

# Northeast, Southeast Regional Breakdown

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National Oil & Lube News' annual Fast Lube Operators Survey, published this year in our August issue, is one of the most complete looks at the fast lube industry available.

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 at NOLN take the time to break the survey down by region, compiling information into groups.

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 various regions.

This year, we decided to publish

two regions per month. Starting from a purely geographic perspective, this month we will discuss the regions we have labeled the Northeast and the Southeast. Next month, we will cover the Midwest and Southwest. In November, we will discuss results from the Mountain and West Coast states. Finally, in December, we will compare results from all the regions.

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

## Northeast Region

The region we have designated Northeast includes the states of: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont. It would also include the District of Columbia had we received any responses from that locale, but this year we did not.

Comparing results from fast lube operators in the Northeast with the 'average' fast lube outlined in our Operators Survey, we find many interesting facts.

For starters, lube operators in the Northeast own more fast lubes than the national average. In that region, lube operators reported owning an average of 2.5 stores each. Nationally, lube operators own an average of 2.0 stores each.

Northeastern lube operators apparently also face less competition than most operators around the country. According to our regional breakdown, fast lubes operators in the Northeast compete with an average of 1.9 fast lubes within three miles of their own facilities. Nationally, lube operators have 2.4 stores within that same radius. Likewise, Northeastern operators reported an average of 4.7 other facilities where oil can be changed surrounding their stores. Nationally, the figure is 5.4 oil change facilities.

One very interesting fact that jumps from the Northeast breakdown is discounts. Northeastern lube operators reported that only 61 percent of their competitors discount their oil change, compared to 83 percent nationally. And, those competitors who do discount their oil changes do so by an average of \$5.03, slightly above the national average of \$4.94. It comes as no surprise that only 37 percent of Northeastern lube operators discount their own oil changes, well below the national average of 62 percent.

## Regional Breakdowns

### of Fourteenth Annual Fast Lube Operator's Survey

#### Northeast Regional Breakdown:

Connecticut, Delaware, Maine, Maryland,  
Massachusetts, New Hampshire,  
New Jersey, New York, Pennsylvania,  
Rhode Island, Vermont

#### Southeast Regional Breakdown:

Alabama, Arkansas, Florida, Georgia,  
Kentucky, Louisiana, Mississippi,  
North Carolina, South Carolina,  
Tennessee, Virginia, West Virginia

## Operations

	National	Northeast	Southeast
Number of facilities per response .....	2.0	2.5	1.8
Independent/company-owned facilities .....	84%	84%	88%
Franchised facilities .....	16%	16%	12%
Member of fast lube trade association .....	66%	62%	52%
Years in the fast lube business .....	8.1 yrs	8.5 yrs	6.7 yrs
Number of bays per facility .....	2.8	2.9	3.0
Time required to perform a lube, oil & filter (LOF) .....	11 min	10 min	10 min
Fast lubes within three miles of respondent .....	2.4	1.9	2.5
Oil change facilities within three miles of respondent .....	5.4	4.7	5.1
Competitors discounting their oil changes .....	83%	61%	88%
How much .....	\$4.94	\$5.03	\$5.00
Operators discounting their own oil changes .....	62%	37%	67%
How much .....	\$3.59	\$4.57	\$3.25
Population within three-mile radius of operator's best store .....	28,324	45,440	25,659
Customer base:			
low income .....	5%	2%	11%
average income .....	81%	81%	81%
high income .....	14%	17%	8%
Number of stores operator will open in next 12 months .....	0.4	0.7	0.7
Percent of business that is repeat .....	70%	71%	67%
Operators planning to sell their facilities next year .....	8%	4%	8%
within five years .....	21%	15%	27%
Price of basic lube, oil & filter .....	\$25.35	\$25.64	\$24.54
Cost of goods sold for LOF .....	\$8.54	\$7.89	\$8.27
Operators who offer up-scale/premium LOF .....	70%	65%	54%
Price of up-scale/premium LOF, if offered .....	\$38.03	\$40.07	\$34.98
Operators increasing LOF price in the past 12 months .....	66%	84%	51%
Amount .....	\$1.46	\$1.27	\$1.39
Ticket total .....	\$36.66	\$38.20	\$35.72
Number of cars serviced per day .....	41.4	47.2	37.7
Break-even car count .....	26.7	29.1	23.9
Hours open each week .....	59	62	57
Days open each year .....	320	322	316
Building cost for most recent fast lube .....	\$273,857	\$259,133	\$253,585
Land cost for most recent fast lube .....	\$145,177	\$183,917	\$140,878
Customer base that is female .....	51%	52%	51%
Operators reporting customers extending o/c intervals .....	88%	96%	88%
Miles customers drive between oil changes .....	4,409	4,435	4,324
Mention 3,000-mile intervals in advertising .....	86%	88%	88%

However, what is surprising is the amount of the discount. Operators from this region who reportedly discount their oil changes do so by an average of \$4.57 per service, almost \$1 more than the national average.

The Northeast being the oldest and most urban region in the country, it comes as no surprise that lube operators from this part of the country report an average of 45,440 people living within three miles of their best facility. Nationally, the population figure is only 28,324.

Apparently, lube operators from the Northeast are quite content with their businesses, as well. Only 4 percent of operators from the Northeast indicated they plan to sell their facilities within the next year, compared with 8 percent of lube operators nationally. Only 15 percent of lube operators in the Northeast plan to sell their facilities within five years, compared with 21 percent of operators from across the country.

Northeastern lube operators paid an average of \$7.89 for their cost of goods sold (COGS) expense last year, 65 cents less than the national average. And, 84 percent of lube operators from the region raised their lube, oil and filter (LOF) service price last year, compared with two-thirds of lube operators nationally.

Doing business in the heavily populated Northeast allows the average fast lube from that area to maintain a car count of 47.2, far above the national average car count of 41.4. Unfortunately, 96 percent of lube operators from the Northeast report their customers are extending their oil change intervals (compared with 88 percent nationally). Fast lube customers in the Northeast drive an average of 4,435 miles between oil changes.

An interesting finding from the Northeast regional analysis is that lube operators in this region report a profit margin of only 11.2 percent, almost 2 percent points less than the national average, despite having lower payroll expenditure and lower COGS. However, Northeastern fast lubes do spend substantially more than average on their lease and/or mortgage, and their operations and miscellaneous expenses.

Under the Oil & Equipment category, Northeast lube operators report that 94 percent of their total sales consists of their house motor oil, and 52 percent of their customers are committed to a specific brand of motor oil.

It is no surprise that in the often-cold Northeast, 56 percent of lube

facilities make use of their used oil by burning it in heaters. Also, in the environmentally conscious Northeast, 94 percent of lube operators accept used oil from do-it-yourselfers (DIYers), and 76 percent accept used oil filters from DIYers. Plus, only 3 percent of fast lubes charge a fee for accepting either product. Nationally, 71 percent of lubes accept DIYer used oil and 52 percent accept DIYer used oil filters.

Two-thirds of Northeastern fast lubes charge their customers an environmental fee (compared with only 44

percent that do so nationally), but the cost is a mild \$1.04, 28 cents cheaper than the national average.

Surprisingly, fleet accounts make up only 8.3 percent of total sales for Northeast fast lubes, well below the 10.6 percent of sales nationally.

This year, we calculated motor oil market share among fast lubes based on a lube's house motor oil. According to those lube operators that responded, in the Northeast, we found that Castrol was reported to be the most popular brand, with 28.2 percent of

lube operators labeling it their 'house' motor oil. It was followed by Valvoline with 25.6 percent, Pennzoil with 14.1 percent, Quaker State with 10.3 percent and Mobil with 9.0 percent of the market. All other motor oils combined made up 12.8 percent of the 'house' motor oil market.

Under the Employees heading, we found that Northeast lube managers work for an employer longer than the national average, remaining at their jobs an average of 5.4 years. Surprisingly, these same managers

## Sales

	National	Northeast	Southeast
% of gross sales used for:			
Payroll .....	27.7%	25.9%	26.3%
Lease/Mortgage .....	11.1%	13.9%	10.9%
COGS .....	27.5%	23.4%	27.4%
Net Profit .....	13.1%	11.2%	14.8%
Operations .....	16.3%	18.2%	15.5%
Other .....	4.3%	7.3%	5.2%
Yearly sales per store (number of employees):			
\$0 - \$200,000 .....	10% (3.9)	9% (3.6)	14% (4.8)
\$200,000 - \$400,000 .....	26% (5.7)	27% (7.3)	28% (5.2)
\$400,000 - \$600,000 .....	32% (7.3)	37% (7.2)	32% (6.9)
\$600,000 - up .....	31% (9.9)	27% (8.0)	26% (10.6)

## Oil & Equipment

	National	Northeast	Southeast
Percentage of total sales represented by #1 brand of oil .....	81%	94%	81%
Percentage of customers committed to a specific brand of oil .....	46%	52%	53%
Operations that implement used oil for heating purposes .....	28%	56%	14%
Percentage of pits equipped with safety covers .....	70%	60%	75%
Facilities using a filter crusher .....	52%	45%	61%
Operations that accept used oil from DIYers .....	71%	94%	79%
Operations that accept used oil filters from DIYers .....	52%	76%	62%
Operations that charge fee for accepting DIY used oil/oil filters .....	4%	3%	2%
Operators being paid for used oil.....	57%	59%	68%
How much .....	\$0.12	\$0.13	\$0.11
Operations that have had gov't tank inspections .....	39%	59%	21%
Type(s) of tank(s) used:			
Underground .....	11%	12%	17%
Aboveground .....	89%	88%	83%
Operations that invoice customers for environmental fees .....	44%	67%	31%
Amount .....	\$1.32	\$1.04	\$1.15
Per gallon cost of highest volume bulk oil .....	\$4.20	\$3.91	\$4.29
Percentage of customers that buy synthetic lubricants .....	7%	7%	8%
Portion of overall sales made up of fleet accounts .....	10.6%	8.3%	12.5%

## Motor Oil Market Share

	National	Northeast	Southeast
Pennzoil ....	25.4%	Castrol ....28.2%	Havoline ..29.9%
Valvoline ....	18.9%	Valvoline ....25.6%	Valvoline ..28.3%
Havoline ....	15.6%	Pennzoil ....14.1%	Pennzoil ..16.5%
Mobil ....	10.9%	Quaker State ....10.3%	Mobil ..10.2%
Castrol ....	10.7%	Mobil .....9.0%	Castrol ....9.4%
Quaker State .....	9.6%	Others ....12.8%	Others ....5.7%
Others .....	8.9%		

## Insurance

	National	Northeast	Southeast
Workers' Comp rate (per \$100 of payroll): for techs .....	\$3.98	\$3.90	\$4.11
for clerks .....	\$1.59	\$1.10	\$1.40
Annual cost of insuring a fast lube facility .....	\$4,361	\$4,510	\$4,286

earn almost \$1,000 less than the national average.

Our breakdown found that 35 percent of Northeast lube operators have carwashes at their facilities, the most popular being the in-bay automatic carwash. Almost three-quarters of those with carwashes at their facilities reported using this type of carwash. Carwashes are so popular in the Northeast, in fact, that 40 percent of lube operators who did not have a carwash at their facility planned to add one in the future.

Finally, we come to the realm of add-on services, where regional differences become readily apparent. For instance, only 11 percent of Northeastern lube operators offer air conditioner recharging as an add-on

service, compared with 39 percent of lube operators across the country. But, 84 percent of Northeastern lubes offer tire rotations, compared with only 59 percent of lubes that do so nationally.

An area in which Northeastern lube operators have clearly excelled is in mechanical services. One in five Northeastern lubes offers mechanical engine flushes, compared with only 12 percent that do so nationally. Likewise, 45 percent of Northeastern lubes offer power steering flushes as an add-on, compared with only 30 percent of lubes that do so nationally.

### Southeast Region

The region of the country we termed the Southeast consists of the states of Alabama, Arkansas, Florida,

Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia.

For the most part, lube operations in the Southeast are quite similar to operations anywhere in the country, with a few obvious exceptions.

Take independence, for instance. Only 12 percent of Southeastern fast lubes are reportedly franchises, compared with 16 percent that are franchised nationally. Similarly, only slightly more than half of Southeastern lube operators belong to an industry trade association, compared with almost two-thirds of lube operators nationally. As competition increases, though, these numbers could change.

“I think the best way I could describe the state of the quick lube business in our area is just that there is only so much of the pie,” said Steve Allison, owner of eight Texaco Xpress Lubes in South Carolina. “It seems like there is a new competitor every month or so, and there is only so much of the pie that can go around. I just hope that the economy does start to get better, and people feel more confident about spending money. If they feel more confident, they will travel more, go on vacation and spend more money in our marketplace. Obviously as some of these independent fast lubes have trouble competing with some of the major players, there just won’t be enough pie for some of them and they will get bought out and converted by the bigger players. I am already seeing some of this happen around the country.”

Southeastern lube operators are fairly new to the industry, having been in business an average of 6.7 years, compared with the national average of 8.1 years.

Unlike the urban Northeast, the more rural Southeast has much smaller towns, accounting for the lower-than-average populations surrounding Southeastern fast lubes, an average of 25,659 people to be exact. Further, lube customers in the Southeast tend to be less wealthy than typical lube customers, as Southeastern operators report that 11 percent of their customers come from low-income families, compared with only 5 percent of customers who fall into that bracket nationally.

That could account for the fact that only 54 percent of Southeastern lube operators offer an upscale or premium oil change package compared with the national average of 70 percent. Those Southeastern operators who offer premium oil changes also charge an average of \$3 less than the national operators.

Lube operators in the more rural Southeast service an average of 37.7 cars per day, almost four cars per day less than the national average.

“Car counts have dropped at a couple of locations over last year, but the others are really just holding their own,” said Allison. “The numbers are really just about the same as the same period last year.”

Other operators in the Southeast fared better where car counts are concerned.

“My car counts are up over the past year mainly because of my efforts to expand my fleet business,” said Merrill Andrew, operator of three Lube Xpress facilities in the Greenville,

## Services

	National		Northeast		Southeast	
	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%		54%		56%	
Mechanical full-block coolant flushes	81%	\$52.28	82%	\$49.20	87%	\$50.82
Windshield wipers/blades replacement	97%	\$12.57	100%	\$13.04	98%	\$13.02
Water-repellent glass treatments	45%	\$9.34	51%	\$9.81	33%	\$8.57
Differential service	96%	\$22.89	93%	\$25.79	96%	\$24.09
Breather replacement	93%	\$5.27	96%	\$4.95	91%	\$6.00
PCV replacement	88%	\$5.67†	89%	\$6.28	90%	\$5.83
Windshield repair	10%	\$38.51	22%	*	10%	\$33.97
Additive sales	84%	\$12.37	93%	\$9.92	77%	\$12.58
Air conditioner recharge	39%	\$91.48	11%	\$122.49	42%	\$78.54
Tire rotation	59%	\$15.55	84%	\$15.55	72%	\$16.00
Wheel balancing	19%	\$30.17	16%	\$28.15	34%	\$30.38
Light replacement	79%	\$10.43	82%	\$12.65	68%	\$8.68
Fuel injector cleaning	75%	\$48.24	84%	\$55.37	85%	\$47.62
Fuel filter replacement	66%	\$28.10	56%	\$30.60	70%	\$28.19
Serpentine belt replacement	87%	\$49.78	70%	\$47.92	90%	\$50.01
Chemical engine flush	62%	\$15.07	41%	\$13.48	59%	\$20.25
Mechanized engine cleaning system	12%	\$75.11†	20%	\$86.22	8%	\$76.79
Power steering flush	30%	\$43.89	45%	*	15%	\$52.64
Mechanical ATF exchange	91%	\$76.50	89%	\$79.73	91%	\$77.15
Cabin air filter replacement	44%	\$29.90	52%	\$25.54	44%	\$29.40
Radiator, heater, air conditioner hose replacement	26%	\$38.38	13%	*	39%	\$45.47
Air filter replacement	100%	\$11.69	100%	\$12.70	99%	\$11.60

\* insufficient data to calculate

† figures obtained from response rate of less than 5%

## Employees

	National	Northeast	Southeast
Average age of lube technicians	25 yrs	25 yrs	25 yrs
Average length of employment for managers	4.9 yrs	5.4 yrs	4.0 yrs
Average length of employment for technicians	2.1 yrs	2.2 yrs	2.5 yrs
Average hourly rate paid to lube techs	\$7.75	\$7.88	\$7.54
Average hourly salary paid to manager	\$32,416	\$31,540	\$32,973

## Carwash

	National	Northeast	Southeast
Percentage of lube operations offering on-site carwashes	33%	35%	25%
Type of carwash:			
Full service	31%	22%	29%
Exterior tunnel	21%	4%	21%
In-bay automatic	44%	74%	46%
Self service	4%	0%	4%
Percentage that offer free carwash with lube service	42%	34%	57%
Operators planning to add a carwash to an existing fast lube in the future	22%	40%	19%

Tennessee area. "My profits are up because of an increase in price earlier this year."

Despite lower-than-national-average car counts, Southeastern lube operators still report a profit margin of 14.8 percent, almost 2 percentage points higher than the national average. Much of that has to do with their lower lease/mortgage payments, a lower-than-average payroll and a lower-than-average operations expense.

"Profits have actually stayed about the same as they were last year, but after talking to other operators around the country, they say that if you are at least doing what you did last year, you should be happy," Allison said. "One thing it has made us do is become more focused on our advertising and only staying with the advertising that has worked in the past, and not trying any new things. We have also taken a look at some of our expenses; like where we are buying some of our inventory items and trying to trim our cost of goods sold down to below 24 percent. We are looking at ways to keep our labor costs down around the 28 percent range. That figure includes the manager, assistant manager, and the entire crew at each location. It also includes payroll taxes, 80 percent health insurance for eligible employees and an IRA matching funds program. By focusing on every little thing we

have been spending money on, we have found a way to keep our profits in line even with the car count staying the same and the oil price always increasing. I think we had four price increases on our bulk oil in the last year."

James Albritton owns Master Lube Express in West Monro, Louisiana. According to Albritton, car counts at his facility rose 40 percent last year, leading to a corresponding increase in profits. Other operators have not been as lucky.

"Car counts have fallen due to a slowing economy and increased competition, and profits are down," said Michael Aldridge, owner of two Texaco Xpress Lube facilities in Memphis, Tennessee. "The economy has slowed, and high gas prices have caused consumers to drive less. Plus, competition is very heavy. In the last two years, there have been over 12 lube centers built in the area."

In the Southeast, lube operators reported their per-gallon cost for bulk oil to be \$4.29, 9 cents higher than the national average. Overall, though, Southeastern lubes maintain a COGS percent that is nearly identical to the national average.

One thing on which Southeastern lube companies have apparently done a very good job is marketing to fleets. According to the survey breakdown, fleet accounts make up 12.5 percent

of over-all sales at Southeastern fast lubes, almost 2 percentage points more than the national average.

Other items of interest under the Oil & Equipment heading: 53 percent of Southeastern fast lube customers are committed to a specific brand of oil, 7 percentage points more than the national average.

Motor oil market share for Southeastern lubes is as follows: Havoline leads the way, with 29.9 percent of Southeastern lube operators responding to our survey indicating it was their house brand. Valvoline followed with 28.3 percent, then Pennzoil with 16.5 percent, Mobil with 10.2 percent and Castrol with 9.4 percent. Other motor oil brands accounted for only 5.7 percent of house brands at fast lubes. Again, these figures are according to the responses we received.

In the often sunny Southeast, carwashes have not gained the popularity they have elsewhere. In fact, only one in four Southeastern lube operators reports having a carwash at his facility, and only 19 percent plan to add one in the future.

Glancing at the employees section of the survey results, a bit of irony arises. Despite a better-than-average salary for lube managers in the Southeast (\$32,973 versus the national average of \$32,416), managers stay at their job only an average of 4.0

years, almost one full year less than the national average. On the flip side, despite an average wage of \$7.54 per hour (or more than 20 cents per hour less than the national average), Southeastern lube techs stay at their jobs an average of 2.5 years, or almost 6 months longer than the national average.

Few things about the service offerings at Southeastern fast lubes stand out, though among those that do are the fact that almost three out of every four fast lubes in the region offers tire rotations, far above the national average of 59 percent. Furthermore, 39 percent of Southeastern fast lubes offer hose replacement as an add-on, compared with only 26 percent of lubes nationally.

Despite a slowing economy and growing competition, most fast lubes in both the Northeast and Southeast regions are doing well.

"My business is doing okay. Not great, but not bad either," said Andrew.

Other lube operators agreed.

"The overall outlook is stable," said Aldridge. "If you are asking would I build a lube at the present time, my answer would be no. I'm waiting to see if the economy can make a rebound." ♦