

# IN SEARCH OF LUBETOPIA

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## FOURTEENTH ANNUAL OPERATORS SURVEY RESULTS

**U**topia. It is a place of perfection, a Heaven-on-Earth where everyone is filled with joy and the streets are paved with gold. For millennia, man has searched for such a place. Francisco Coronado traveled the Southwest looking for the Seven Cities of Gold, alas to no avail. English explorers searched in vain for the legendary Shangri-La in the mountains of Nepal. And yet, the search for perfection, for a place where everything is perfect, continues.

Fast lube owners are no different. They, as businessmen and women, are constantly striving to find that place where their business will be perfect. It is a place we call 'Lubetopia!'

But how does one get to Lubetopia? It is first necessary to develop a map, with a set of coordinates marking the mythical place. That is where *National Oil & Lube News* comes in. Every year, we survey fast lube operators from across the country with one goal in mind — ascertaining the state of the industry. Once compiled and published, the survey can almost magically reveal what a lube operator must do to move his fast lube into Lubetopia.

To kick off our expedition, comprehensive survey questionnaires were inserted into our May issue and mailed to fast lube owners and operators across the

country. This year, we received responses from more than 300 lube operators representing more than 5,180 fast lubes, or approximately one-third of the entire fast lube industry's facility population.

In preparing our guide to Lubetopia, however, it was necessary to separate the results of our survey into two distinct groups. In one group we have those lube operators and companies owning and operating less than 30 stores (henceforth known as LT30 operations). The data from the LT30 category provide a realistic look at per-store operating averages for the fast lube industry. Think of LT30 operations as daring explorers, strapping on a backpack and heading out into the wilderness with nothing but a map and their wits to guide them.

It is because of LT30's per-store data that we compare their figures with figures from previous years in our survey. Also, for purposes of this article and unless specifically stated otherwise, all statistics will relate to LT30 operations.

In our second group, we have those lube companies with more than 30 stores (henceforth known as MT30 operations). The data from the MT30 category provides a look at how large fast lube companies are faring at a corporate level. Think of MT30 operations as explorers on a grand scale, hiring teams of

native guides, pack elephants and local militia to march their way towards Lubetopia in a grand-scale expedition.

To find fast lube perfection, it is necessary to follow a special path, one outlined by landmarks. So, grab your pack, lace your boots and cock your bush hat at a jaunty angle. We are off to find Lubetopia.



### LANDMARK I: OPERATIONS

Through the Jungle of the Daily Grind that is business today we spot our first landmark, a stone pillar named "Operations." This is perhaps the most important landmark we will see, because it gives us a glimpse into the world of an 'average' fast lube.

For instance, we see that an average fast lube operator has been in business 8.1 years. The average lube operator owns exactly two facilities. And, the average

operator's facilities have 2.8 bays each, a number that is 0.2 bays below the average of 3.0 bays per response that our survey has recorded each of the past three years. Could this mean that fast lubes are shrinking? Read on to find out.

The average fast lube has 2.4 other fast lubes within three miles, and 5.4 other oil change facilities within three miles. What is surprising about this is that last year, lube operators reported an average of 6.4 oil change facilities within three miles. In fact,

2001 marked the fifth straight year that lube operators reported less oil change competition than the previous year.

A recent study by Lang Marketing Resources affirms this. According to the study, there were an estimated 145,000 service stations and garages operating in mid-year 2000, a 36 percent decline during the last 20 years. Old-fashioned service stations and garages account for only 30.6 of the light vehicle service market today, having lost many of their cus-

tomers to quicker, more convenient fast lubes.

Fast lube operators reported that 83 percent of their competitors discount their oil change, and do so by a whopping \$4.94 per service. Sixty-two percent of lube operators reported that they discount their own oil changes, and do so by an average of \$3.59 per service.

Perhaps the most surprising element about this year's survey is the population figure. This year, respondents indicated to us that the population within a three-mile radius of their best store is only 28,324 people, almost 10,000 fewer individuals than last year. What does this mean? For starters, it means that more and more fast lubes are finding success in small towns, where competition is limited. This is reinforced in the competition figures noted above.

Continuing our look at the Operations landmark, we note that the average price for a lube, oil and filter (LOF) service has risen 64 cents from last year, to an average of \$25.35. In what is no doubt a statistical anomaly, MT30 operations reported an average LOF price of \$26.98, 23 cents cheaper than last year's figure of \$27.21.

The cost of goods for lube operators continues to rise. This year, costs of goods for a basic LOF service is an average of \$8.54, up a quarter from last year's average. Also a bit surprising, MT30 operations reported their costs to be \$8.25, up substantially from last year's average of \$6.91 and much more in line with the industry average.

Approximately 70 percent of fast lube operators offer premium LOF services in addition to their basis service, and charge an average of \$38.03 for it. By way of comparison, 80 percent of MT30 companies offer a premium LOF, and charge an average of \$43.

Rising oil and product prices were no doubt a contributing factor for the 66 percent of lube operators who raised their base LOF price last year, boosting the asking price an average of \$1.46. Likewise, 70 percent of MT30 companies raised LOF prices, doing so by an average of \$1.89. Before

# National Oil & Lube News

## Fourteenth Annual Fast Lube Survey Results

### GENERAL

Survey results for 2001 are shaded and are presented to the right in two categories. The first of the two shaded columns indicates results for operations reporting "Less than 30 stores." The second indicates results for those operations reporting "More than 30 stores." Results for 1997, 1998, 1999 and 2000 are for reference only and represent operations reporting "Less than 30 stores." The responses account for 5,181 facilities and include fast lube stores operating in all 50 states.

OPERATIONS	1997	1998	1999	2000	2001	
	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	More than 30 stores
Independent/company-owned facilities	.66%	.70%	.81%	.85%	.84%	.32%
Franchised facilities	.34%	.30%	.19%	.15%	.16%	.68%
Have attended a fast lube industry trade show	.59%	n/a	.70%	.68%	.66%	.90%
Member of fast lube trade association	.56%	n/a	.63%	.57%	.59%	.78%
Years in the fast lube business	7.3	8.7	7.1	7.6	8.1	20
Number of facilities per response	2.3	3.4	1.9	2.1	2.0	353
Number of bays per facility	2.9	3.0	3.0	3.0	2.8	3.0
Time guarantee: In 2001, 8% of operators offered a time guarantee. The average was 14 minutes.						
Fast lubes within three miles of respondent	3.0	2.7	2.2	2.4	2.4	*
Oil change facilities within three miles of respondent	7.6	7.2	6.7	6.4	5.4	*
Competitors discounting their oil changes	n/a	n/a	.87%	.90%	.83%	100%
How much	n/a	n/a	\$4.58	\$4.81	\$4.94	\$5.79
Operators discounting their own oil changes	n/a	n/a	.61%	.55%	.62%	.78%
How much	n/a	n/a	\$3.55	\$3.39	\$3.59	\$4.58
Population within three-mile radius of best store	42,144	37,489	40,388	38,051	28,324	*
Customer base: low income	n/a	.5%	.9%	.6%	.5%	.0%
average income	n/a	.74%	.79%	.77%	.81%	.75%
high income	n/a	.21%	.12%	.17%	.14%	.25%
Customer base that is female	n/a	n/a	n/a	n/a	.51%	.49%
Number of stores operator will open in next 12 months	1.7	0.8	0.5	0.4	0.4	22.8
Price of basic lube, oil & filter (LOF)	\$24.32	\$24.51	\$24.18	\$24.71	\$25.35	\$26.98
Cost of goods for LOF	\$8.29	\$7.64	\$7.98	\$8.29	\$8.54	\$8.25
Time required to perform a LOF	n/a	n/a	n/a	11 min	11 min	14 min
Operators who offer up-scale/premium LOF	n/a	n/a	n/a	.68%	.70%	.80%
Price, if offered	n/a	n/a	n/a	\$36.37	\$38.03	\$43.00
Operators increasing LOF price in the past 12 months	.35%	.26%	.29%	.72%	.66%	.70%
How much?	\$1.72	\$1.30	\$1.39	\$1.43	\$1.46	\$1.89
Ticket total	\$33.55	\$35.89	\$32.55	\$35.25	\$36.66	\$41.96
Number of cars serviced per day	44.9	42.3	41.6	40.6	41.4	43.0
Break-even car count	28.6	29.6	28.9	26.6	26.7	28.7
Hours open each week	62	63	59	59	59	62
Days open each year	n/a	n/a	n/a	n/a	320	327
Percent of business that is repeat	n/a	n/a	n/a	.69%	.70%	.66%
Day of the week with best volume	Sat - 59%	Sat - 64%	Sat - 58%	Sat - 64%	Sat - 58%	Sat - 95%
	Fri - 26%	Fri - 27%	Fri - 22%	Fri - 30%	Fri - 28%	Fri - 5%
	Mon - 9%	Mon - 5%	Mon - 7%	Mon - 4%	Mon - 12%	none
	Jul - 37%	Jul - 45%	Jul - 45%	Jul - 56%	Jul - 43%	Jul - 91%
	Jun - 20%	Jun - 16%	Jun - 21%	Jun - 16%	Aug - 23%	Mar - 7%
	Aug - 17%	Aug - 10%	Aug - 9%	Aug - 9%	Jun - 13%	Aug - 2%
	May - 9%	Mar - 9%	May - 9%	Mar - 5%	May - 5%	none
Building costs for fast lube	n/a	n/a	\$292,478	\$277,366	\$273,857	\$364,584
Land costs for fast lube	n/a	n/a	\$158,500	\$167,664	\$145,177	\$256,605
Mention 3,000-mile oil change intervals to customers	.89%	.94%	.88%	.78%	.81%	.80%
Operators planning to sell their facilities next year	n/a	n/a	n/a	.7%	.8%	*
within five years	n/a	n/a	n/a	.24%	.21%	*
If selling, plan to use broker	n/a	n/a	n/a	n/a	.17%	*
Operators reporting customers extending o/c intervals	n/a	.56%	.70%	.79%	.83%	.78%
Miles customers drive between oil changes	n/a	n/a	4,445	4,397	4,409	5,431
Portion of overall sales made up of fleet accounts	n/a	n/a	n/a	n/a	10.6%	10.5%

\* insufficient data to calculate      n/a - not asked

2000, the largest number of operators that had ever raised their prices during a single year was 35 percent.

Thanks in part to rising LOF prices, the average ticket total for fast lubes was \$36.66 (\$41.96 for MT30 companies). Now, however, comes the really good news. For the first time since 1995, car counts reportedly increased. Our responding lube operators told us they service an average of 41.4 cars per day, a slight increase from last year's figure of 40.6 cars per

day, but an increase nonetheless. Of course, some of those cars might be previous MT30 customers, because MT30 companies reported their average car counts were 43.0 cars per day, down five cars per day from last year's total.

As with last year, we wanted to find out what percentage of lube operators intend to sell their facilities during the immediate future. Eight percent told us they plan to sell their facilities during the next year, and 21 percent told us they plan to sell during the

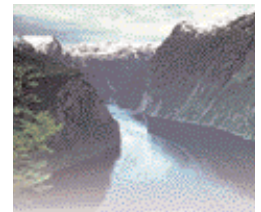
next five years. That means 29 percent of lube operators reported planning to sell their stores this year, compared to 31 percent last year. Further, of those 29 percent that are making plans to sell their stores, 17 percent plan to use a broker to aid in the sale.

Rising oil change intervals continue to be a thorn in the sides of fast lube operators. This year, 83 percent of lube operators reported their customers were extending their oil change intervals. The average interval — 4,409 miles, a slight increase from last year's figure of 4,397 miles. MT30 companies fared little better, despite their larger advertising budgets. Fully 78 percent of MT30 companies reported their customers are extending oil change intervals, and doing so by a whopping 5,431 miles.

Fleet accounts are growing more and more important to fast lubes, and to find out just how important, we asked a new question on this year's survey. The response? Fleet accounts make up 10.6 percent of overall sales for the average fast lube (10.5 percent of sales for MT30 companies).

Another new tidbit of information this year is the customer base of a fast lube. According to our responding lube operators, 51 percent of their customer base is female (49 percent for MT30 companies), meaning that more than ever fast lubes need to be sensitive to the maintenance wants and needs of their female customers.

Finally, we also wanted to find out how many days the average fast lube is open. Our respondents told us they are open an average of 320 days per year (327 days for MT30 companies).



LANDMARK II: EMPLOYEES

Crossing the perilous River of Unemployment, we come upon our second landmark, one called Employees.

## FOURTEENTH ANNUAL FAST LUBE SURVEY RESULTS

EMPLOYEES	1997	1998	1999	2000	2001	
	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	More than 30 stores
Average length of employment for managers	4.0 yrs	4.0 yrs	4.0 yrs	4.3 yrs	4.9 yrs	4.0 yrs
Average length of employment for technicians	1.8 yrs	1.7 yrs	1.7 yrs	1.9 yrs	2.1 yrs	1.3 yrs
Average hourly rate paid to lube techs	\$6.44	\$6.82	\$6.90	\$7.36	\$7.75	\$7.46
Average annual salary paid to managers	\$27,835	\$29,180	\$28,721	\$31,000	\$32,416	\$31,113
Average number of lube technicians employed	n/a	n/a	n/a	5.4	5.2	9.6
Techs that are female	n/a	n/a	n/a	n/a	0.3	0.5
Average age of lube technicians	n/a	n/a	n/a	25 yrs	25 yrs	22 yrs
Operators testing employees for drugs	n/a	n/a	n/a	27%	31%	67%
Hours of formal training employees receive per year	33	45	28	27	27	45
Operators offering incentive-bonus program	80%	88%	83%	78%	86%	100%
Operations that certify lube techs	53%	54%	42%	54%	58%	90%

In 2001, the 58% of operations that certified technicians did so through: AOCA - 30%, In-house - 34%, Franchise - 20%, ASE - 14%

Employee benefits (and the percentage of operations that supplied these benefits) included: Uniforms - 88%, Paid Vacation - 82%, Bonus - 72%, Life/Health Insurance - 54%, Paid Sick Leave - 22%.

CARWASH	1997	1998	1999	2000	2001	
	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	More than 30 stores
Percentage of lube operations offering on-site carwashes	22%	24%	34%	26%	33%	*
Type of carwash:						
Full service	n/a	n/a	24%	34%	31%	*
Exterior tunnel	n/a	n/a	16%	9%	21%	*
In-bay automatic	n/a	n/a	44%	46%	44%	*
Self-service spray	n/a	n/a	16%	11%	4%	*
Percentage offering free carwash with lube service	52%	65%	56%	51%	42%	*
Operators planning to add a carwash to an existing fast lube	17%	19%	22%	27%	22%	*
Percentage that plan to add carwash in next 12 months	n/a	n/a	67%	45%	29%	*
Type of carwash:						
Full service	n/a	n/a	23%	15%	27%	*
Exterior tunnel	n/a	n/a	22%	24%	31%	*
In-bay automatic	n/a	n/a	42%	57%	38%	*
Self-service spray	n/a	n/a	13%	4%	3%	*
Operators offering detail work	8%	n/a	14%	12%	10%	0%
Impulse/vending item sales	n/a	29%	35%	30%	24%	50%
Monthly gross income from impulse/vending items	n/a	\$548.00	\$456.00	\$839.00	\$455.25	*

INSURANCE	1997	1998	1999	2000	2001	
	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	More than 30 stores
Workers' Comp rate (per \$100 of payroll): for techs	\$4.79	\$4.56	\$4.28	\$3.96	\$3.98	*
for clerks	n/a	\$1.82	\$2.44	\$1.70	\$1.59	*
Per-store amount of Workers' Comp claims: \$500 or less	60%	49%	81%	82%	85%	*
\$500 - \$20,000	40%	49%	18%	16%	15%	*
\$20,000 and up	0%	2%	1%	2%	0%	*
Annual cost of insuring a fast lube facility	\$4,829	n/a	\$4,806	\$4,361	\$4,186	*

KEYS TO SUCCESS	1997	1998	1999	2000	2001	
	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	More than 30 stores
<b>Factors that will determine future success of fast lube industry:</b>						
Customer service	26%	27%	31%	25%	49%	50%
Quality employees	11%	17%	20%	21%	23%	20%
Car counts	*	7%	10%	9%	12%	20%
Cost of goods	*	*	*	11%	8%	0%
Competition	18%	17%	21%	12%	4%	0%
Extended oil change intervals	14%	19%	16%	8%	4%	10%

\* insufficient data to calculate      n/a - not asked

For the past several years, finding and keeping quality employees has been one of the most difficult tasks facing fast lube operators. And no matter how intrepid the explorer, reaching Lubetopia without an expert team of helpers is impossible. Luckily, fast lube operators seem to be doing a much better job of keeping their employees.

This year, our survey respondents indicated that the average length of employment for fast lube managers is 4.9 years, up more than six months from last

year's figure of 4.9 years. Likewise, the average length of employment for lube technicians is 2.1 years, the first time in the history of our survey that the average has been more than two years. It appears from our survey, however, that MT30 operations continue to lag behind their smaller counterparts. The average employment length for lube managers at MT30 companies is 4.0 years, and the average length of employment for lube techs is 1.3 years.

One of the reasons lube operators have been keep-

ing their employees, though, comes from rising salaries. The average hourly rate paid to lube techs this year was \$7.75 an hour, an increase of 39 cents an hour from last year. MT30 companies pay their lube techs an average of \$7.46 per hour.

Fast lube managers are earning an average of \$32,416 in salary per year, an increase of more than \$1,400 from last year's total.

The average fast lube employs 5.2 lube techs, of which 0.3 are female. Yes, we know it is impossible to have three-tenths of a lube tech, but that does mean that approximately 4,500 of the estimated 78,000-plus lube techs working in the industry are female.

One of the unfortunate things about doing business in this day and age is the use of drugs by employees. That's why 31 percent of fast lube operators test their employees for drugs. In fact, two-thirds of MT30 companies test their employees for drugs.



### LANDMARK III: CARWASH

Continuing our journey through a parched desert, we spy a landmark ahead, thankfully located amidst the beautiful Oasis of Suds. The landmark's name? Carwash.

This year, one-third of our respondents indicated they operate a combination fast lube/carwash facility. Of those facilities, 31 percent were comprised of a full-service carwash/fast lube, 21 percent were comprised of a fast lube with an exterior tunnel carwash and four percent were comprised of a fast lube operating alongside a self-service spray bay. The largest percentage (44 percent) of fast lube/carwashes, however, were comprised of fast lubes operating in-bay automatic carwashes.

More than one-fifth of lube operators who do not have carwashes plan to add one eventually, with 29 percent planning to

## FOURTEENTH ANNUAL FAST LUBE SURVEY RESULTS

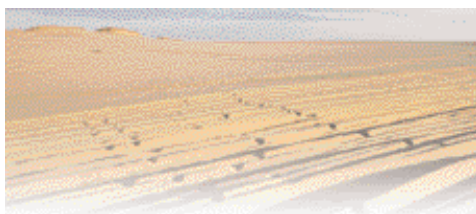
ADVERTISING	1997	1998	1999	2000	2001	
	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	More than 30 stores
Portion of sales designated for advertising/promotion	6%	5%	6%	5%	6%	5%
Percentage of that figure that is co-op	18%	24%	26%	24%	29%	1%
Operators that send reminder cards to customers	70%	n/a	72%	73%	58%	67%
Operators offering discounted reminder cards	77%	n/a	72%	72%	78%	86%
Operators sending reminders via email	n/a	n/a	n/a	n/a	25%	20%
Mention 3,000-mile intervals in advertising	n/a	76%	77%	83%	86%	80%
<b>Best forms of advertising:</b>						
Word of mouth	10%	12%	14%	25%	56%	13%
Direct mail/reminder cards	30%	27%	34%	22%	21%	38%
Coupons/discounts	7%	11%	12%	14%	10%	0%
Newspapers	17%	19%	12%	11%	7%	0%
Radio	14%	16%	15%	12%	3%	13%
Television	11%	6%	13%	10%	3%	38%
<b>Other than advertising and coupons, operators' most successful promotions:</b>						
Ladies/special day	n/a	n/a	n/a	12%	20%	*
Free carwash	n/a	n/a	n/a	14%	15%	*
Signage/POP materials	n/a	n/a	n/a	9%	13%	*
Reminder cards	n/a	n/a	n/a	21%	11%	*
Lube-a-thons/charity work	n/a	n/a	n/a	6%	10%	*
Local sponsorships	n/a	n/a	n/a	10%	8%	*
Preferred customer card	n/a	n/a	n/a	7%	8%	*
Free gifts	n/a	n/a	n/a	6%	8%	*
SALES	1997	1998	1999	2000	2001	
	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	More than 30 stores
<b>Portion of gross sales used for:</b>						
Payroll	26.8%	27.4%	26.9%	28.8%	27.7%	30.3%
Lease/Mortgage	13.2%	18.7%	10.8%	13.8%	11.1%	11.2%
COGS	27.3%	27.3%	27.2%	27.0%	27.5%	24.9%
Net Profit	15.5%	15.8%	15.6%	13.2%	13.1%	14.0%
Operations	25.6%	21.7%	16.7%	12.5%	16.3%	14.9%
Other	n/a	n/a	2.9%	4.7%	4.3%	4.7%
<b>Yearly sales per store (number of employees):</b>						
\$0-200,000	19% (3.5 emp.)	9% (3.6)	8% (4.1)	9% (3.9)	10% (3.9)	0%
\$200-400,000	38% (5.8)	32% (5.5)	30% (5.5)	31% (5.8)	26% (5.7)	22% (7.5)
\$400-600,000	25% (7.5)	34% (7.7)	32% (8.5)	38% (7.3)	32% (7.3)	50% (8.5)
\$600-up	18% (10.8)	25% (10.2)	30% (11.9)	22% (9.5)	31% (9.9)	28% (9.8)
COMPUTERS	1997	1998	1999	2000	2001	
	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	More than 30 stores
Operations that use computers for central accounting	70%	64%	83%	87%	85%	100%
Operations that use computers for fleet management	90%	81%	79%	85%	83%	100%
Operations that use computers to generate reminder cards	91%	n/a	88%	68%	59%	60%
Operations that have Internet access	28%	59%	53%	68%	68%	89%
Percent that use Internet to advertise services	42%	40%	23%	44%	47%	78%
Operations that have their own website	n/a	n/a	n/a	43%	44%	89%

\* insufficient data to calculate

n/a - not asked

add theirs within the next year. Of those lube operators planning to add a carwash to their lube, 38 percent are planning to add an in-bay automatic rollover carwash, 31 percent are planning to add an exterior-only tunnel carwash, 27 percent are planning to add (or build more likely) a full-service carwash and 3 percent are planning to add self-service spray bays to their lube facility.

Ten percent of fast lube operators offer to perform detail work for their customers.



### LANDMARK IV: INSURANCE

Barely leaving the refreshing oasis behind, we spot the fourth landmark rising from the sand of the Warranty Claim Desert: Insurance.

Fast lube operators responding to our survey indi-

cated their average workers' comp rate for lube techs was \$3.98, and for clerks it was \$1.59.

Eighty-five percent of lube operators had per-store workers' comp claims of less than \$500, but 15 percent of operators had per-store workers' comp claims ranging from \$500 to \$20,000.

Finally, our lube operators reported the average cost of insuring their fast lube was \$4,186, slightly less than last year's figure of \$4,361.



### LANDMARK V: KEYS TO SUCCESS

We spy our fifth landmark perched high atop the Cliff of High Expectations at the edge of the desert. It is called Keys to Success.

Reading the inscriptions on this landmark, we find that explorers before us reported that customer service is the single-biggest key to their success. In fact,

this year 49 percent of lube operators reported that customer service was their key to success. Almost a quarter (23 percent) said that quality employees was the key to success, and 12 percent said that maintaining car counts was the key to success.

MT30 companies answered similarly. Fully half of them replied that customer service was the key to success, followed by quality employees and car counts, each garnering 20 percent of the vote. Surprisingly, competition received very little notice from our lube operators, as only four percent of LT30 operators replied that surviving their competition would be key to their success.

From this landmark, we decide that successful lube operators focus on what they can control, instead of on what they cannot.



### LANDMARK VI: ADVERTISING

Having scaled the Cliff of High Expectations, we embark through the Wilderness of Marketing, eventually arriving at our sixth landmark, called Advertising.

Here, we find that six percent of a lube operator's gross sales is used for advertising on average. Of that figure, an average of 29 percent is co-op money.

More than half of the responding lube operators (58 percent) send reminder cards to their customers, a figure that is considerably down from last year's average of 73 percent. Even MT30 companies are decreasing their reminder card use, perhaps due to increasing postal costs. This year, for instance, only two-thirds of MT30 companies reported sending customer reminder cards, compared with 94 percent last years.

Of course, another explanation for this could be the exploding popularity and simplicity of e-mail. Fully one-quarter of fast lubes send their customers reminders via e-mail (20 percent of MT30 companies do so).

For the average lube operator, the best advertis-

## FOURTEENTH ANNUAL FAST LUBE SURVEY RESULTS

OIL & EQUIPMENT	1997	1998	1999	2000	2001	
	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	More than 30 stores
Total sales represented by #1 brand of motor oil	79%	n/a	77%	81%	81%	69%
Customers committed to a specific brand of motor oil	52%	n/a	56%	56%	46%	15%
Operations that implement used oil for heating purposes	n/a	n/a	30%	23%	28%	13%
Facilities equipped with lifts	22%	n/a	35%	26%	28%	0%
Facilities equipped with pits	89%	n/a	93%	94%	91%	100%
Percentage of pits equipped with safety covers	52%	n/a	62%	65%	70%	91%
Facilities using evacuation systems for oil changes	11%	n/a	16%	9%	12%	0%
Facilities using a filter crusher	45%	n/a	57%	44%	52%	50%
Operations that have had gov't tank inspections	46%	n/a	29%	39%	39%	80%
Type(s) of tank(s) used: Underground	15%	n/a	17%	15%	11%	20%
Aboveground	85%	n/a	83%	85%	89%	80%
Responses from states that have an environmental tax on motor oil	39%	n/a	33%	46%	41%	n/a
Operations that use scrap metal haulers	23%	n/a	18%	28%	29%	50%
Operations that accept used oil from DIYers	77%	n/a	68%	72%	71%	80%
Operations that accept used oil filters from DIYers	47%	n/a	44%	45%	52%	60%
Operations that charge fee for accepting DIY used oil/oil filters	8%	n/a	9%	8%	4%	0%
Operations being paid for their used oil	45%	n/a	32%	45%	57%	70%
How much?	n/a	n/a	n/a	n/a	\$0.12	\$0.15
Operations that invoice customers for environmental fees	38%	n/a	32%	45%	44%	70%
Average amount	\$1.07	n/a	\$1.11	\$1.19	\$1.32	\$0.89
Operators that also operate a mobile lube service	7%	n/a	4%	1%	6%	*
Per gallon cost of highest volume bulk oil	\$3.24	n/a	\$3.23	\$3.78	\$4.20	\$3.39
Operators recycling antifreeze	n/a	n/a	43%	49%	60%	80%
Customers that buy synthetic lubricants	5%	4%	6%	6%	7%	5%
Percentage of business that is oil change	83%	78%	83%	84%	79%	78%
Offer service packages	n/a	n/a	n/a	n/a	63%	90%

Best selling brands of motor oil in 2001	Best selling oil filters in 2001:	Best selling air filters in 2001:	Most popular synthetic motor oil in 2001:
1. Pennzoil	1. Purolator	1. Pennzoil	1. Mobil
2. Valvoline	2. Pennzoil	2. Mighty	2. Castrol
3. Havoline	3. Valvoline	3. Valvoline	3. Valvoline
4. Mobil	4. Mighty	4. Purolator	4. Havoline
5. Castrol	5. Havoline	5. Service Champ	5. Pennzoil
6. Quaker State	6. Quaker State	6. Havoline	6. Quaker State

* insufficient data to calculate	n/a - not asked
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ing is word of mouth. In fact, 56 percent of lube operators said that their customers are their best advertisements. One in five (21 percent) said that direct mail/reminder cards are their best advertising, while 10 percent said that coupons or discounts are their best advertising. On the corporate side of the spectrum, the decision was evenly split. Exactly 38 percent of companies said that direct mail/reminder cards are their best advertising, while the same number indicated that television is their best form of advertising.



### LANDMARK VII: SALES

Congratulations! You survived the Wilderness of Marketing and the lions, tigers and bears that dwell therein. Now, however, you are in the Forest of Profitability, looking earnestly for the seventh landmark, Sales.

Taking figures from other parts of our survey, we find that the average fast lube in this country has annual gross sales of approximately \$482,000. Compare that with MT30 stores, which have annual sales of approximately \$590,000.

Unfortunately, much of that total has to go to pay bills. This year, lube operators reported that 27.7 percent of their gross sales is used for payroll (including bonuses, workers' comp and health insurance, bonuses and the owner's salary if he or she is an employee of the lube and draws one). A little more than 10 percent (11.1 percent to be exact) goes to cover the facility's lease/mortgage, while 27.5 percent covers COGS. Operations (which includes utilities, maintenance, company insurance, advertising, uniforms, freight, postage, administrative costs, office supplies, non-income taxes, etc. used to operate the business on a day-to-day basis) accounts for 16.3 percent, while the catch-all category of 'other' takes up 4.3 percent. That leaves the average fast lube's profit margin at 13.1 percent, statistically identical to last year's figure of 13.2 percent.

MT30 companies, however, have it a little better. Those companies reported that payroll makes up 30.3 percent of gross sales, followed by COGS at 24.9 percent, operations at 14.9 percent, lease/mortgage at 11.2 percent and 'other' at 4.7 percent. That leaves 14.0 percent of gross sales for profit.

One in 10 LT30 lube operations reports yearly sales of less than \$200,000, while a quarter (26 percent) reports sales ranging from \$200,000 to \$400,000. One-third (32 percent) reports sales ranging from \$400,000 to \$600,000, while an almost equal number (31 percent) reports sales of more than \$600,000 per year.

Once again, MT30 companies fare a little better on a per-store basis. Not a single MT30 lube company reported annual per-store sales of less than \$200,000, while only 22 percent reported annual sales ranging between \$200,000 and \$400,000. Half of MT30 companies reported annual sales ranging from \$400,000 to \$600,000, while the remainder (28 percent) reported annual sales of more than \$600,000.



### LANDMARK VIII: COMPUTERS

The Forest of Profitability behind us, we press on through the Valley of Silicon, looking for the eighth landmark on our path to Lubetopia — Computers.

It is a simple landmark, yet one that has revolutionized the fast lube industry. More than four out of five (85 percent) lube operators use computers for central accounting, and an almost equal number use the tools for fleet management. Perhaps the biggest impact computers have made in recent years is in the area of website advertising. Nearly half of all fast lubes (44 percent) have their own website dedicated to informing consumers about their operation.



### LANDMARK IX: OIL & EQUIPMENT

With renewed vigor, our journey continues, the end almost in sight. The Silicon Valley behind us, we construct a raft and press on across the Great Lake of Inflation. Halfway across the lake, we notice our next landmark, Oil & Equipment.

Perusing the landmark's weathered surface, we note something interesting. Consumer preference for motor oil brands is at an all-time low. According to the lube operators who responded to our survey, only 46 percent of customers are committed to a specific brand of motor oil, down from 56 percent last year. Interestingly, MT30 companies, many of whom are owned by major motor oil companies, indicated that only 15 percent of customers are committed to a specific brand of motor oil, down from 32 percent last year.

Another item we quickly note is that more and more fast lubes are becoming sensitive to our litigious society, seen in the fact that 70 percent of all fast lube pits now are equipped with pit covers, up from 65 percent last year and only 52 percent in 1997.

Slightly less than three-quarters of fast lubes accept do-it-yourselfer (DIYer) used oil, but 52 percent now accept DIYer used oil filters, up from 45 percent last year.

More than half (57 percent) of fast lubes are being paid for their used oil, at an average of 12 cents per gallon. Seventy percent of MT30 companies report that they are being paid for their used oil, and at an average of 15 cents per gallon.

Slightly less than half (44 percent) of all fast lubes invoice their customers for environmental fees, but the amount invoiced has climbed sharply to \$1.32, up from \$1.19 last year.

An interesting note in this year's survey is that 6 percent of our respondents indicated they operate a mobile lube service in addition to their fixed-site fast lube.

The epidemic of rising oil prices continue to rear its ugly head. Last year, lube operators paid an aver-

age of \$3.78 for a gallon of their best-selling motor oil. This year, that figure is up to \$4.20, an 11 percent increase and an average of \$1.05 per quart.

New to this year's survey was a question regarding service menu packages. According to our respondents, 63 percent of fast lubes (and 90 percent of MT30 companies) offer service menu packages.

The motor oil market share among fast lubes continues to be dominated by Pennzoil. This year, 25.4 percent of lube operators indicated Pennzoil was their best-selling motor oil brand. Valvoline was second with 18.9 percent of the market, followed by Havoline at 15.6 percent, Mobil at 10.9 percent, Castrol at 10.7 percent, Quaker State at 9.6 percent and all other motor oil brands combining for 8.9 percent of the fast lube market.

On the synthetic motor oil front, Mobil dominates sales, with 63.9 percent of lube operators indicating it is their best-selling synthetic oil. It was followed by Castrol at 9.6 percent, Valvoline at 8.9 percent, Havoline at 6.7 percent, Pennzoil at 5.3 percent, Quaker State at 4.8 percent and all other synthetic motor oil brands combining for 0.8 percent of the fast lube market.

Finally, as proof that add-on services continue to grow in popularity is the fact that only 79 percent of the overall sales at fast lubes are comprised of oil changes, down from 84 percent last year.



### LANDMARK X: SERVICES

Beaching our craft, we stare up at the awesome Peaks of Possibility. Somewhere up those slopes lies the 10th landmark, Services.

Clambering our way to the landmark, we notice the wide array of add-ons that fast lubes are offering today in an effort to keep profits as high as possible. We can also note that technology is helping lube operators perform those add-ons quickly and efficiently.

Take coolant for instance. In years past, coolant/antifreeze had to be serviced by draining the old fluid and then refilling it manually. Now, machines exist that can do such a service automatically, many even purging the cooling system of impurities at the same time. Perhaps that is why manual draining and refilling of radiators is at an all-time low use among lube operators. Only 36 percent of fast lubes perform this service manually, compared with 69 percent last year. However, 81 percent offer mechanical coolant flush services, up from 73 percent last year. Technology at work.

More items to note: 80 percent of fast lubes now offer to change automatic transmission filters, and more than nine out of 10 (91 percent) fast lubes now offer mechanical automatic transmission fluid (ATF) exchanges, up from 78 percent last year for this very profitable service.

Other services gaining in popularity are air conditioner recharge (39 percent of lubes offer, up from 29 percent last year) and power steering flushes (30 per-

cent of lubes offer, versus 18 percent last year). Tire rotations, also, continue to grow in popularity, as 59 percent of lube operators now offer this quick and easy service. Light replacement, fuel injector cleaning and serpentine belt replacement all continue to find favor with lube operators.

We have known for many years that just about all fast lubes offer air filter replacement. This year, however, we wanted to know how much lube operators charge for this service and how many consumers purchased it. According to our survey respondents, fast lubes charge an average of \$11.69 to replace an air filter, and 23 percent of motorists purchase the service, making it one of the most popular add-on services available.

Lube operators continue to rank ATF exchanges as their most profitable add-on, with air filter replacement, fuel injection cleaning and radiator flushes falling in behind.

As for new services that lube operators plan to add, despite the fact that 44 percent of lubes already offer cabin air filter replacement, 19 percent of operators responding indicated they plan to add this service to their menu next year. That was followed by carwashes, power steering fluid flushes and air conditioner service.



## JOURNEY'S END

Climbing down from the Peaks of Possibility, tired from our long journey, we see it...Lubetopia! Shining bright as the sun off in the distance, it is a place where fast lube dreams

come true. By paying attention to the various forces in the marketplace and exploring every potential source for profit, many fast lube operators will make it to the lube of their imagination, one where the bays are always full, where lube techs come to work in tuxedos, where motor oil flows as cheaply as water from the taps and where customers always purchase all the routine maintenance items their vehicles need, no questions asked. True, not every fast lube

operator will make it to Lubetopia; some, in fact, won't even attempt the journey. But for those who try and succeed — through hard work and dedication — their efforts will be rewarded. ♦

# FOURTEENTH ANNUAL FAST LUBE SURVEY RESULTS

## SERVICES

### 1997

### 1998

### 1999

### 2000

### 2001

Percentage of survey respondents offering following services	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	Avg. Price of Service	% of Customers who Purchase	More than 30 stores
Vacuum customers' cars	.61%	n/a	.63%	.51%	.56%			.50%
Clean windshields	.79%	n/a	.79%	.69%	.81%			.70%
Manual drain and refill of radiators	.78%	n/a	.76%	.69%	.36%	\$34.67	.6%	.67%
Mechanical full-block coolant flushes	n/a	n/a	.74%	.73%	.81%	\$52.28	.6%	.90%
Transmission filter replacement	.84%	n/a	.74%	.75%	.80%	\$53.66	.5%	.70%
Mechanical ATF exchange	.53%	.66%	.76%	.78%	.91%	\$76.50	.8%	100%
Chemical engine flush	.48%	n/a	.60%	.62%	.62%	\$15.07	.7%	.90%
Cabin air filter replacement	n/a	n/a	.42%	.39%	.44%	\$29.90	.2%	.50%
Manual transmission service	.94%	n/a	.94%	.95%	.75%	\$40.12	.5%	.90%
Windshield wipers/blades replacement	.98%	n/a	.96%	.96%	.97%	\$12.57	.9%	100%
Water-repellent glass treatments	n/a	n/a	.34%	.42%	.45%	\$9.34	.3%	.40%
Oil monitoring device reset	n/a	n/a	.85%	.84%	.88%	*	*	.80%
Tune-ups	.19%	n/a	.24%	.23%	.22%	\$67.33	.13%	.10%
Differential service	.94%	n/a	.95%	.97%	.96%	\$22.89	.7%	100%
Brake service	.7%	n/a	.24%	.19%	.21%	\$104.11	.9%	.10%
Gas sales	.3%	n/a	.3%	.4%	.3%	*	*	.0%
Breather replacement	.97%	n/a	.95%	.94%	.93%	\$5.27	.5%	100%
PCV replacement	.85%	n/a	.87%	.85%	.88%	\$5.67†	.6%†	100%
Windshield repair	.11%	n/a	.8%	.7%	.10%	\$38.51	.5%	.0%
Additive sales	.85%	n/a	.89%	.89%	.84%	\$12.37	.8%	.90%
Minor mechanical repairs	.25%	n/a	.30%	.25%	.27%	*	*	.20%
Air conditioner repair	n/a	n/a	.13%	.13%	.15%	*	*	.20%
Air conditioner recharge	.31%	n/a	.35%	.29%	.39%	\$91.48	.8%	.60%
State inspections	.25%	n/a	.29%	.21%	.26%	n/a	n/a	.30%
Oil changes on motorcycles	n/a	n/a	.13%	.8%	.10%	\$31.90	n/a	.10%
Oil changes on RVs	n/a	n/a	.90%	.74%	.75%	\$38.05	n/a	100%
Oil changes on boats	n/a	n/a	.16%	.8%	.14%	\$37.19	n/a	.0%
Power steering flushes	n/a	n/a	n/a	.18%	.30%	\$43.89	.5%	.20%
Tire sales	n/a	n/a	n/a	.5%	.8%	*	*	.0%
Tire rotation	.41%	n/a	.52%	.49%	.59%	\$15.55	.7%	.70%
Wheel balancing	n/a	n/a	.26%	.19%	.19%	\$30.17	.6%	.20%
Light replacement	.73%	n/a	.69%	.66%	.79%	\$10.43	.4%	.70%
Maintain/replace batteries	n/a	n/a	n/a	.40%	.41%	\$68.42	.4%	.60%
Shock & strut replacement	n/a	n/a	.16%	.15%	.16%	\$121.06†	.5%†	.10%
Fuel injector cleaning	.65%	n/a	.73%	.65%	.75%	\$48.24	.5%	.90%
Fuel filter replacement	.56%	n/a	.52%	.58%	.66%	\$28.10	.7%	.70%
Serpentine belt replacement	.68%	n/a	.75%	.79%	.87%	\$49.78	.6%	100%
Air filter replacement	n/a	n/a	n/a	n/a	100%	\$11.69	23%	100%
Radiator, heater, air conditioner hose replacement	n/a	n/a	n/a	n/a	.26%	\$38.38	.4%	.20%
Smog checks/emission testing	.10%	n/a	.22%	.9%	.10%	\$32.24†	.22%†	.20%
Mechanized engine cleaning system	.6%	n/a	.13%	.10%	.12%	\$75.11†	.7%†	.20%
Synthetic transmission fluid sales	.31%	n/a	.41%	.46%	.63%	*	*	.78%

### 1997

### 1998

### 1999

### 2000

### 2001

	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	More than 30 stores
<b>Most profitable add-on service</b>						
ATF exchange	.43%	.55%	.53%	.48%	.49%	.67%
Air filter replacement	.8%	.22%	.7%	.6%	.13%	.17%
Fuel injection cleaning	.6%	.10%	.9%	.5%	.10%	.0%
Radiator flush	*	*	.4%	.5%	.9%	.0%
Tire rotation/repair	.3%	*	.5%	.9%	.8%	.0%
Belt replacement	.11%	.3%	.3%	.7%	.7%	.0%
Wiper blade replacement	*	*	.5%	.2%	.6%	.0%
Differential service	*	*	*	.3%	.4%	.0%
Additive sales	*	*	*	.3%	.2%	.16%
<b>New services planned for next year:</b>						
Cabin air filter replacement	*	*	.3%	.8%	.19%	*
Carwash	*	*	.4%	.10%	.14%	*
Power steering fluid flush	*	*	.3%	.6%	.14%	*
Air conditioner service	*	.16%	.8%	.9%	.9%	*
Tire rotation/balance	*	.19%	.38%	.15%	.8%	*
Glass treatment/repair	*	.11%	.16%	.14%	.8%	*
ATF exchanges	*	.16%	.12%	.4%	.8%	*
Mechanical engine flush	*	*	*	.7%	.5%	*
Coolant flush	*	*	*	.6%	.4%	*

\* insufficient data to calculate

n/a - not asked

†figures obtained from response rate of less than 5%