

# Mountain/West Coast Regional Breakdown

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In October, we began our series of articles examining results from the 2002 Fast Lube Operators Survey on a regional basis, looking at the

Northeast (which contains the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont) and Southeast (which contains the states of Alabama, Arkansas,

Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia) regions, respectively. Last month, we took a look at the Midwest (which contains the states of Illinois, Indiana, Iowa,

Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin) and Southwest (which contains the states of Arizona, New Mexico, Oklahoma and Texas) regions of the country.

This month, we'll take a look at the Mountain and West Coast regions of the country.

## Mountain

For the purposes of our survey breakdown, we decided to include the states of Colorado, Idaho, Montana, Nevada, Utah and Wyoming in this region.

The average lube operator in the Mountain region owns 1.7 fast lubes and has been in business for 10.1 years (more than one full year more than the national average). Only 52 percent of these operators belong to an industry association.

The average fast lube in this region has 2.2 other lubes within three miles (slightly less than the national average of 2.5) and 6.3 oil change facilities within three miles. Of those competing stores, lube operators in this region told us that 93 percent discount their oil changes, though by a less-than-average total of \$4.54 per service. Of the lube operators themselves, less than half (48 percent) discount their oil changes, doing so by an average of \$3.11, or 20 cents less than the national average.

The average population within three miles of a Mountain region fast lube is only 20,656, more than 13,000 people less than the national average. Of that customer base, 6 percent are considered 'low-income' families, 91 percent are considered 'average' and only 3 percent are considered 'high-income' families.

Only 3 percent of Mountain region lube owners plan to sell their facility during the next year, but a tremendous 65 percent plan to sell within the next five years.

The price of a standard lube, oil and filter (LOF) service at a Mountain fast lube is \$28.50, or 64 cents higher than the national average. The cost of goods for the same oil change is \$8.84, or 44 cents higher than the national average.

More than three-fourths of Mountain region lube owners offer up-scale or premium LOF services, charging an average of \$45.87 for that premium service, which is more than \$2 higher than the national average

## Regional Breakdown

### of Fifteenth Annual Fast Lube Operators Survey

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

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

## Operations

	National	West Coast	Mountain
Number of facilities per response	1.9	2.0	1.7
Have attended a fast lube industry tradeshow	60%	59%	58%
Member of fast lube trade association	66%	52%	52%
Years in the fast lube business	8.9 yrs	9.8 yrs	10.1 yrs
Number of bays per facility	2.7	2.6	2.5
Time required to perform a lube, oil & filter (LOF)	11 min	13 min	12 min
Fast lubes within three miles of respondent	2.5	2.5	2.2
Oil change facilities within three miles of respondent	6.3	6.1	6.3
Competitors discounting their oil changes	88%	89%	93%
How much	\$4.88	\$5.28	\$4.54
Operators discounting their own oil changes	58%	59%	48%
How much	\$3.31	\$3.53	\$3.11
Population within three-mile radius of operators best store	33,775	52,762	20,656
Customer base:			
low income	6%	1%	6%
average income	82%	83%	91%
high income	12%	16%	3%
Number of stores operator will open in next 12 months	0.3	0.3	0.5
Percent of business that is repeat	72%	71%	68%
Operators planning to sell their facilities next year	8%	1%	3%
within five years	25%	19%	65%
Price of standard, full-service LOF & multipoint check	\$26.86	\$28.99	\$28.50
Cost of goods sold for standard, full-service LOF	\$8.40	\$8.54	\$8.84
Operators who offer basic, low-cost LOF service	37%	28%	41%
How much?	\$22.51	\$24.10	\$23.84
Operators who offer up-scale/premium LOF	63%	53%	76%
Price of up-scale/premium LOF, if offered	\$43.82	\$41.03	\$45.87
Operators increasing LOF price in the past 12 months	34%	47%	31%
Amount	\$1.49	\$1.62	\$2.17
Ticket total	\$38.51	\$41.90	\$39.61
Number of cars serviced per day	40.3	41.2	37.1
Break-even car count	25.8	25.8	24.5
Hours open each week	59	61	59
Building cost for most recent fast lube	\$293,853	\$336,000	\$288,333
Land cost for most recent fast lube	\$152,088	\$217,778	\$142,500
Equipment cost for most recent fast lube	\$55,822	\$53,167	\$52,857
Customer base that is female	50%	52%	54%
Operators reporting customers extending o/c intervals	80%	81%	63%
Miles customers drive between oil changes	4,317	4,223	4,257
Mention 3,000-mile intervals in advertising	81%	80%	73%

for a premium oil change.

These high service charges are at least partially responsible for an average ticket total of \$39.61 for Mountain fast lubes, or \$1.10 per vehicle more than the national average. But, given the smaller populations surrounding Mountain region fast lubes, it is no surprise that average car counts are only 37.1 cars per day, or more than three cars per day less than the national average.

Building and land costs for Mountain region fast lubes are slightly less than average, but lubes in this region report that their customer base is 54 percent female, which is significantly above the national average.

Despite less-than-average car counts, the high ticket averages in Mountain fast lubes help them realize a net profit of 12.1 percent, or 0.3 points more than the national average. Also helping out is the fact that the operations costs for Mountain fast lubes require only 13.5 percent of gross sales, more than 2 percentage points lower than the national average.

More than 90 percent (94 percent to be exact) of Mountain region fast lubes earn more than \$200,000 in annual gross sales, and 47 percent earn between \$400,000 and \$800,000. Somewhat surprisingly, no operators responding to our survey from this region earned more than \$800,000 in gross sales per year.

We were also surprised to find that only 52 percent of Mountain region fast lubes accept do-it-yourself (DIY) used motor oil, and only 30 percent accept DIY used oil filters. Both figures are well below the national average. But, these figures became clear when we noted that only 27 percent of Mountain region fast lubes are being paid for their used motor oil. Nationally, nearly two-thirds of lube operators are being paid for used motor oil.

The per-gallon cost of the 'house' or standard motor oil brand at a typical Mountain region fast lube is a surprisingly low \$3.76 per gallon, or 37 cents per gallon less than the national average.

Pennzoil is the most popular motor oil among Mountain region fast lubes, with 53.6 percent of lubes in this area of the country listing it as their 'house' motor oil. That was followed by Chevron (named by 14.3 percent of operators), Havoline and Valvoline (each named by 7.1 percent of operators) and Quaker State (4.4 percent).

Lube techs in the Mountain region earn one penny per hour less than the national average, but managers earn

more than \$1,000 per year more than average. Lube owners who pay themselves a salary, however, are earning nearly \$9,000 per year less than the national average owner's salary.

Bill Kirksey owns a couple of Shell Rapid Lube facilities in the Lakewood, Colorado area. Despite a recessed economy and heavy competition in the greater Denver area, Kirksey said that both car counts and profits have

increased during the last year.

"We get a lot of competition from dealerships," he said.

Kirksey, who converted his facilities from Texaco Xpress Lubes, said that one of the biggest problems he faces is the popularity of leased vehicles.

"People don't take care of their leased cars," he said. "They'll get the oil changed, but they won't buy any add-on services."

Kirksey relies heavily on fleet service to keep his business profitable, something he believes will only increase in the future.

"Fleet business will be more important in the future," he said. "We stay busy in bad weather because of fleets. They bring their vehicles in because they can't get out to their work or construction sites."

## Sales

	National	West Coast	Mountain
% of gross sales used for:			
Payroll <sup>1</sup> .....	28.3%	27.6%	28.6%
Lease/Mortgage.....	12.5%	11.7%	13.4%
COGS <sup>2</sup> .....	28.9%	28.4%	28.8%
Net Profit .....	11.8%	12.8%	12.1%
Operations <sup>3</sup> .....	15.6%	16.0%	13.5%
Other <sup>4</sup> .....	2.9%	3.5%	3.6%
Yearly sales per store (number of employees):			
\$0 - \$200,000 .....	10% (3.9)	14% (4.3)	6% (5.0)
\$200,000 - \$400,000 .....	42% (5.3)	24% (4.6)	47% (4.8)
\$400,000 - \$600,000 .....	27% (7.5)	45% (6.9)	29% (8.8)
\$600,000 - \$800,000 .....	9% (8.7)	3% (10.0)	18% (9.3)
\$800,000 - up.....	12% (10.7)	14% (12.8)	0% (0)

<sup>1</sup> Includes all payroll (taxes included), salary of owner (if "hands-on" employee), unemployment taxes, workers' compensation, health insurance, bonuses, etc.

<sup>2</sup> Includes materials and supplies necessary to perform services.

<sup>3</sup> Includes utilities, maintenance, company insurance, advertising, franchise fees, uniforms, freight, postage, administrative costs, office supplies, taxes (other than income), etc. used to operate business on a day-to-day basis.

<sup>4</sup> Dues, subscriptions, warranties, travel/entertainment, etc.

## Oil & Equipment

	National	West Coast	Mountain
Percentage of total sales represented by #1 brand of oil .....	81%	87%	73%
Percentage of customers committed to a specific brand of oil .....	45%	31%	48%
Operations that implement used oil for heating purposes .....	29%	27%	22%
Percentage of pits equipped with safety covers .....	72%	82%	78%
Operations that accept used oil from DIYers .....	75%	75%	52%
Operations that accept used oil filters from DIYers .....	52%	66%	30%
Operations that charge fee for accepting DIY used oil/oil filters .....	7%	2%	8%
Operators being paid for used oil.....	65%	67%	27%
How much .....	\$0.12	\$0.13	\$0.12
Operations that invoice customers for environmental fees .....	42%	38%	42%
Amount .....	\$1.30	\$1.39	\$1.13
Per gallon cost of highest volume bulk oil .....	\$4.13	\$4.00	\$3.76
Percentage of customers that buy synthetic lubricants .....	7%	5%	7%

### Motor Oil Market Share (among fast lubes respondents)

	National	West Coast	Mountain
Pennzoil ....	34.2%	55.1%	53.6%
Valvoline ....	12.5%	Castrol.....11.6%	Chevron....14.3%
Castrol ....	12.1%	Chevron.....11.6%	Havoline.....7.1%
Quaker State .....	8.3%	Havoline .....	Valvoline.....7.1%
Havoline .....	7.8%	Quaker State .....	Quaker State.....4.4%
Mobil .....	6.0%	Shell .....	Others....13.5%
Shell .....	5.8%	Valvoline .....	
Others ....	13.3%	Others .....	

## Insurance

	National	West Coast	Mountain
Annual cost of insuring a fast lube facility .....	\$5,497	\$6,798	\$5,322
Warranty work.....	\$1,649	\$1,674	\$1,707

## West Coast

Our 'West Coast' region includes the states of Alaska, California, Hawaii, Oregon and Washington.

The average lube owner in this region owns two facilities, and has been in business for 9.8 years. They are typical in many ways, but only 52 percent of them belong to an industry association.

Nearly 90 percent of their competi-

tors offer discount oil changes, usually discounting the service by \$5.28, which is 40 cents more than the national average discount.

Less than 60 percent of West Coast lube operators discount their own oil changes, doing so by an average of \$3.53. Both figures are similar to the national average.

One area where West Coast lubes stand out, however, is in their popula-

tion figures. The average residential population within three miles of a West Coast fast lube is 52,762, or nearly 20,000 more than the national average. Of this population, only 1 percent is 'low-income,' while 83 percent is average. Fully 16 percent of the families that do business at West Coast lubes were named as 'high-income' by respondents.

With such a good clientele, it is no

wonder that West Coast lube operators plan to hang on to their stores. Only 1 percent of respondents indicated they plan to sell their facility or facilities during the next year, and less than one in five (19 percent) indicated they plan to sell within five years. Both figures are well below the national average.

The price for a standard LOF service at a West Coast fast lube is \$28.99, or more than \$2 higher than the national average. The cost of goods for that same oil change is \$8.54, 14 cents higher than average.

Somewhat surprisingly, only 53 percent of West Coast lube operators offer a premium or up-scale oil change, charging an average of \$41.03 for such a service. Nationally, lube operators charge an average of \$43.82 for the same service.

Further, only 28 percent of West Coast lubes offer a basic, low-cost LOF service, selling the service for an average of \$24.10.

The ticket total for West Coast lubes averages \$41.90, which is more than \$3 higher than the national average. And, car counts at West Coast lubes average 41.2, or nearly one full car per day higher than nationally.

Building and land costs for West Coast fast lubes are extremely high. Building costs averaged \$336,000, or \$40,000 higher than the national average. Land costs averaged \$217,778, or more than \$60,000 higher than the national average.

Despite these high figures, West Coast lube operators reported that their lease/mortgage costs are only 11.7 percent of annual gross sales, nearly a full percentage point less than the national average. This, coupled with a lower-than-average payroll cost, helps explain why West Coast lubes average 12.8 percent profit, a full point higher than the national average.

Nearly half of all West Coast lubes earn between \$400,000 and \$600,000 per year in gross sales, while a notable 14 percent earn more than \$800,000 per year.

In the safety-conscious West Coast environment, 82 percent of lube pits are equipped with covers, which is 10 percentage points higher than the national average.

Three-quarters of West Coast lubes accept DIY used motor oil, and nearly two-thirds accept DIY used oil filters. Remarkably, only 2 percent charge a fee for accepting either of these items, an important consideration if their lube is ever named as part of a Superfund cleanup site and the Service Station Dealer Exemption is

## Services

	National		West Coast		Mountain	
	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	54%		44%		67%	
Mechanical full-block coolant flushes	79%	\$54.31	85%	\$58.25	94%	\$60.67
Windshield wipers/blades replacement	99%	\$15.56	97%	\$15.09	100%	\$13.14
Water-repellent glass treatments	34%	\$9.69	34%	**	38%	**
Differential service	96%	\$24.26	97%	\$22.95	100%	\$22.39
Breather replacement	90%	\$5.47	88%	\$5.13	88%	**
PCV replacement	84%	\$6.42	77%	\$6.17	84%	**
Windshield repair	8%	\$41.92†	5%	**	31%	**
Additive sales	89%	\$12.48	89%	\$13.55	88%	**
Air conditioner recharge	32%	\$73.39	38%	**	44%	**
Tire rotation	53%	\$16.38	38%	**	47%	**
Light replacement	72%	n/a	57%	n/a	88%	n/a
Fuel injector cleaning	75%	\$48.71	77%	\$52.48	78%	\$55.38
Fuel filter replacement	63%	\$30.70	68%	\$30.24	91%	**
Serpentine belt replacement	80%	\$50.91	85%	\$50.89	91%	\$52.07
Chemical engine flush	68%	\$12.24	70%	\$11.34	94%	**
Mechanized engine cleaning system	15%	\$62.27†	33%	**	16%	**
Power steering flush	26%	\$45.76	19%	**	53%	**
Mechanical ATF exchange	86%	\$77.93	88%	\$82.40	94%	\$82.05
Cabin air filter replacement	42%	\$31.99	55%	**	38%	**
Radiator, heater, air conditioner hose replacement	28%	n/a	18%	n/a	34%	n/a
Air filter replacement	100%	\$12.40	99%	\$12.55	100%	\$15.75
Manual transmission service	70%	\$44.64	85%	\$45.99	63%	**
Transmission filter replacement	77%	\$58.64	72%	\$51.22	61%	**
Perform tune-up service	25%	\$88.63	18%	**	28%	**
Smog checks/emission testing	13%	\$32.70	26%	**	25%	**
Portion of overall sales made up of fleet accounts	10.2%		7%		10%	
Number of vehicles per fleet	6.5		7.4		6.2	

\*\* insufficient data to calculate

† figures obtained from response rate of less than 5%

## Employees

	National	West Coast	Mountain
Average length of employment for managers	4.6 yrs.	4.6 yrs.	4.3 yrs.
Average length of employment for technicians	2.0 yrs.	2.0 yrs.	2.0 yrs.
Average hourly rate paid to lube techs	\$7.75	\$8.04	\$7.74
Average annual salary paid to manager	\$32,519	\$34,758	\$33,750
Average annual salary paid to owner (if full-time employee)	\$54,835	\$58,200	\$45,333

## Carwash

	National	West Coast	Mountain
Percentage of lube operations offering on-site carwashes	26%	51%	39%
Type of carwash:			
Full service	19%	12%	**
Exterior tunnel	18%	27%	**
In-bay automatic	49%	61%	**
Self service	14%	0%	**
Percentage that offer free carwash with lube service	34%	23%	33%
Operators planning to add a carwash to an existing fast lube in the future	25%	11%	7%

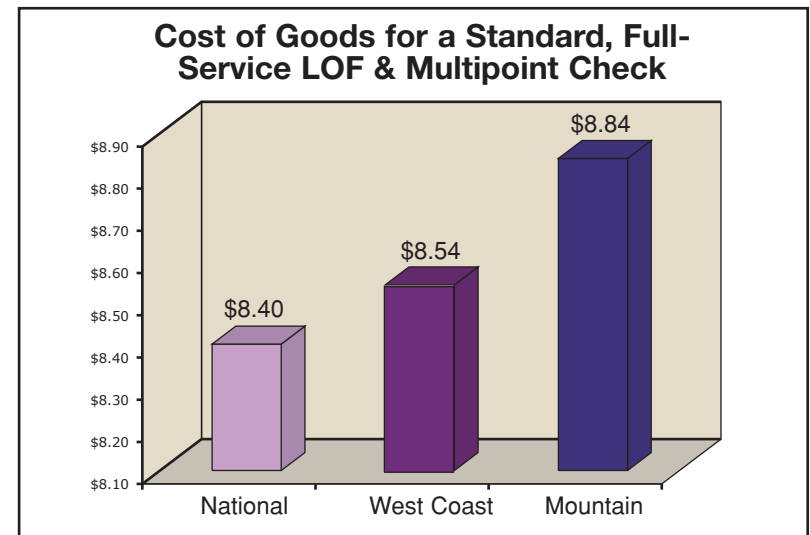
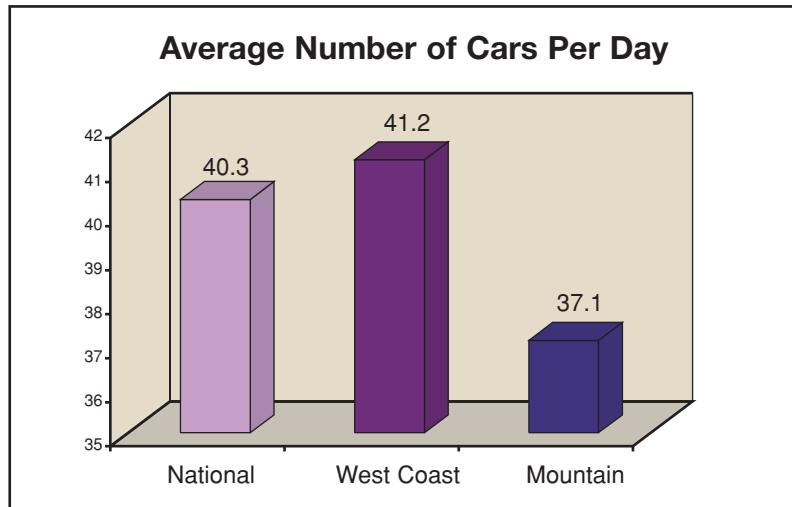
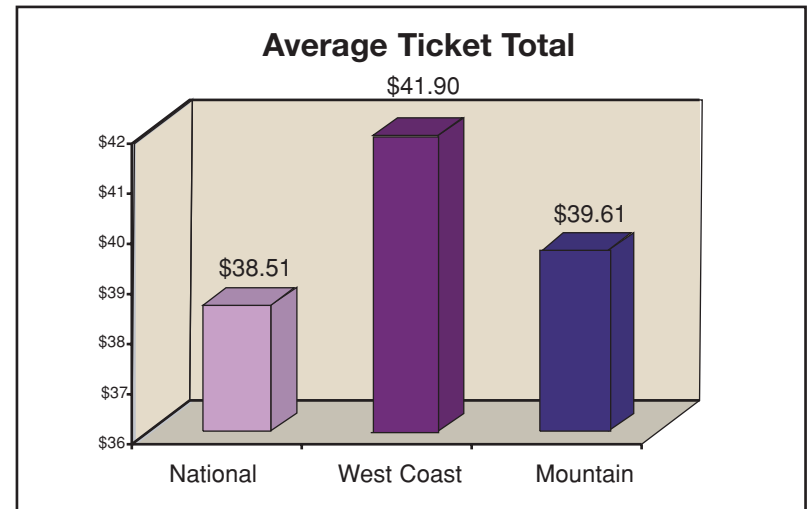
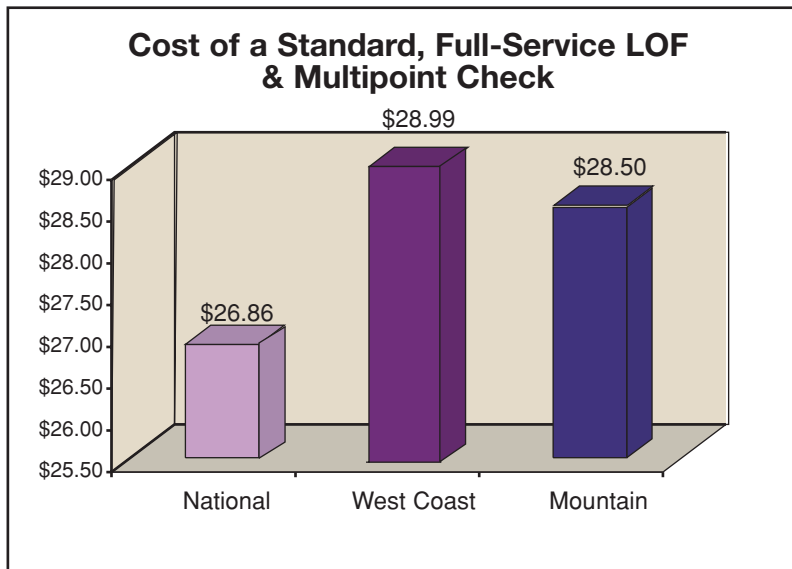
\*\* insufficient data to calculate

claimed.

The per-gallon cost of 'house' motor oil on the West Coast is \$4, or 13 cents below average.

Pennzoil was named the 'house' motor oil by 55.1 percent of West

their facility also includes a carwash of some kind. Of those, 12 percent had a full-service carwash, 27 percent had an exterior tunnel carwash, and 61 percent had an in-bay automatic carwash.



Coast lubes, followed by Castrol and Chevron (each with 11.6 percent), Havoline (7.2 percent), Quaker State and Shell (each with 4.2 percent), and Valvoline (2.9 percent).

Lube techs in the West Coast region earn 29 cents per hour more than their counterparts nationally, and lube managers earn more than \$2,000 per year more than their national counterparts.

It is in the area of carwashes, however, that West Coast lubes really stand out.

More than half of West Coast lube operators who responded to our 2002 Fast Lube Operators Survey indicated

Dale Gieg is one of those carwash/lube operators. He operates The Splash Carwash & Fastlube in Salinas, California. He said that car counts have slipped to 50 cars per day from 55 cars per day, but not because of the economy.

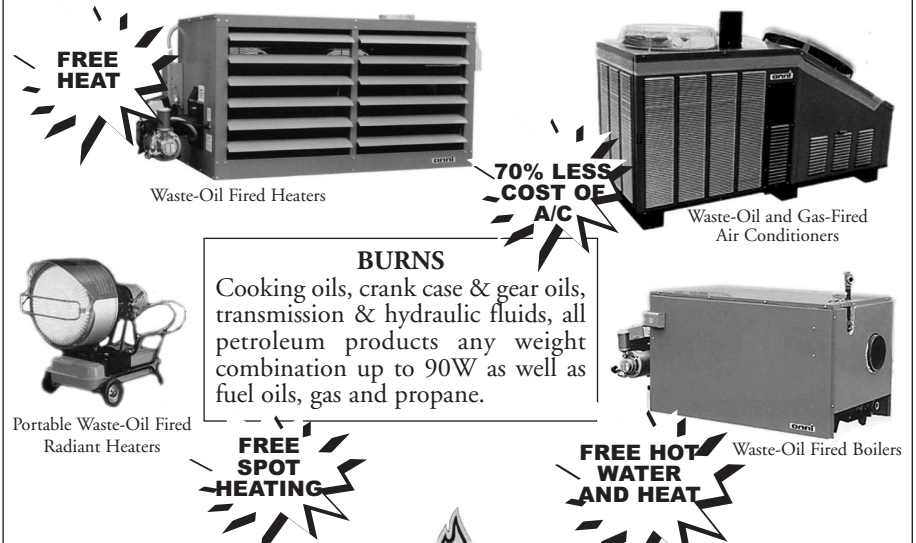
"I attribute this reduction to management practices," he said. "This problem has recently been adjusted."

Gieg said that despite the reduction in car counts and heavy competition, profits have remained the same. He added that the economy in his area of the West Coast is stable.

Overall, Gieg said, the lube business in his area is good. ♦

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