mile intervals in advertising | 86% | 76% | 85% |

\$2.71. Nationally, 62 percent of operators reported discounting their oil changes, to the tune of \$3.59.

The customer base in the Mountain region is, according to the operators who responded to our survey, fairly wealthy. Lube operators reported that a full 24 percent of their customers fall into the high income bracket, while zero percent fall into the low income bracket.

In the Mountain region, lube operators reported their average lube, oil and filter (LOF) price was \$26.98, more than \$1.60 higher than the national average. Two-thirds of Mountain lube operators offer up-scale oil changes, and charge an average of \$45.68 for that service, a whopping \$7.65 more than the national average.

Mountain region lube operators report an average ticket total of \$40.66, which is \$4 higher than the national average. However, that is partially offset by a lower-than-average car count of 40.3 cars per day.

Sixty-two percent of Mountain fast lubes report yearly sales of more than \$400,000. Of those sales, 29.2 percent is used for payroll, 12.5 percent for lease/mortgage, 26.4 percent for goods sold, 16.6 percent for operations, 3.1 percent for 'Other' and the remaining 12.1 percent for net profit. The profit margin is 1 percentage point lower than the national average.

On average, Mountain lubes pay their lube techs \$8.26 per hour, while paying their managers an average of \$36,176 per year. Both figures are significantly more than the national average.

Almost three-quarters of Mountain fast lubes burn used oil for heating purposes, understandable given the often-frigid mountain winters. Despite that, 66 percent of operators report that they are also paid for disposal of their used oil.

Motor oil market share in the Mountain region is similar to that found nationwide. Fully 26.6 percent of the lube operators from the region reported that Pennzoil is their house motor oil. Twenty percent reported that Havoline is their house oil, and 20 percent more reported that Valvoline is. Mobil is the house oil in 13.3 percent of the lubes that reported to our survey, as is Quaker State. Other oil brands were noted by the remaining 6.8 percent of lube operators that responded to our sur-

vey. Service packages are big among Mountain region lube operators, with 80 percent of responding lube owners reporting they offer the item. Popular services among Mountain fast lubes are mechanical coolant flushes, water-repellent glass treatments, fuel injector cleaning, fuel filter replacement, serpentine belt replacement and cabin air filter replacement. Services that are not as popular in the Mountain region as

they are nationally include tire rotations, wheel balancing, chemical engine flushes, power steering flushes and hose replacement. Finally, 38 percent of Mountain region lube operators reported owning an on-site carwash in addition to their lubes. Only 18 percent of those operators offer the carwash free with a lube service. However, only 6 percent of lube operators who do not own a carwash plan to add one in the future.

Joel Present owns a Texaco Xpress Lube in Las Vegas, Nevada. Present said that his car counts are down 10 percent during the last year, and profits have fallen due to increased costs. Though competition is moderate, the formerly robust Las Vegas economy has fallen severely in the wake of the recent terrorist attacks.

West Coast

The region we designate West Coast includes the states of Alaska,

California, Hawaii, Oregon and Washington. Operators in these states report owning an average of 2.2 facilities each, slightly higher than the national average. Interestingly, 91 percent of the lube operators who responded to our survey told us they are independents, meaning only 9 percent run franchised stores. Despite this, only 42 percent of West Coast lube operators belong to a lube industry trade association.

West Coast lube operators report average to slightly less-than-average competition, but report that 94 percent of their competitors discount their oil changes, to the tune of \$5.66. Both figures are significantly higher than the national average.

For their part, 76 percent of West Coast lube operators reported discounting their own oil changes, and did so by an average of \$3.56.

The West Coast customer base is mostly middle class, as evidenced by the fact that lube operators reported that 94 percent of their customers fall into the average income bracket.

Only 6 percent of West Coast lube operators reported plans to sell their facilities within the next year, and only 10 percent reported plans to sell within five years. Both figures are less than the national average.

The average price for an oil change on the West Coast is \$27.21, while the cost of good sold is \$8.79. Both figures are higher than the national average.

More than four of five West Coast operators offer an up-scale oil change, charging an average of \$41.16 for the service.

Average ticket totals on the West Coast were reported to be \$41.53, nearly \$5 higher than the same figure nationally. That, much like in the Mountain states, is offset by a lower-than-average car count of 39.0 cars per day.

West Coast fast lubes are open one week, on average, more than their national counterparts.

Most people know that real estate is expensive on the West Coast, explaining why both land and building costs for lube operators in the region are significantly higher than average.

Other costs are also higher than average, but only slightly.

West Coast lubes report paying their lube techs an average of \$7.98 per hour, and their managers an aver-

Sales

| | National | Mountain | West Coast |
|---|-----------|-----------|------------|
| % of gross sales used for: | | | |
| Payroll | 27.7% | 29.2% | 31.8% |
| Lease/Mortgage | 11.1% | 12.5% | 11.9% |
| COGS | 27.5% | 26.4% | 28.6% |
| Net Profit | 13.1% | 12.1% | 8.8% |
| Operations | 16.3% | 16.6% | 15.6% |
| Other | 4.3% | 3.1% | 3.2% |
| Yearly sales per store (number of employees): | | | |
| \$0 - \$200,000 | 10% (3.9) | 9% (3.3) | 9% (2.8) |
| \$200,000 - \$400,000 | 26% (5.7) | 29% (5.3) | 19% (6.0) |
| \$400,000 - \$600,000 | 32% (7.3) | 21% (5.8) | 51% (7.4) |
| \$600,000 - up | 31% (9.9) | 41% (9.2) | 21% (8.0) |

Oil & Equipment

| | National | Mountain | West Coast |
|---|----------|----------|------------|
| Percentage of total sales represented by #1 brand of oil | 81% | 73% | 85% |
| Percentage of customers committed to a specific brand of oil | 46% | 36% | 42% |
| Operations that implement used oil for heating purposes | 28% | 72% | 12% |
| Percentage of pits equipped with safety covers | 70% | 73% | 70% |
| Facilities using a filter crusher | 52% | 86% | 62% |
| Operations that accept used oil from DIYers | 71% | 76% | 74% |
| Operations that accept used oil filters from DIYers | 52% | 68% | 48% |
| Operations that charge fee for accepting DIY used oil/oil filters | 4% | 9% | 4% |
| Operators being paid for used oil..... | 57% | 66% | 42% |
| How much | \$0.12 | * | \$0.10 |
| Operations that have had gov't tank inspections | 39% | 86% | 49% |
| Type(s) of tank(s) used: | | | |
| Underground | 11% | 6% | 4% |
| Aboveground | 89% | 94% | 96% |
| Operations that invoice customers for environmental fees | 44% | 82% | 29% |
| Amount | \$1.32 | \$1.44 | \$1.48 |
| Per gallon cost of highest volume bulk oil | \$4.20 | \$4.21 | \$4.16 |
| Percentage of customers that buy synthetic lubricants | 7% | 7% | 6% |
| Portion of overall sales made up of fleet accounts | 11% | 9% | 12% |

Motor Oil Market Share

| | National | Mountain | West Coast |
|-------------------|----------|------------------------|-----------------------|
| Pennzoil..... | 25.4% | Pennzoil26.6% | Quaker State....34.4% |
| Valvoline..... | 18.9% | Havoline20.0% | Chevron....20.3% |
| Havoline..... | 15.6% | Valvoline20.0% | Havoline....17.2% |
| Mobile..... | 10.9% | Mobil13.3% | Pennzoil....14.1% |
| Castrol..... | 10.7% | Quaker State13.3% | Others....14.0% |
| Quaker State..... | 9.6% | Others6.8% | |
| Others..... | 8.9% | | |

Insurance

| | National | Mountain | West Coast |
|--|----------|----------|------------|
| Workers' Comp rate (per \$100 of payroll): | | | |
| for techs..... | \$3.98 | \$3.47 | \$4.37 |
| for clerks..... | \$1.59 | \$1.24 | \$3.02 |
| Annual cost of insuring a fast lube facility | \$4,361 | \$3,883 | \$3,876 |

age of \$32,579 per year.

Still, these figures help account for a payroll percentage that is quite high. West Coast lube operators report spending 31.8 percent of their gross sales on payroll, more than 4 percentage points higher than the national average. Cost of goods accounts for 28.6 percent of gross sales, while lease/mortgage accounts for 11.9 percent of sales. Operations accounts for 15.6 percent, 'Other' accounts for 3.2 percent, leaving a net profit percentage of 8.8 percent, according to the lube operators who responded to our survey. That profit margin is one of the lowest in the country.

However, the pain of a low profit margin is eased by high sales. Fully

72 percent of West Coast lube operators reported yearly sales of more than \$400,000.

Only 12 percent of lube operators in the temperate West Coast burn used oil for heating purposes, but only 42 percent in the especially environmentally conscious part of the country are paid for their used oil, and only 10 cents per gallon at that.

In the motor oil market share arena, Quaker State comes out on top. More than one-third (34.4 percent) of lube operators from the West Coast that responded to our survey indicated Quaker State is their house motor oil brand. One in five (20.3 percent) indicated Chevron is their house oil, while 17.2 percent indicat-

ed Havoline as their house oil and 14.1 percent indicated Pennzoil as their house oil. Other oils accounted for the remaining 14.0 percent.

For the most part, West Coast lube operators are on par with their national counterparts as far as offering services is concerned. However, they are ahead of the curve in offering mechanized engine cleaning systems, power steering flushes and cabin air filter replacement.

More than two in five (42 percent) of West Coast lube operators reported owning an on-site carwash, with an equal part being full service and in-bay automatic carwashes. Only 19 percent offer the carwash free with an oil change. And, somewhat surprisingly, only 6 percent of lube opera-

tors who do not own a carwash plan to add one in the future.

Jeffrey Paul owns two Fashion Square Car Wash centers in the Sherman Oaks, California area. According to Paul, car counts have remained steady this year, while profits have risen, despite a fair economy and heavy competition. Other West Coast operators echoed Paul's reports.

"Our car counts have pretty much plateaued this year," said Brian Seiler, owner of Sandy Car Care Center in Sandy, Oregon. "Cost of goods has increased this year almost 40 cents per gallon, driving us to raise prices on most services and on our full service oil change."

According to Seiler, profits are up 10 percent largely due to more add-on sales and services.

"Labor costs in Oregon are pretty high," he said. "With the minimum wage in Oregon at \$6.50 per hour, it causes us to have a base wage of \$8 per hour for lube techs."

Seiler reported light competition, and a fairly strong economy — at least until recently.

"Until Labor Day and the terrorist attack, the economy here was fairly strong," Seiler said. "The past month it has been a different story. We have a large hi-tech industry in the Portland area, as well as a Boeing parts plant and a large Freightliner plant. There have been many announcements of cutbacks and layoffs, so things are slowing very fast."

Despite that, Seiler said the lube business in his area is staying pretty strong, with little room for new store development.

"Most (growth) activity is happening by acquisition of existing businesses," he said.

Kent Parrish owns an Econo Lube N' Tune in Oceanside, California. According to Parrish, car counts remained stable and profits rose during the last year in a stable, yet cautious, economy. Despite heavy competition, Parrish said his facility has seen business grow.

"Profits are up because we are doing a better job," he said. "The environment is tightening for lube operators. There is a lot of competition. A lot of small operators have created jobs for themselves instead of building a business."

Still, Parrish said that, for his business, things will continue to improve. ♦

Services

| | National | | Mountain | | West Coast | |
|---|-----------------------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|
| | Percentage of Operators who Offer | Avg. Price of Service | Percentage who offer | Avg. Price of Service | Percentage who offer | Avg. Price of Service |
| Offer service package | 63% | | 80% | | 66% | |
| Mechanical full-block coolant flushes..... | 81% | \$52.28 | 88% | \$79.59 | 82% | \$58.98 |
| Windshield wipers/blades replacement | 97% | \$12.57 | 98% | \$13.06 | 98% | \$11.40 |
| Water-repellent glass treatments | 45% | \$9.34 | 68% | * | 27% | * |
| Differential service | 96% | \$22.89 | 100% | \$22.25 | 100% | \$22.05 |
| Breather replacement..... | 93% | \$5.27 | 98% | \$5.32 | 96% | \$4.31 |
| PCV replacement..... | 88% | \$5.67† | 88% | \$5.53 | 85% | \$5.89 |
| Windshield repair | 10% | \$38.51 | 8% | * | 8% | * |
| Additive sales | 84% | \$12.37 | 90% | \$13.25 | 85% | \$11.82 |
| Air conditioner recharge..... | 39% | \$91.48 | 70% | * | 53% | * |
| Tire rotation | 59% | \$15.55 | 48% | * | 72% | \$15.42 |
| Wheel balancing..... | 19% | \$30.17 | 2% | * | 14% | * |
| Light replacement..... | 79% | \$10.43 | 88% | \$12.54 | 82% | \$8.19 |
| Fuel injector cleaning | 75% | \$48.24 | 84% | \$46.23 | 81% | \$46.17 |
| Fuel filter replacement | 66% | \$28.10 | 82% | \$27.78 | 86% | \$29.35 |
| Serpentine belt replacement | 87% | \$49.78 | 94% | \$54.99 | 94% | \$51.49 |
| Chemical engine flush | 62% | \$15.07 | 30% | \$15.05 | 81% | \$12.48 |
| Mechanized engine cleaning system | 12% | \$75.11† | * | * | 27% | * |
| Power steering flush..... | 30% | \$43.89 | 16% | * | 55% | \$42.02 |
| Mechanical ATF exchange..... | 91% | \$76.50 | 94% | \$79.59 | 87% | \$78.60 |
| Cabin air filter replacement | 44% | \$29.90 | 58% | * | 59% | * |
| Radiator, heater, air conditioner hose replacement..... | 26% | \$38.38 | 12% | * | 44% | * |
| Air filter replacement..... | 100% | \$11.69 | 100% | \$11.76 | 100% | \$12.50 |

* insufficient data to calculate

† figures obtained from response rate of less than 5%

Employees

| | National | Mountain | West Coast |
|--|----------|----------|------------|
| Average age of lube technicians..... | 25 yrs | 25 yrs | 25 yrs |
| Average length of employment for managers | 4.9 yrs | 5.1 yrs | 4.6 yrs |
| Average length of employment for technicians | 2.1 yrs | 1.9 yrs | 2.4 yrs |
| Average hourly rate paid to lube techs | \$7.75 | \$8.26 | \$7.98 |
| Average hourly salary paid to manager | \$32,416 | \$36,176 | \$32,579 |

Carwash

| | National | Mountain | West Coast |
|--|----------|----------|------------|
| Percentage of lube operations offering on-site carwashes | 33% | 38% | 42% |
| Type of carwash: | | | |
| Full service | 31% | * | 42% |
| Exterior tunnel | 21% | * | 15% |
| In-bay automatic | 44% | * | 42% |
| Self service | 4% | * | 0% |
| Percentage that offer free carwash with lube service | 42% | 18% | 19% |
| Operators planning to add a carwash to an existing fast lube in the future | 22% | 6% | 6% |