Winning the Race:

2003 Operators Survey Details the Lube Industry

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Perhaps no other athletic event is so grueling as the decathlon. From the Greek *deca*, meaning 10, and *athlon*, meaning athletic competition, a decathlon is a series of 10 separate events. The winner is the best all-around athlete.

In many ways, operating a fast lube can be compared to competing in a decathlon. There are many issues to consider, issues like employees, competition, sales, car counts, insurance, etc. It is the successful, or 'winning,' lube operator who best juggles each of these issues, allowing his or her fast lube facility to excel in an increasingly competitive and tough business environment.

This year, for the 16th time in as many years, we surveyed fast lube operators from across the nation with one goal in mind — to ascertain the state of the lube industry. In other words, we wanted to find out how the 'Lube Decathlon' is going.

We began this process by inserting comprehensive survey questionnaires into our June issue, and then mailed the very same questionnaire to randomly selected fast lube owners and operators from across the country. And were we in for a shock.

While response to our annual survey has always been good, lube operators this year blew us away. We received completed questionnaires from more than 450 fast lube operators, accounting for a total of more than 4,200 fast lubes, or more than one-fourth of the entire lube industry.

One problem we often run into in this survey, however, is how to compare one company with nearly a thousand fast lube facilities to another with only one or two facilities. It's like comparing apples to oranges. That's why, as in previous years, we have divided these responses into groups. In the first group are those companies/operators with less than 30 facilities (henceforth known as LT30 operations). The data from the LT30 category provide a realistic look at per-store operating averages for a 'typical' fast lube.

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

Our second group is comprised, surprisingly enough, of those companies with more than 30 facilities (henceforth known as MT30 operations). The data from the MT30 category provide a look at how large fast lube companies are faring at a corporate level.

Athletes who compete in a decathlon run in two sprints (the 100-meter and 400-meter), a distance run (the 1,500-meter) and a hurdling race (the 110-meter high hurdles). They compete in both the broad jump and high jump, as well as the pole vault contest. They also throw the javelin, the shot put and the discus.

For each of those athletic competitions, there is a corollary topic in the fast lube industry. So lace up your sneakers and take a few deep breaths. It's time for the lube version of the decathlon.

First Event: Operations

The first event in many decathlons is the 100-meter sprint. This short race allows the competitors to get their blood flowing as they prepare for two days of intense competition.

In many ways, the operations section of our annual Fast Lube Operators Survey is like that sprint. It contains the data most pertinent to many operators, and is a quick glimpse of the lube industry as a whole (See table page 28).

Settling into the blocks, let's begin our analysis by examining what sort of lube operator responded to this year's survey.

For starters, nearly 85 percent of LT30 operators who responded said their facilities are independent or company-owned, while only 15 percent indicated they

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2003 Fast Lube Operators Survey

General

Survey results for 2003 are shaded and are presented to the right in two categories. The first of the two plum-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 1999, 2000, 2001 and 2002 are for reference only and represent operations reporting “Less than 30 stores.” The responses account for 4,274 facilities and include fast lube stores operating in all 50 states.

Operations

	1999	2000	2001	2002	2003	
	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	81%	85%	84%	87%	85%	40%
Franchised facilities	19%	15%	16%	13%	15%	60%
Have attended a fast lube industry trade show	70%	68%	66%	60%	52%	36%
Member of fast lube trade association	63%	57%	59%	66%	55%	35%
Years in the fast lube business	7.1	7.6	8.1	8.9	8.2	17
Number of facilities per response	1.9	2.1	2.0	1.9	1.8	350
Number of bays per facility	3.0	3.0	2.8	2.7	3.0	3.4
Time guarantee: *In 2003, 5% of operators offered a time guarantee. The average was 15 minutes.*						
Fast lubes within three miles of respondent	2.2	2.4	2.4	2.5	2.4	2.1
Oil change facilities within three miles of respondent	6.7	6.4	5.4	6.3	5.5	2.8
Competitors discounting their oil changes	87%	90%	83%	88%	81%	100%
How much	$4.58	$4.81	$4.94	$4.88	$4.75	$6.80
Operators discounting their own oil changes	61%	55%	62%	58%	67%	94%
How much	$3.55	$3.39	$3.59	$3.31	$3.51	$5.12
Population within three-mile radius of best store	40,388	38,051	28,324	33,775	33,534	*
Daily traffic count in front of best store	n/a	n/a	n/a	n/a	21,755	*
Customer base: low income	9%	6%	5%	6%	11%	0%
average income	79%	77%	81%	82%	80%	89%
high income	12%	17%	14%	12%	9%	11%
Customer base that is female	n/a	n/a	51%	50%	50%	52%
Number of stores operator will open in next 12 months	0.5	0.4	0.4	0.3	0.3	19
Operators who offer basic, low-cost LOF service	n/a	n/a	n/a	37%	26%	10%
How much?	n/a	n/a	n/a	$22.51	$21.89	$19.95
Price of standard, full service LOF and multipoint check	$24.18	$24.71	$25.35	$26.86	$26.71	$29.13
Cost of goods for standard, full service LOF	$7.98	$8.29	$8.54	$8.40	$8.73	$6.62
Time required to perform a LOF	n/a	11 min	11 min	11 min	11 min	11 min
Operators who offer up-scale/premium LOF	n/a	68%	70%	63%	63%	70%
Price, if offered	n/a	$36.37	$38.03	$43.82	$44.33	$49.32
Operators increasing LOF price in the past 12 months	29%	72%	66%	34%	51%	60%
How much?	$1.39	$1.43	$1.46	$1.49	$1.47	$1.35
Ticket total	$32.55	$35.25	$36.66	$38.51	$39.18	$48.27
Number of cars serviced per day	41.6	40.6	41.4	40.3	37.6	40.7
Break-even car count	28.9	26.6	26.7	25.8	24.8	28.1
Hours open each week	59	59	59	59	57	64
Days open each year	n/a	n/a	320	320	315	332
Percent of business that is repeat	n/a	69%	70%	72%	73%	74%
Operators who own their building/land	n/a	n/a	n/a	n/a	73%	*
Operators who lease their building/land	n/a	n/a	n/a	n/a	27%	*
Building costs for most recent fast lube (if owned)	292,478	$277,366	$273,857	$293,853	$296,681	$466,000
Cost for leasing building/land (per month)	n/a	n/a	n/a	n/a	$3,600	*
Land costs for most recent fast lube	$158,500	$167,664	$145,177	$152,088	$162,866	$250,000
Equipment costs for fast lube	n/a	n/a	n/a	$55,822	$43,166	$56,800
Mention 3,000-mile oil change intervals to customers	88%	78%	81%	77%	89%	89%
Operators planning to sell their facilities next year	n/a	7%	8%	8%	6%	0%
within five years	n/a	24%	21%	25%	21%	0%
Operators reporting customers extending o/c intervals	70%	79%	83%	80%	85%	100%
Miles customers drive between oil changes	4,445	4,397	4,409	4,317	4,372	4,597
Portion of overall sales made up of fleet accounts	n/a	n/a	11%	10%	11%	6%
Average number of vehicles per fleet	n/a	n/a	n/a	6.5	7.6	13.8

* insufficient data to calculate   n/a - not asked

belong to a franchise group.

A little more than half (55 percent) of responding operators said they belong to a fast lube trade association, and the operators who responded told us they'd been in the business for an average of 8.2 years. Each respondent owned an average of 1.8 facilities, and the average bay count of those facilities was exactly three.

Only five percent of responding operators offer a time guarantee, and the average time guarantee for those who did was 15 minutes. It takes the average fast lube 11 minutes to perform an oil change.

Lube operators told us that there is an average of 2.4 other fast lubes within three miles of their best facility, and an average of 5.5 other oil change facilities (dealerships, Wal-Marts, auto service stores, etc.) within three miles of them.

Operators told us that 81 percent of their competitors discount their oil changes (which represents a historical high for this survey, and could be an indication of today's tight economy), to the average tune of $4.75. Meanwhile, two-thirds of operators said they discount their own oil changes, doing so by an average of $3.51.

The average lube operator's best facility sits at the center of a ring with a three-mile radius, within which is an average of 33,534 people.

As most fast lubes are located on busy streets, we decided this year to ask for the traffic count, as well. Operators told us that an average of 21,755 cars pass by their best facility each day.

Eleven percent of lube operators serves a customer base that is primarily low income, while 9 percent serves a primarily high-income customer base. The remaining 80 percent of lube operators serves a customer base that is mainly middle income. Fast lube operators report that their customer base is 50 percent female, and 73 percent of their business is repeat. They tell us, too, that they're open an average of 57 hours per week and 315 days per year.

The average lube operator paid nearly $300,000 building his or her most recent fast lube, and an additional $162,000 for the land. More than one-quarter (27 percent) of lube operators, however, lease their building/land, spending an average of $3,600 per month in the process.

Crack! There goes the starting gun. Now for the really important figures.

Slightly more than one-fourth of lube operators offer a low-cost, basic oil change service, the average price being $21.89. Nearly two-thirds offer an upscale, premium oil change service (usually with synthetic motor oil), the average price being $44.33.

The average price that lube operators charge for their standard, full-service oil change is $26.71. Of that price, $8.73 goes toward the cost of goods, an increase of 33 cents over last year.

Slightly more than half of lube operators who responded to this survey said they raised their service price last year, doing so by an average of $1.47.

The average ticket total for lube operators was $39.18, an increase of 67 cents per ticket over last year — an all-time high. However, car counts dropped dramatically among our respondents. This year, lube operators told us that they serviced an average of 37.6 cars per day, down nearly three full cars per day from last year. The rise in ticket averages, though, has offset much of that lost business, and lube operators report that their break-even car count declined for the fourth straight year. Now, lube operators tell us they need only service an average of 24.8 cars per day to break even.

Multiplying 37.6 cars per day times $39.18 times 320 days per year (we'll use last year's figures for comparison's sake) yields an average yearly gross income of $471,000 for the 'typical' lube shop.

On the MT30 side, things are fairly similar, though with a few notable differences. MT30 companies report higher competitor discounts than LT30 stores ($6.80 per oil change). Plus, MT30 companies indicated that they discount their own oil changes by a whopping $5.12, nearly $2 more than LT30 stores.

Only 10 percent of MT30 companies offer a low-price oil change; those that do sell the service for an average of $19.95. Fully seven in 10 offer an upscale oil change, selling that service for an average of $49.32.

MT30 companies paid an average of $466,000 for their most recent facility, and an additional $250,000 for the land on which that facility sits.

Now for the big numbers. The prime difference between MT30 stores and LT30 stores is in the area of car counts and sales. MT30 companies indicated that their average car count is 40.7 (a slight decline from last year) and their average ticket total is $48.27 (an increase of more than $2 from last year). Because MT30 stores are also open more than LT30 facilities (an average of 332 days per year), multiplying their averages yields a per-store yearly gross income of $652,000, a sizable difference when compared to LT30 operations.

Second Event: Employees

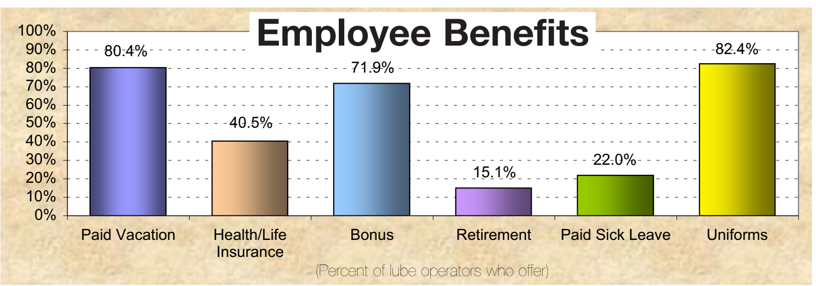
After successfully running the 100-meter sprint, decathletes next move to the long jump. This event requires strength, skill, speed and careful timing. Not coincidentally, so does handling the second topic of our Fast Lube Operators Survey: fast lube employees.

Finding and keeping good employees is one of the most difficult challenges that a fast lube operator will face. The average tenure for a fast lube manager, according to this year's respondents, is 4.7 years. For lube techs, it's only 2.0 years.

Even with an economy that has produced relatively high unemployment rates, lube operators have still had to open their wallets to keep their best employees. Like jumping over a pit of sand, operators have had to raise the standards for reimbursement in this industry, which is why the average salary for a lube tech jumped nearly a quarter an hour this year, and now stands at an even $8 per hour.

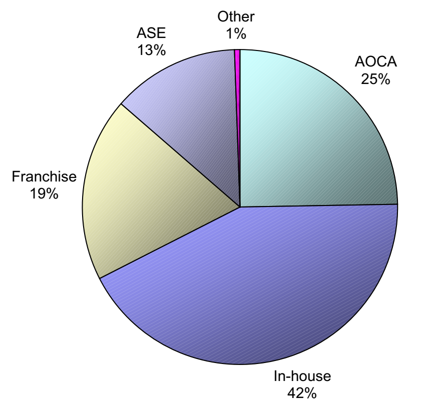
Likewise, lube operators have raised their managers' salaries. The average manager's salary now stands at $32,850, an increase of more than $300 per year over 2002's figure.

Additionally, lube operators have



turned to other benefits, too. For instance, 82 percent of lube operators offer their employees free or reduced-cost uniforms, while 80 percent offer paid vacation, 72 percent offer bonuses, 40 percent offer insurance, 22 percent offer paid sick leave and 15 percent offer some sort of retirement program.

The 42% of Fast Lube Operations that Certify Technicians Do So Through:



Lube operators give their employees an average of 30 hours of training each year, an increase of 7 hours from last year.

On the MT30 side, a lube manager's average tenure is 3.7 years, while the average lube tech tenure is 1.2 years. Both figures are down from last year.

Additionally, MT30 companies pay their lube techs an average of $8.50 per hour, and indicate that their managers make an average of $41,103.

As the lube industry matures, it's become clear that lube operators are having to 'jump' their employees' salaries higher and higher in order to remain competitive with the rest of the industry.

Third Event: Carwash

After leaving the long-jump area, decathletes travel to the shot put area. And while putting a shot is certainly a test of strength, experts say that proper technique is the most critical aspect of succeeding in the shot put arena.

Similarly, some lube operators have adopted a technique that they believe is crucial to their success. They have married their fast lube to a carwash.

This year, nearly one-third of our respondents indicated that they also operated a carwash of some type. Of those who operated a carwash, 34 percent ran a full-service wash, 28 percent operated an exterior-only tunnel, 34 percent operated an in-bay automatic wash, and 4 percent operated a self-service/spray bay wash.

Perhaps the biggest advantage, or 'technique' if you will, in running a fast lube/carwash combination is the fact that operators have an inexpensive means of rewarding their fast lube customers.

Fully six in 10 lube/carwash operators give their lube customers a free carwash as a value-added incentive.

While the popularity of operating a

Employees

	1999	2000	2001	2002	2003	
	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	4.3 yrs	4.9 yrs	4.6 yrs	4.7 yrs	3.7 yrs
Average length of employment for technicians	1.7 yrs	1.9 yrs	2.1 yrs	2.0 yrs	2.0 yrs	1.2 yrs
Average hourly rate paid to lube techs	$6.90	$7.36	$7.75	$7.75	$8.00	$8.50
Average annual salary paid to managers	$28,721	$31,000	$32,416	$32,519	$32,850	$41,103
Average annual salary paid to owners (if full-time employee)	n/a	n/a	n/a	$54,835	$48,619	*
Operators testing employees for drugs	n/a	27%	31%	27%	28%	94%
Hours of formal training employees receive per year	28	27	27	23	30	29
Operators offering incentive-bonus program	83%	78%	86%	78%	73%	100%
Operations that perform background checks on employees	n/a	n/a	n/a	95%	92%	96%
Operations that use surveillance cameras	n/a	n/a	n/a	22%	21%	28%

* insufficient data to calculate n/a - not asked

Carwash

	1999	2000	2001	2002	2003	
	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	34%	26%	33%	26%	32%	*
Type of carwash: Full service	24%	34%	31%	19%	34%	*
Exterior tunnel	16%	9%	21%	18%	28%	*
In-bay automatic	44%	46%	44%	49%	34%	*
Self-service spray	n/a	11%	4%	14%	4%	*
Percentage offering free carwash with lube service	56%	51%	42%	34%	60%	*
Operators planning to add a carwash to an existing fast lube	22%	27%	22%	25%	17%	*
Type of carwash: Full service	23%	15%	27%	13%	11%	*
Exterior tunnel	22%	24%	31%	34%	63%	*
In-bay automatic	42%	57%	38%	50%	23%	*
Self-service spray	13%	4%	3%	3%	3%	*
Operators offering detail work	14%	12%	10%	10%	10%	*
Impulse/vending item sales	35%	30%	24%	24%	24%	*
Monthly gross income from impulse/vending items	$456.00	$839.00	$455.25	$360.28	$403.11	*

* insufficient data to calculate

combination lube/wash is undeniable, fewer and fewer operators seem to be looking at the 'technique' as a winning combination. This year, only 17 percent of lube operators who do not own a carwash said they planned to add one at a later date.

Fourth Event: Insurance

Okay, your arm and back muscles have been tested by the shot put, so its time to put your legs to work once again by heading toward the high jump area.

An athlete competing in the high jump must clear a bar by leaping high in the air. Luckily, a padded bag helps the athlete have a soft landing.

Which, when you think about it, is pretty much what insurance companies do. They provide soft landings in times of trouble. But managing the various types of insurance required in a fast lube setting is like a strenuous athletic event. There is Workers' Comp insurance, flood insurance, fire insurance, health insurance and warranty insurance.

Workers' Comp insurance is a necessity in many states. The average rate for techs is $4.30 per $100 of payroll. For clerks, the rate is only $1.43 per $100 of payroll. Few in the lube industry seem plagued with costly Workers' Comp claims. Last year, only 6 percent of fast lube operators who responded to our survey indicated that they had spent more than $1,000 on a Workers' Comp claim.

One of the most stressful types of 'insurance' in the lube environment is customer warranties. If a lube damages a vehicle, the customer expects the lube to pay for it. This year, lubes spent an average of $1,350 on 'warranty' work, a decrease of nearly $300 from last year.

Fifth Event: Keys to Success

Leaving the high jump area behind, a decathlete moves back to the track for the next sprint, which is generally the last event of the first day of competition. This time, he or she will run 400 meters or one complete lap. Not only does this event require speed, but it also requires stamina. Lube operators, too, require stamina. Success in the lube business requires dedication and commitment. It requires a willingness to do whatever it takes to succeed. But what are some of the ways in which lube operators succeed? To find out, we asked them. More than half of responding lube operators told us that their biggest key to success is customer service, one of the cornerstones of the oil change industry; 18 percent told us that having quality employees is the key to their success.

Twelve percent of operators said that maintaining high car counts is critical to success, while 7 percent said keeping your cost of goods low is critical. Five percent said that staying ahead of the competition is key to their success, and only 3 percent cited overcoming extended oil change intervals.

Sixth Event: Advertising

A decathlon's second day begins much as the first did, on the track. This time, however, the athlete is competing in the 110-meter high hurdles, where timing is everything. Not coincidentally, timing is a critical aspect of the sixth phase of the 'Fast Lube Decathlon' — advertising. Lube operators who responded to this year's survey told us that they spend an average of 4 percent of their annual gross sales on advertising. Of that figure, 22 percent is co-op money from their oil

Insurance

	1999 Less than 30 stores	2000 Less than 30 stores	2001 Less than 30 stores	2002 Less than 30 stores	2003 Less than 30 stores	2003 More than 30 stores
Workers' Comp rate (per $100 of payroll): for techs	$4.28	$3.96	$3.98	$4.44	$4.30	$4.24
for clerks	$2.44	$1.70	$1.59	$1.46	$1.43	$0.91
Per-store amount of Workers' Comp claims: Less than $1,000	n/a	n/a	n/a	n/a	94%	*
More than $1,000	n/a	n/a	n/a	n/a	6%	*
Annual cost of insuring a fast lube facility	$4,806	$4,361	$4,186	$5,497	$5,957	$5,600
Amount of per-store warranty work performed during preceding 12 months	n/a	n/a	n/a	$1,649	$1,350	$2,264

* insufficient data to calculate   n/a - not asked

Keys to Success

	1999 Less than 30 stores	2000 Less than 30 stores	2001 Less than 30 stores	2002 Less than 30 stores	2003 Less than 30 stores	2003 More than 30 stores
Factors that will determine future success of fast lube industry:						
Customer service	31%	25%	49%	54%	55%	*
Quality employees	20%	21%	23%	21%	18%	*
Car counts	10%	9%	12%	8%	12%	*
Cost of goods	*	11%	8%	8%	7%	*
Competition	21%	12%	4%	4%	5%	*
Extended oil change intervals	16%	8%	4%	5%	3%	*

* insufficient data to calculate

company. Word of mouth is the best advertising there is, cited as such by 54 percent of respondents. Less than 20 percent cited direct mail/reminder cards.

One way that lube operators are succeeding in their advertising is through the continued support of 3,000-mile oil change intervals. Because most operators reported in previous years that they are mentioning that interval in their advertising, it should come as no surprise that the average oil change interval for fast lube customers remained at approximately 4,400 miles for the fifth straight year. This, it seems, is one race that lube operators are winning.

Seventh Event: Sales

Much like the shot put, a decathlon's seventh event — the discus — is about more than strength. It is about skill and technique.

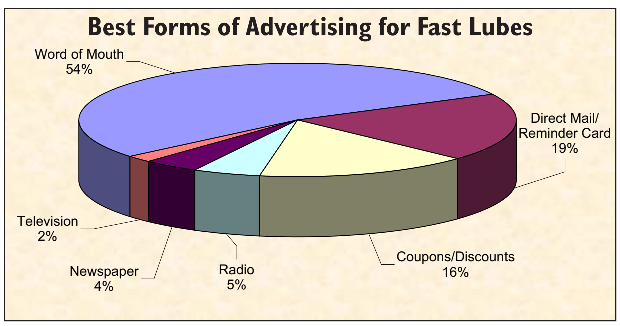
It is a fine lube operator indeed, then, who can, much like a discus thrower, meet his targets in the expense areas that come out of a lube center's gross sales. Things like payroll, lease/mortgage, cost of goods (COGS), operations and all those miscellaneous little expenses that seem to creep up constantly.

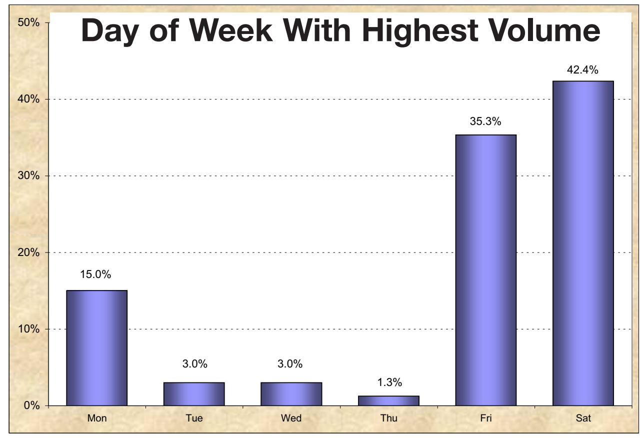
This year, lube operators who responded to our survey indicated that they spent an average of 27.4 percent on payroll, 13.0 percent on lease/mortgage, 28.8 percent on COGS, 15.7 percent on operations and 3.5 percent on miscellaneous items. This leaves 11.7 percent for profit, statistically identical to last year's figure.

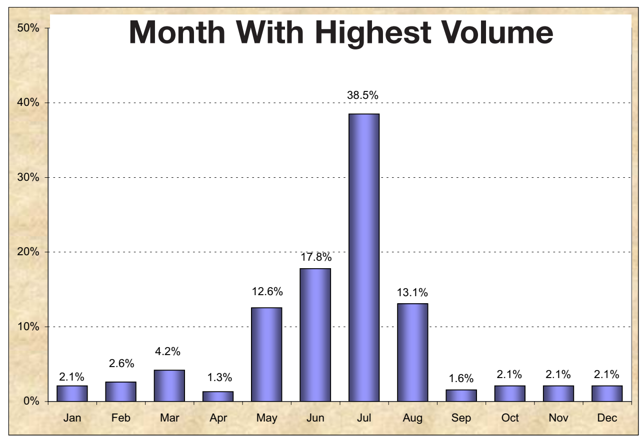
On the MT30 side, those companies indicated that they spent an average of 28.7 percent on payroll, 14.2 percent on lease/mortgage, 24.4 percent on COGS, 15.8 percent on operations and 4.6 percent on miscellaneous items, leaving 12.3 percent for profit, a slight decline from last year's figure of 12.7 percent.

Fifteen percent of LT30 operations reported that their annual gross sales are below $200,000; 37 percent said their annual sales are between $200,000 and $400,000, 24 percent said they're between $400,000 and $600,000, 14 percent said they're between $600,000 and $800,000, and 11 percent said they're more than $800,000.

No MT30 operations reported that their average per-store annual gross sales were below $200,000; 13 percent said they were between $200,000 and $400,000, 38 percent said they were between $400,000 and $600,000, another 38 percent said they were between $600,000 and $800,000, and 13 percent said they were







Advertising

	1999	2000	2001	2002	2003	
	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 sales designated for advertising/promotion	6%	5%	6%	4%	4%	4%
Percentage of that figure that is co-op	26%	24%	29%	19%	22%	3%
Operators that send reminder cards to customers	72%	73%	58%	63%	50%	90%
Operators offering discounted reminder cards	72%	72%	78%	73%	75%	100%
Response rate	n/a	n/a	n/a	35%	38%	22%
Operators using Internet to advertise services	23%	44%	47%	23%	21%	100%

Other than advertising and coupons, operators' most successful promotions:

	Less than 30 stores	More than 30 stores
Word of mouth	53%	9%
Promotional discounts	12%	55%
Signage	12%	18%
Carwash	10%	0%
Community involvement	10%	18%
Radio remote	3%	0%

n/a - not asked

more than $800,000. In all, 76 percent of MT30 companies were earning between $400,000 and $800,000 in annual gross sales, compared to only 38 percent of LT30 stores.

Eighth Event: Oil & Equipment

After tossing the discus, our decathlete moves to the pole vault, where he hopes the pole will help him or her scale new heights.

Similarly, lube operators use their motor oil choice as a tool that they hope will help them clear new heights of profitability (See Oil & Equipment table page 42).

The 'house' motor oil in a fast lube is the type that goes in most customers' vehicles. In fact, lube operators told us that 81 percent of their total motor oil sales are represented by their 'house' motor oil; 42 percent of customers, say those same lube operators, are committed to a specific type of oil. And 63 percent of operators indicated that the brand of oil chosen as their house brand is important to their success.

Thirty-two percent of operators listed Pennzoil as their house motor oil, followed by Valvoline (12 percent), Quaker State (11 percent), Castrol (10 percent), Mobil (7 percent), Shell (7 percent) and Havoline (6 percent). The 'Others' category made up the final 15 percent.

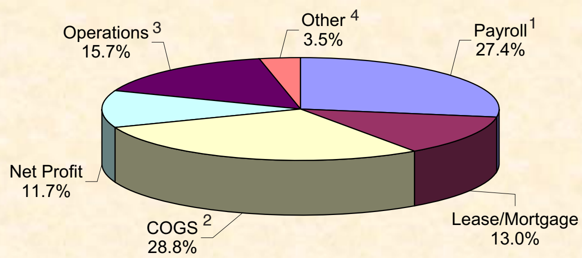
In the synthetic category, 52 percent of operators listed Mobil 1 as their best-selling synthetic, followed by Pennzoil (14 percent), Castrol (13 percent), Valvoline (7 percent), Quaker State (6 percent) and Shell (2 percent). 'Others' were listed by 6 percent.

Slightly more than three-quarters of lube operators now accept do-it-yourself (DIY) used oil, an important tenet in being exempted from liability if the facility is ever named in a Superfund environ-

Sales

	1999	2000	2001	2002	2003	
	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	More than 30 stores
Yearly sales per store (avg. number of employees):						
$0-200,000	8% (4.1 emp.)	9% (3.9)	10% (3.9)	10% (3.9)	15% (3.4)	0%
$200-400,000	30% (5.5)	31% (5.8)	26% (5.7)	42% (5.3)	37% (5.1)	13% (5.0)
$400-600,000	32% (8.5)	38% (7.3)	32% (7.3)	27% (7.5)	24% (6.8)	38% (7.0)
$600-800,000	30% (11.9)	22% (9.5)	31% (9.9)	9% (8.7)	14% (8.1)	38% (9.5)
$800-up	n/a	n/a	n/a	12% (10.7)	11% (10.4)	13% (14.0)

Portion of Gross Sales Used For:



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, non-income taxes, etc. used to operate business on a day-to-day basis.
4 Dues, subscriptions, warranties, travel/entertainment, etc.

Profitable Services

	1999	2000	2001	2002	2003	
	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	Less than 30 stores	More than 30 stores
Most profitable add-on service						
ATF exchange	53%	48%	49%	38%	37%	26%
Air filter replacement	7%	6%	13%	15%	17%	0%
Fuel injection cleaning	9%	5%	10%	13%	10%	3%
Tire rotation/repair	5%	9%	8%	13%	13%	70%
Additive sales	*	3%	2%	5%	3%	0%
Radiator flush	4%	5%	9%	4%	11%	1%
Belt replacement	3%	7%	7%	4%	5%	0%
Differential service	*	3%	4%	4%	2%	0%
Wiper blade replacement	5%	2%	6%	*	2%	0%
New services planned for next year:						
Cabin air filter replacement	3%	8%	19%	23%	30%	62%
Power steering fluid flush	3%	6%	14%	20%	18%	0%
Glass treatment/repair	16%	14%	8%	16%	24%	0%
Carwash	4%	10%	14%	10%	3%	38%
Air conditioner service	8%	9%	9%	8%	7%	0%
Tire rotation/balance	38%	15%	8%	8%	10%	0%
Mechanical engine flush	*	7%	5%	4%	2%	0%
ATF exchanges	12%	4%	8%	3%	2%	0%
Coolant flush	*	6%	4%	3%	3%	0%

mental cleanup site.

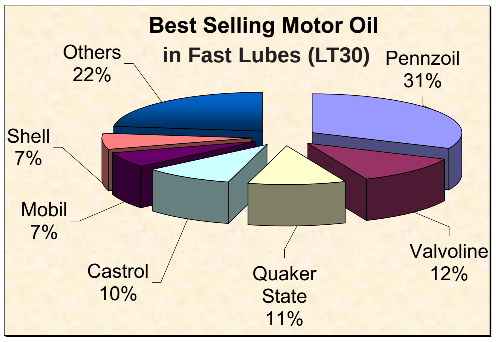
Nearly two-thirds of lubes are being paid for their used motor oil, receiving an average of 13 cents per gallon for the useful commodity.

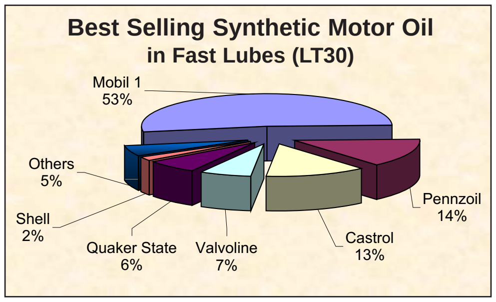
Despite recent crackdowns in many states, nearly half of all lubes charge their customers an environmental fee — the average is $1.51.

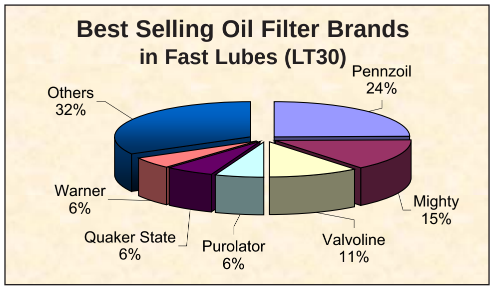
Finally, we come to the all-important issue of price.

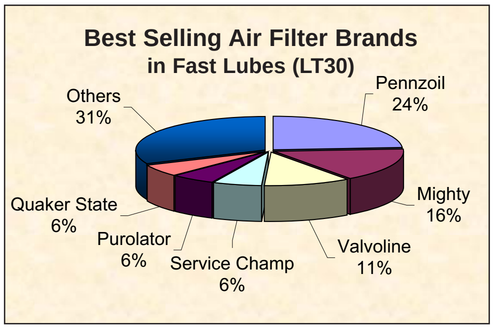
Lube operators pay an average of $4.48 per-gallon for their house motor oil, an increase of 35 cents per gallon over last year.

MT30 operations pay only $3.97 per gallon for their house motor oil.









Ninth Event: Services

Perhaps no other event in the decathlon is quite so graceful as the javelin. A javelin thrower uses a combination of speed and power to hurl his spear through the air, aiming to reach greater lengths than ever before. In the same way, lube operators have turned to add-on services in an effort to outperform their oil change competition.

Today, more fast lubes than ever before are offering add-on services (See Services table next page). And not just the old standbys of transmission and coolant service. These days, lubes are offering everything from light bulb replacement to emissions testing in an effort to meet the automotive maintenance needs and desires of consumers.

More lube operators than ever before are offering their customers services like fuel filter replacement, cabin air filter replacement, chemical engine flushes, battery replacement, hose replacement, minor mechanical repairs, power steering flushes, state inspections, tune-ups, mechanized engine cleaning flushes and windshield repair.

All of these services were offered by historically high percentages of responding lube operators.

A couple of services of note, however, are cabin air filter (CAF) replacement and power steering flushes. CAF replacement was offered by 42 percent of fast lubes last year. This year it's offered by 70 percent of lubes. Likewise, power steering flushes were offered in only 18 percent of lubes in 2000. This year, they're being offered in 33 percent of lubes. At an average service price of $34.60 and $52.16 respectively, these services and many others just like them are doing wonders for fast lube ticket averages. You could say they're hitting their mark.

Tenth Event: Winning the Contest

The final, deciding event in a decathlon is also one of the toughest — the 1,500-meter run. Nearly one mile in length, the race tests both body and mind.

Fast lube operators, too, are being tested. Competition grows yearly. Car counts fall as a slowly evolving market is cut into smaller and smaller pieces by new entries. Bulk motor oil prices continue to rise, as do labor expenses (see chart following page).

All is not doom and gloom, however. Fast lubes hold a commanding share of the retail oil change market, and all indications are that that share is continuing to grow, despite efforts by auto dealerships, discount stores and other auto service chains.

Ticket averages continue to grow as lube operators charge a fair price for a valuable service, and continue to offer customers the maintenance options their vehicles need.

A maturing industry is seeing a renaissance in terms of store design and comfort.

Lube operators who are smart and strong and agile will continue to stay one or two steps ahead of the competition. And at the end of the day, they will have won their version of the ancient decathlon.

Oil & Equipment

	1999 Less than 30 stores	2000 Less than 30 stores	2001 Less than 30 stores	2002 Less than 30 stores	2003 Less than 30 stores	2003 More than 30 stores
Total sales represented by #1 brand of motor oil	77%	81%	81%	81%	81%	87%
Customers committed to a specific brand of motor oil	56%	56%	46%	45%	42%	17%
Percent of operators who equate oil brand with success	n/a	n/a	n/a	n/a	63%	50%
Operations that implement used oil for heating purposes	30%	23%	28%	29%	24%	21%
Facilities equipped with lifts	35%	26%	28%	28%	33%	8%
Facilities equipped with pits	93%	94%	91%	94%	93%	99%
Percentage of pits equipped with safety covers	62%	65%	70%	72%	73%	86%
Facilities using evacuation systems for oil changes	16%	9%	12%	6%	9%	1%
Facilities using a filter crusher	57%	44%	52%	46%	45%	74%
Operations that have had gov't tank inspections	29%	39%	39%	34%	39%	96%
Type(s) of tank(s) used: Underground	17%	15%	11%	12%	15%	0%
Aboveground	83%	85%	89%	88%	85%	100%
Responses from states that have an environmental tax on motor oil	33%	46%	41%	37%	34%	*
Operations that use scrap metal haulers	18%	28%	29%	27%	26%	12%
Operations that accept used oil from DIYers	68%	72%	71%	75%	76%	100%
Operations that accept used oil filters from DIYers	44%	45%	52%	52%	54%	98%
Operations that charge fee for accepting DIY used oil/oil filters	9%	8%	4%	7%	8%	0%
Operations being paid for their used oil	32%	45%	57%	65%	65%	99%
How much?	n/a	n/a	$0.12	$0.12	$0.13	$0.19
Operations that invoice customers for environmental fees	32%	45%	44%	42%	48%	93%
Average amount	$1.11	$1.19	$1.32	$1.30	$1.51	$1.52
Per-gallon cost of highest volume bulk oil	$3.23	$3.78	$4.20	$4.13	$4.48	$3.97
Operators recycling antifreeze	43%	49%	60%	56%	61%	30%
Customers that buy synthetic lubricants	6%	6%	7%	7%	7%	7%
Percentage of business that is oil change	83%	84%	79%	76%	75%	67%
Offer service packages	n/a	n/a	63%	54%	55%	78%

Services

Percentage of survey respondents offering following services	1999 Less than 30 stores	2000 Less than 30 stores	2001 Less than 30 stores	2002 Less than 30 stores	2003 Less than 30 stores	2003 Avg. Price of Service	2003 % of Customers who Purchase	2003 More than 30 stores
Air filter replacement	n/a	n/a	100%	100%	99%	$13.36	26%	100%
Windshield wipers/blades replacement	96%	96%	97%	99%	99%	$16.41	12%	100%
Oil monitoring device reset	85%	84%	88%	94%	96%	n/a	n/a	98%
Differential service	95%	97%	96%	96%	95%	$26.70	5%	100%
Breather replacement	95%	94%	93%	90%	85%	$5.32	3%	100%
Mechanical ATF exchange	76%	78%	91%	86%	85%	$78.74	7%	100%
Serpentine belt replacement	75%	79%	87%	80%	84%	$53.36	4%	100%
Additive sales	89%	89%	84%	89%	83%	$12.37	9%	100%
PCV replacement	87%	85%	88%	84%	82%	$6.30	4%	100%
Mechanical full-block coolant flushes	74%	73%	81%	79%	81%	$55.13	5%	100%
Clean windshields	79%	69%	81%	79%	76%	n/a	n/a	79%
Oil changes on RVs	90%	74%	75%	75%	76%	$42.29	n/a	80%
Light replacement	69%	66%	79%	72%	75%	n/a	5%	78%
Fuel injector cleaning	73%	65%	75%	70%	74%	$53.26	6%	99%
Fuel filter replacement	52%	58%	66%	63%	72%	$32.54	6%	100%
Cabin air filter replacement	42%	39%	44%	42%	70%	$34.60	3%	99%
Transmission filter replacement	74%	75%	80%	77%	68%	$62.77	5%	78%
Chemical engine flush	60%	62%	62%	68%	68%	$13.50	5%	100%
Manual transmission service	94%	95%	75%	70%	63%	$48.18	5%	76%
Synthetic transmission fluid sales	41%	46%	63%	59%	62%	$5.79	2%	34%
Tire rotation	52%	49%	59%	53%	58%	$15.97	6%	99%
Vacuum customers' cars	63%	51%	56%	61%	55%	n/a	n/a	71%
Maintain/replace batteries	n/a	40%	41%	36%	45%	n/a	3%	77%
Radiator, heater, air conditioner hose replacement	n/a	n/a	26%	28%	37%	n/a	3%	5%
Minor mechanical repairs	30%	25%	27%	31%	36%	$80.81**	4%	5%
Air conditioner recharge	35%	29%	39%	32%	35%	$74.09	5%**	99%
Power steering flushes	n/a	18%	30%	26%	33%	$52.16	4%	15%
Manual drain and refill of radiators	76%	69%	36%	36%	32%	$41.09	5%	15%
Water-repellent glass treatments	34%	42%	45%	34%	32%	$9.79	3%**	76%
State inspections	29%	21%	26%	23%	30%	n/a	n/a	94%
Tune-ups	24%	23%	22%	25%	27%	$82.33	4%	12%
Brake service	24%	19%	21%	20%	24%	$120.88	4%**	5%
Perform oil changes on commerical vehicles	n/a	n/a	n/a	n/a	22%	$99.00**	*	28%
Wheel balancing	26%	19%	19%	17%	20%	$16.45	*	27%
Shock & strut replacement	16%	15%	16%	14%	20%	$68.84**	3%**	1%
Mechanized engine cleaning system	13%	10%	12%	15%	17%	*	*	66%
Air conditioner repair	13%	13%	15%	16%	16%	*	*	12%
Windshield repair	8%	7%	10%	8%	14%	$40.79**	4%**	0%
Smog checks/emission testing	22%	9%	10%	13%	12%	*	*	78%
Tire sales	n/a	5%	8%	8%	12%	*	*	1%
Oil changes on boats	16%	8%	14%	15%	10%	$34.75**	n/a	1%
Oil changes on motorcycles	13%	8%	10%	12%	7%	$31.18**	n/a	0%
Gas sales	3%	4%	3%	4%	3%	*	*	0%

* insufficient data to calculate   **calculated from sampling rate of less than 10%   n/a - not asked