

Northeast, Southeast Regional Breakdown

by **Garrett McKinnon,**
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The annual Fast Lube Operators Survey that *National Oil & Lube News* takes great pains in preparing is a valuable tool for fast lube operators. It gives national averages on everything

from car counts to average bulk oil prices.

But what if there was a way to take a closer look at that survey, to break it down, piece by piece, and inspect the

results based not only on national averages, but on regional averages, as well. Thankfully, because of the magic of computers, there is.

This year, as done for the past sever-

al years, we have taken the 2002 Fast Lube Operators Survey, as published in our September 2002 issue, and broken it down by region. This month, we will take a look at the Northeast and Southeast regions. In coming months, we will look at the Midwest, Southwest, Mountain and West Coast regions.

Following are the results for the first two regions.

Northeast

For our purposes, we describe the Northeast region of the country as including the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont.

This year, operators who responded to our survey questionnaire informed us that they operate an average of 1.9 facilities each, which is the national average for lube operators. But, Northeast lube operators have been in business for an average of 10.4 years, nearly 18 months longer than the national average of 8.9 years.

Less than half of Northeast lube operators have been to a lube industry tradeshow, but more than half belong to a lube industry association.

Lubes in the Northeast have an average of 2.5 bays, slightly less than the national average, and have an average of 1.6 other fast lubes located within three miles of each facility, far less than the national average.

Nearly three-quarters of Northeast lube operations offer discounted oil changes (12 percentage points more than the national average), cutting their oil-change prices by an average of \$2.47 (which, ironically, is far less than the national average discount of \$3.31).

One not-so-surprising thing about the heavily urbanized Northeast is that lube operators there tend to be located in larger towns than lube operators in other parts of the country. In the Northeast, lube operators told us that the average population within three miles of their best facility is 48,188 people. Nationally, the average is only 33,775 people.

Regional Breakdown

of

Fifteenth Annual Fast Lube Operators 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	1.9	1.9	2.1
Have attended a fast lube industry tradeshow	60%	44%	60%
Member of fast lube trade association	66%	58%	70%
Years in the fast lube business	8.9 yrs	10.4 yrs	8.8 yrs
Number of bays per facility	2.7	2.5	2.9
Time required to perform a lube, oil & filter (LOF)	11 min	12 min	11 min
Fast lubes within three miles of respondent	2.5	1.6	2.2
Oil change facilities within three miles of respondent	6.3	6.7	6.5
Competitors discounting their oil changes	88%	91%	89%
How much	\$4.88	\$4.64	\$4.94
Operators discounting their own oil changes	58%	70%	53%
How much	\$3.31	\$2.47	\$3.29
Population within three-mile radius of Operators best store	33,775	48,188	25,035
Customer base:			
low income	6%	4%	8%
average income	82%	94%	79%
high income	12%	2%	13%
Number of stores operator will open in next 12 months	0.3	0.4	0.4
Percent of business that is repeat	72%	73%	70%
Operators planning to sell their facilities next year	8%	2%	10%
within five years	25%	15%	19%
Price of standard, full-service LOF & multipoint check	\$26.86	\$26.45	\$25.72
Cost of goods sold for standard, full-service LOF	\$8.40	\$8.28	\$7.99
Operators who offer basic, low-cost LOF service	37%	33%	42%
How much?	\$22.51	\$23.47	\$21.71
Operators who offer up-scale/premium LOF	63%	41%	67%
Price of up-scale/premium LOF, if offered	\$43.82	\$44.47	\$43.02
Operators increasing LOF price in the past 12 months	34%	20%	44%
Amount	\$1.49	\$1.28	\$1.19
Ticket total	\$38.51	\$36.01	\$37.72
Number of cars serviced per day	40.3	47.4	38.5
Break-even car count	25.8	28.5	26.1
Hours open each week	59	56	58
Building cost for most recent fast lube	\$293,853	\$262,455	\$266,787
Land cost for most recent fast lube	\$152,088	\$91,500	\$156,703
Equipment cost for most recent fast lube	\$55,822	\$52,667	\$54,167
Customer base that is female	50%	46%	48%
Operators reporting customers extending o/c intervals	80%	91%	70%
Miles customers drive between oil changes	4,317	4,388	4,289
Mention 3,000-mile intervals in advertising	81%	82%	91%

Operators in the Northeast tend, according to their responses, to be satisfied with their facilities. Only 2 percent of Northeast lube operators indicated they plan to sell their facilities within the next year; furthermore only 15 percent indicated they plan to sell within five years. Nationally, the average is 8 percent within one year and 25 percent within five years.

Lubes in the Northeast charge an average of \$26.45 for a full service

lube, oil and filter (LOF) service and multipoint check, slightly less than the national average of \$26.86. Plus, lubes in the Northeast pay an average of \$8.28 in cost of goods (COGS) per oil change; the national average is \$8.40.

A surprising find is that only 41 percent of lube operators in the Northeast offer an upscale or 'premium' oil change (nationally, 63 percent of operators do so). Of those who do

offer an upscale oil change, the average charge is \$44.47, 65 cents more than the national average.

Only 20 percent of lube operators in the Northeast have raised their lube prices within the last 12 months, and those who did raised prices by an average of only \$1.28.

The average ticket total at a Northeastern fast lube was \$36.01 (\$2.50 below the national average), and the average car count was a robust

47.4 cars per day, a full seven-plus cars per day higher than the national average.

Fast lubes in the Northeast spend an average of 31.2 percent of their gross sales on payroll. A further 30 percent goes to COGS, while 16 percent goes to operations. Lease/mortgage expenditures account for another 10.8 percent, while 2.1 percent goes to miscellaneous expenditures. That leaves Northeast lube operators with an average net profit of 9.9 percent, nearly 2 percentage points lower than the national average. In all areas except for lease/mortgage and miscellaneous, Northeast lubes pay more than their national counterparts.

Still, with respectable ticket totals and high car counts, Northeast fast lubes are making money. Fully 65 percent of fast lubes in this region achieve annual gross sales of \$400,000 or more, with 29 percent actually grossing between \$600,000 and \$800,000 per year.

Given the cold winters of the Northeast, it was no surprise to learn that 60 percent of the lubes there burn their used motor oil for heating purposes. What was surprising was to find that of the 80 percent of lube operators who accept do-it-yourself (DIY) used motor oil and 56 percent who accept DIY used oil filters, 30 percent charge a fee for accepting these items.

Another surprise was that, despite their overall high COGS percentage, Northeast fast lube operators reported spending an average of only \$3.66 per gallon on their 'house' bulk oil, 47 cents per gallon more than the national average.

Of those oils, Quaker State was listed by 45.5 percent of the fast lubes responding as their standard or 'house' motor oil; Citgo, Kendall, Mobil and Pennzoil tied for second with 9.1 percent of Northeast lubes listing them as their house oil. Castrol was listed by 6.1 percent of respondents as a house motor oil.

One item on which Northeast lubes seem to have a handle is warranty work. Last year, lube operators from this region told us they performed an average of \$608 in warranty work. Nationally, lube operators spent an average of more than \$1,600 per-store on warranty work.

Lubes in the Northeast also seem to know how to keep their employees. Despite paying a less-than-average annual salary of \$30,325 to their lube managers, lube operators in the Northeast indicated their managers stay on the job for an average of six years. Lube techs (earning 65 cents per hour more than their national coun-

Sales

	National	Northeast	Southeast
% of gross sales used for:			
Payroll ¹	28.3%	31.2%	28.3%
Lease/Mortgage.....	12.5%	10.8%	13.2%
COGS ²	28.9%	30.0%	29.0%
Net Profit	11.8%	9.9%	11.0%
Operations ³	15.6%	16.0%	15.9%
Other ⁴	2.9%	2.1%	2.6%
Yearly sales per store (number of employees):			
\$0 - \$200,000.....	10% (3.9)	6% (4.0)	15% (4.3)
\$200,000 - \$400,000	42% (5.3)	29% (5.4)	46% (4.7)
\$400,000 - \$600,000	27% (7.5)	24% (9.0)	26% (7.1)
\$600,000 - \$800,000	9% (8.7)	29% (8.0)	4% (6.0)
\$800,000 - up.....	12% (10.7)	12% (8.0)	9% (11.4)

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

² Includes materials and supplies necessary to perform services.

³ 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.

⁴ Dues, subscriptions, warranties, travel/entertainment, etc.

Oil & Equipment

	National	Northeast	Southeast
Percentage of total sales represented by #1 brand of oil	81%	91%	80%
Percentage of customers committed to a specific brand of oil	45%	43%	48%
Operations that implement used oil for heating purposes	29%	60%	17%
Percentage of pits equipped with safety covers	72%	54%	74%
Operations that accept used oil from DIYers	75%	80%	89%
Operations that accept used oil filters from DIYers	52%	56%	61%
Operations that charge fee for accepting DIY used oil/oil filters	7%	30%	0%
Operators being paid for used oil.....	65%	42%	77%
How much	\$0.12	\$0.06	\$0.11
Operations that invoice customers for environmental fees	42%	47%	33%
Amount	\$1.30	\$1.39	\$1.24
Per gallon cost of highest volume bulk oil	\$4.13	\$3.66	\$4.12
Percentage of customers that buy synthetic lubricants	7%	7%	5%

Motor Oil Market Share (among fast lubes respondents)

National	Northeast*	Southeast
Pennzoil ..34.2%	Quaker State ..45.5%	Pennzoil ..22.9%
Valvoline ..12.5%	Citgo ...9.1%	Havoline ..16.4%
Castrol ..12.1%	Kendall ...9.1%	Castrol ..14.2%
Quaker State ...8.3%	Pennzoil ...9.1%	Valvoline ..13.6%
Havoline7.8%	Mobil ...9.1%	Mobil ..12.9%
Mobil6.0%	Castrol ...6.1%	Exxon7.9%
Shell5.8%	Others ..12.0%	Shell7.1%
Others ..13.3%		

Insurance

	National	Northeast	Southeast
Workers' Comp rate (per \$100 of payroll): for techs	\$4.44	\$4.73	\$4.56
for clerks.....	\$1.46	\$1.69	\$1.28
Annual cost of insuring a fast lube facility	\$5,497	\$5,028	\$4,136
Warranty work.....	\$1,649	\$608	\$1,111

* small response rate

terparts) stayed an average of 2.2 years.

Aside from the numbers, how are lubes in the Northeast really doing?

Mike Mountz owns two Cloister Car Wash & Lube facilities in Pennsylvania. He has seen car counts and profits rise during the last year, despite a sluggish economy.

"Business is solid, but only as good as our employees," he said. "We're affected by that more than by the economy."

Doug Burden owns two E-Z Lube facilities in the Boston, Massachusetts metropolitan area. Located just three miles apart, Burden has seen his stores produce very mixed results during the last year.

"One store is down about 15 percent in car counts and down 25 percent on average tickets. The other store is up about 2 percent on car counts and up about 7 percent on average tickets," he said.

Overall, Burden said because of the first store's declining sales and higher labor costs, profits for his entire operation were down.

"Not to mention that my legal fees have risen because of the ongoing Beede Superfund site," he added.

According to Burden, consumers in his area seem to be swayed more by the media than by reality.

"The economy seems to be doing the same as what the newspapers say it will. If a big headline comes out and says that a recession is looming, business is poor that week."

Another thing Burden has noticed is that many customers seemed to have tightened their belts in recent months.

"It seems as though people with an average household income of \$50,000 or less have tightened up a lot," he said. "They don't buy that extra item."

One item that has proved profitable in the past for Burden, but that has tapered off in recent months, is state inspections.

"Even though no additional inspection stations have opened within three miles of me, my sticker business is down about 20 percent," he said. "This is a mandatory item that we get a lot of oil changes from."

Burden said that no new lubes have been built near his facilities in the last five years, but the competition that surrounds him has changed ownership numerous times.

"My competition was recently bought out by (a major oil company). They were independents before. This has helped, because I feel that the big players don't give individual attention to customers."

All in all, Burden said that the state

of the lube business in his area is so-so.

"The quick lubes around here are all mature locations. People either love us or go to the dealerships," he said.

Southeast

For our regional breakdown, we included the states of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia in the Southeast region.

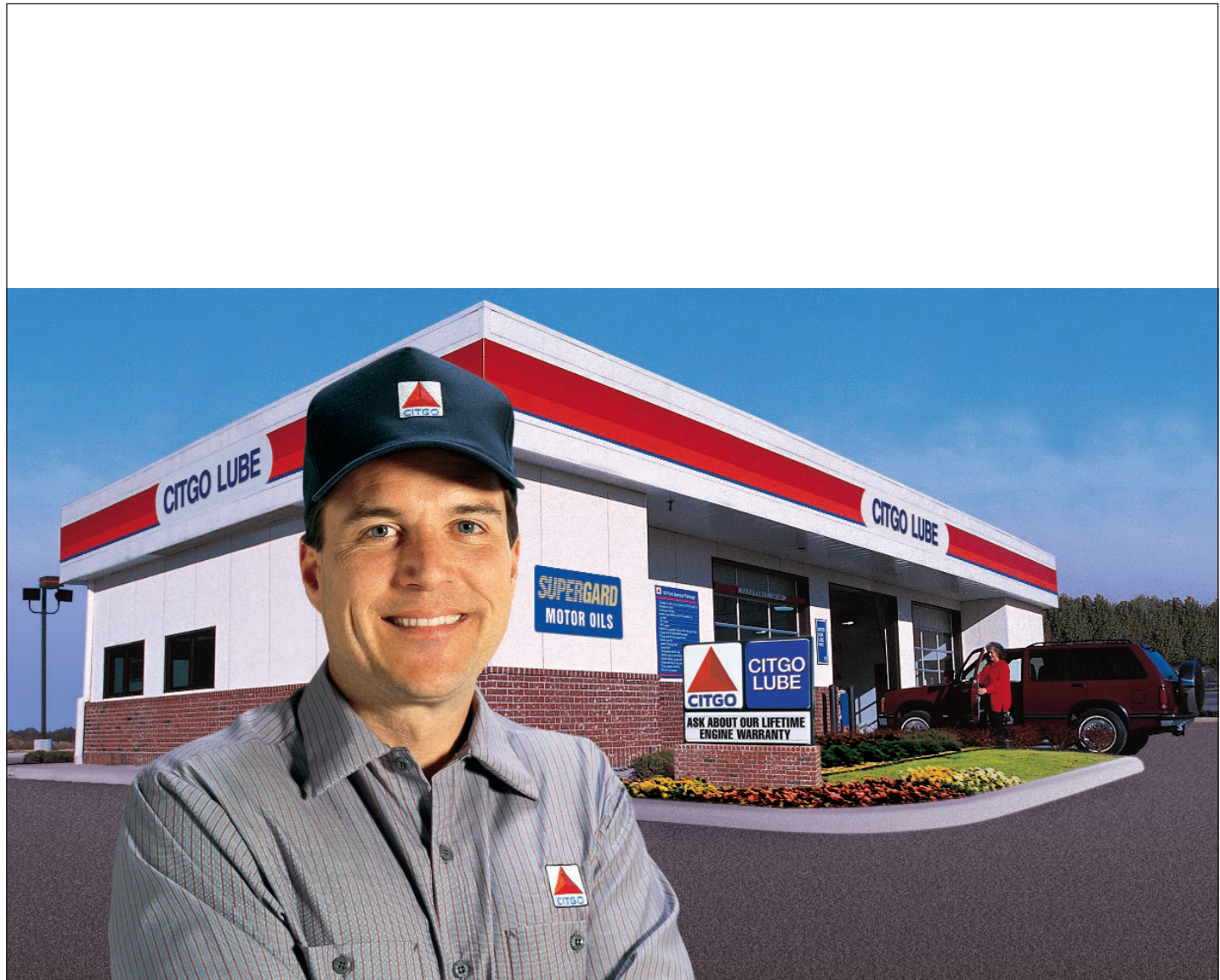
Lube operators in this region own an average of 2.1 stores each. They've been in business an average of 8.8 years, and 70 percent of them belong to a lube industry association. They own large facilities (2.9 bays each, on average), and they tend to discount slightly less than the national average (53 percent versus 58 percent).

Lubes in the Southeast, compared to the more urban Northeast, are more likely to be found in smaller, more rural towns. The average popu-

lation within three miles of a Southeast fast lube is 25,035 people, nearly 9,000 fewer folks than the national average.

Ten percent of Southeastern lube operators plan to sell their facility within the coming year, and 19 percent plan to sell within five years.

The price of a standard LOF service at a Southeastern fast lube is \$25.72, more than a dollar less than the national average. However, the COGS price on that same oil change is only



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\$7.99, 41 cents less than the national average.

Forty-two percent of Southeast fast lubes offer a low-cost LOF-only oil change, selling such a service for \$21.71. Two-thirds offer an upscale oil change, as well, selling the service for \$43.02.

Forty-four percent of Southeast lube operators have increased their standard LOF price during the past year, inching the price up by an average of \$1.19.

In the Southeast, lubes earn an average ticket total of \$37.72, 79 cents less

than the national average. Car counts are lower than average, too, with lubes in the Southeast servicing an average of 38.5 cars per day, slightly less than two per day lower than the national average.

Lubes in the Southeast spend 28.3 percent of the gross sales on payroll, 29 percent on COGS, 15.9 percent on operations, 13.2 percent on lease/mortgage and 2.6 percent on miscellaneous, leaving 11 percent for profit.

That profit comes from average sales that are slightly lower than nationally.

Only 13 percent of lube operators in the Southeast region told us their annual gross sales are more than \$600,000; and nearly half (46 percent) said their annual sales are between \$200,000 and \$400,000.

For the same reason that lube operators in the Northeast burn their used oil for heat, lube operators in the Southeast do not. Because of the warmer winters in the south, only 17 percent of lubes their burn used motor oil for heating purposes. Instead, 77 percent of lube operators are paid for their used oil, earning 11 cents per

gallon for the commodity.

Lubes in the Southeast spent an average of \$4.12 per gallon for their house bulk oil, exactly one penny below the national average. Of that house oil, Pennzoil was most listed, followed by Havoline, Castrol, Valvoline, Mobil, Exxon and Shell.

Cary Goldberg owns a Valvoline Express Care in Fort Lauderdale, Florida. Due to a strong sales effort to obtain fleet accounts, he has seen car counts rise during the past year. Profits have stayed the same.

"My store is located in south Florida. This is a strange place in that it has not really been hit by the struggling economy," Goldberg said. "Everyone has jobs and real estate is booming. This is a unique market. Granted, we do have a seasonal change in business, but for the most part there has been no decrease in the economy down here. All the auto dealerships have been reporting increased sales."

Goldberg also said that competition in his market is strong.

"This is one of the largest passenger car markets in the country. In my immediate area I have three fast lubes and several other automotive shops," he said.

Despite the competition, the lube business in his market is good.

"I believe that the state of the lube business is very strong in this market. This is directly related to the growing number of passenger cars sold and the lack of industry down here," he said. "Also, our public transportation is terrible, so just about everyone drives to work."

Another Florida operator is James Lovett, Jr., who owns seven Grease Pro Express Lubes, headquartered in the Panama City area. According to Lovett, car counts have risen at all but two facilities, and profits have risen company-wide.

Unlike Goldberg, however, Lovett said the economy in his market is less than perfect.

"The economy is slow here, just as it is anywhere else," he said. "The competition in our area is heavy at four of our locations and light with the other three."

Still, Lovett said that because Grease Pro has stayed abreast of improving technology and products, the lubes business is looking very good.

Joe Gallardo owns two Shell Rapid Lubes in the Miami, Florida metro area. Overall, car counts are up 6 percent at his operation, as are profits.

"There are two reasons for my profit increase. One is my conversion to Shell, which has resulted in a cheaper

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	54%		74%		52%	
Mechanical full-block coolant flushes.....	79%	\$54.31	76%	\$54.47	69%	\$50.70
Windshield wipers/blades replacement	99%	\$15.56	98%	**	100%	\$14.58
Water-repellent glass treatments	34%	\$9.69	43%	\$9.17	30%	\$7.48
Differential service	96%	\$24.26	93%	\$25.12	90%	\$23.27
Breather replacement.....	90%	\$5.47	91%	\$5.24	88%	\$5.00
PCV replacement.....	84%	\$6.42	89%	\$5.62	78%	\$6.74
Windshield repair	8%	\$41.92†	4%	**	9%	\$42.48
Additive sales	89%	\$12.48	89%	\$13.70	92%	\$11.37
Air conditioner recharge.....	32%	\$73.39	4%	**	27%	\$75.82
Tire rotation	53%	\$16.38	76%	\$16.10	59%	\$16.28
Light replacement.....	72%	n/a	58%	n/a	67%	n/a
Fuel injector cleaning	75%	\$48.71	70%	\$47.75	78%	\$45.31
Fuel filter replacement	63%	\$30.70	64%	\$30.23	51%	\$27.34
Serpentine belt replacement	80%	\$50.91	78%	\$53.31	75%	\$51.32
Chemical engine flush	68%	\$12.24	61%	\$11.22	61%	\$13.59
Mechanized engine cleaning system	15%	\$62.27†	5%	**	10%	\$49.95
Power steering flush.....	26%	\$45.76	31%	**	21%	\$45.97
Mechanical ATF exchange	86%	\$77.93	71%	\$79.79	84%	\$76.27
Cabin air filter replacement	42%	\$31.99	50%	\$32.98	34%	\$34.83
Radiator, heater, air conditioner hose replacement.....	28%	n/a	24%	n/a	34%	n/a
Air filter replacement.....	100%	\$12.40	100%	\$13.73	100%	\$11.56
Manual transmission service	70%	\$44.64	70%	\$43.98	77%	\$45.11
Transmission filter replacement.....	77%	\$58.64	73%	\$64.99	78%	\$60.80
Perform tune-up service.....	25%	\$88.63	47%	**	28%	\$84.75
Smog checks/emission testing	13%	\$32.70	13%	**	5%	\$26.67
Portion of overall sales made up of fleet accounts ..	10.2%		7.3%		10%	
Number of vehicles per fleet.....	6.5		6.6		6.8	

** insufficient data to calculate

† figures obtained from response rate of less than 5%

Employees

	National	Northeast	Southeast
Average length of employment for managers	4.6 yrs	6.0 yrs	4.4 yrs
Average length of employment for technicians	2.0 yrs	2.2 yrs	2.3 yrs
Average hourly rate paid to lube techs	\$7.75	\$8.40	\$7.59
Average annual salary paid to manager	\$32,519	\$30,325	\$31,950
Average annual salary paid to owner (if full-time employee).....	\$54,835	\$55,714	\$45,557

Carwash

	National	Northeast	Southeast
Percentage of lube operations offering on-site carwashes	26%	26%	15%
Type of carwash:			
Full service	19%	**	20%
Exterior tunnel	18%	**	0%
In-bay automatic	49%	**	65%
Self service	14%	**	15%
Percentage that offer free carwash with lube service	34%	58%	9%
Operators planning to add a carwash to an existing fast lube in the future	25%	47%	19%

COGS. Two, I believe customers are taking better care of their vehicles in these tough times," he said. "We find a lot of people complaining about the economy, but I tell friends that my business is not so bad. I believe I am in what I call the 'at least' business. Customers may not have the money to completely service their vehicle, but 'at least' they can have their oil changed."

Gallardo said competition for his facilities is medium.

"I believe we are in pretty good shape down here," he said.

Moving north a little, Stephen Chaplin owns a trio of Texaco Xpress Lubes in the Newport News, Virginia area.

"Car counts have risen primarily due to our new locations continuing the maturation process," he said. "Profits are rising due to increased prices on ancillary services, reduced COGS percentage and savings on interest expense due to lower interest rates."

Chaplin said the economy in his area is above average due to a strong government/military workforce. Competition in the area is heavy, too.

"The state of the lube business is solid in our area due to customers driving more miles versus air travel," Chaplin said. "People are taking more affordable vacations closer to home that do not require air transportation." ♦

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