

2008 FAST LUBE OPERATORS SURVEY

(COMPARISON OF “PURE” LUBES VS. LUBE-PLUS FACILITIES)

GENERAL INFORMATION

The **Fast Lube Operators Survey** that National Oil & Lube News publishes each September is a wealth of information in its own right, one of its best attributes is the vast amount of data collected, data that can be parsed and analyzed in myriad ways. Every year, we break down the data by region, and in year's past we have compared data for fast lubes versus fast lube/carwash combinations, “rural” and “urban” locations, etc.

This year, we have taken the data from our 2008 survey and broken it down into two categories: “pure” fast lube and those fast lube facilities that are co-located with an additional profit center, i.e. a carwash, tire shop, repair shop, tune-up shop, etc. — facilities we term “lube-plus.” In doing so, we have found data that is both surprising and enlightening.

OPERATIONS

	Fast Lube	Lube-Plus
Independent/company-owned facilities	78%	82%
Franchised facilities	22%	18%
Member of fast lube trade association	50%	61%
Years in the fast lube business	13.1	10.3
Number of facilities per response	2.4	2.0
Number of bays per facility	2.7	3.9
Number of stores operator will open in next 12 months	0.2	0.3
Cost of goods for standard, full-service LOF	\$12.88	\$12.64
Average ticket total	\$49.25	\$52.71
Number of days open per year	320	311
Number of cars serviced per day	35.5	32.3
State inspections per day (by facilities that offer)	13.5	9.3
Break-even car count	24.2	23.8
Operators who own their building/land	41%	75%
Operators who lease their building/land	24%	22%
Operators who both own and lease their buildings/land	34%	3%
Building/land costs for most recent fast lube (if owned)	\$498,900	\$659,897
Cost for leasing building/land (per month)	\$4,292	\$5,187
Equipment costs for fast lube	\$48,701	\$77,203
Operators planning to sell their facilities next year	13%	6%
Operators who have customers enter their lube:		
From the front (street side)	33%	64%
Back	67%	36%
Percentage of business that is oil change	69%	69%
Percentage of operations that refuse to service at least one vehicle	39%	25%
Operators who offer a free fluid top-off	90%	81%

PRICES

	Fast Lube	Lube-Plus
Price of standard, full-service LOF/multipoint check	\$32.85	\$31.88
Operators who offer basic, low-cost LOF service	21%	42%
Price, if offered	\$27.22	\$25.05
Operators who offer premium LOF (w/ specialty/high mileage motor oil)	92%	93%
Price, if offered	\$44.26	\$44.39
Operators who offer premium LOF (w/ synthetic motor oil)	99%	98%
Price, if offered	\$60.24	\$58.54
Operators increasing LOF price in the past 12 months	89%	79%
Amount of increase	\$2.63	\$2.75
Competitors discounting their oil changes	92%	85%
Amount of discount	\$5.99	\$5.88
Operators discounting their own oil changes	68%	64%
Amount of discount	\$4.42	\$4.37

CUSTOMER DEMOGRAPHICS

	Fast Lube	Lube-Plus
Fast lubes within three miles of respondent	2.3	2.8
Oil change facilities within three miles of respondent	5.7	5.2
Population within three-mile radius of best store	28,698	29,875
Daily traffic count in front of best store	21,863	20,569
Customer base that is female	51%	52%
Miles customers drive between oil changes	4,397	4,238
Portion of overall sales made up of fleet accounts	13%	12%
Average number of vehicles per fleet	9.1	11.0
Operators who mystery shop their own stores	66%	51%
Operators who mystery shop their competition	54%	36%
Customers who drive domestic vehicles	57%	56%
Customers who drive foreign vehicles	43%	44%
Customers who drive luxury vehicles	20%	21%
Customers who drive light trucks	33%	32%
Vehicles equipped with oil monitors	51%	52%
Miles driven between oil changes by those vehicles	4,805	4,587

OIL & EQUIPMENT

	Fast Lube	Lube-Plus
Total sales represented by "house" motor oil brand	81%	81%
Customers committed to a specific brand of motor oil	45%	45%
Operations that implement used oil for heating purposes	28%	35%
Facilities using evacuation systems for oil changes	20%	27%
Facilities using a filter crusher	28%	30%
Operations that use scrap metal haulers	22%	41%
Operations that accept used oil from DIYers	88%	82%
Operations that accept used oil filters from DIYers	73%	59%
Operations that charge fee for accepting DIY oil/oil filters	1%	4%
Operations being paid for their used oil	98%	92%
Amount per gallon	\$0.78	\$0.73
Operations being paid for their used oil filters	3%	5%
Operations invoicing customers for environmental fees	13%	32%
Average amount	\$1.67	\$1.90
Per-gallon cost of highest volume bulk oil	\$7.76	\$7.59
Overall breakdown of motor oil sales:		
Conventional	66%	67%
Synthetic blend	7%	8%
High mileage	11%	7%
Full synthetic	9%	10%
Diesel	6%	8%
Other	1%	0%

INSURANCE

	Fast Lube	Lube-Plus
Workers' Comp rate (per \$100 of payroll) for techs	\$3.11	\$6.45
Per-store amount of Workers' Comp claims	\$125	\$377
Annual cost of insuring a fast lube facility	\$4,919	\$5,533
Average amount of per-store warranty work performed during preceding 12 months	\$905	\$1,244

ADVERTISING

Operators who send reminder cards to customers	53%	41%
Operators offering discounted reminder cards	77%	77%
Response rate	27%	29%
Percentage of customers who redeem coupons	21%	21%
Operators who advertise on the Internet	39%	50%

KEYS TO SUCCESS

Factors that will determine future success of fast lube industry:

Customer service	68%	60%
Quality employees	11%	20%
Car counts	11%	10%
Cost of goods	4%	6%
Extended oil change intervals	4%	4%
Competition	2%	0%

OIL & EQUIPMENT

	Fast Lube	Lube-Plus
Best selling motor oils in fast lubes:		
Pennzoil	30%	28%
Valvoline	20%	8%
Castrol	11%	13%
Havoline	9%	10%
Mobil	9%	9%
Quaker State	5%	0%
Shell	4%	8%
Chevron	4%	5%
Others	8%	19%
Best selling synthetic motor oils in fast lubes:		
Mobil 1	52%	55%
Pennzoil	12%	13%
Valvoline	17%	6%
Castrol	8%	6%
Havoline	3%	0%
Quaker State	3%	0%
Amsoil	2%	4%
Shell	0%	4%
Others	3%	12%

	Fast Lube	Lube-Plus
Best selling oil filters in fast lubes:		
Pennzoil	23%	25%
Valvoline	20%	8%
Mighty	10%	16%
Purolator	7%	4%
Champion	5%	5%
Service Champ	4%	6%
Mobil	4%	0%
Quaker State	4%	0%
NAPA	0%	4%
Others	23%	32%
Best selling air filters in fast lubes:		
Pennzoil	17%	20%
Valvoline	17%	5%
Mighty	9%	17%
Service Champ	9%	7%
Purolator	6%	5%
Champion	5%	0%
Mobil	3%	0%
NAPA	0%	5%
Others	34%	41%

SERVICES

Fast Lubes

Lube-Plus

Percentage of survey respondents offering following services:	Fast Lubes		Lube-Plus			
	Average Charge	Percentage of Customers Who Purchase	Average Charge	Percentage of Customers Who Purchase		
Additive sales	90%	\$13.38	9.5%	88%	\$16.38	5.2%
Air conditioner recharge	33%	\$84.34	1.4%	62%	\$84.58	3.2%
Air conditioner repair	5%	\$256.25 [†]	1.5% [†]	46%	\$384.06 [†]	2.1% [†]
Air filter replacement	100%	\$16.84	17.2%	100%	\$17.79	14.0%
Brake service	26%	\$126.23	2.1%	54%	\$150.04	4.3%
Breather replacement	75%	\$7.46	1.0%	82%	\$9.07	1.5%
Cabin air filter replacement	75%	\$35.57	2.4%	93%	\$35.42	2.8%
Chemical engine flush	86%	\$25.20	3.9%	85%	\$25.76	3.2%
Differential service	77%	\$40.97	2.7%	94%	\$45.18	2.7%
Fuel filter replacement	76%	\$44.21	4.5%	92%	\$44.61	3.8%
Fuel injector cleaning	86%	\$60.62	2.8%	90%	\$74.46	3.2%
Light replacement	81%	n/a	5.7%	95%	n/a	6.4%
Maintain/replace batteries	54%	n/a	0.9%	80%	n/a	1.6%
Manual drain and refill of radiators	31%	\$49.44	1.0%	51%	\$46.19	1.2%
Mechanical full-block coolant flushes	91%	\$72.51	1.9%	92%	\$74.44	2.75%
Mechanical ATF exchange	86%	\$100.61	3.4%	94%	\$108.61	2.9%
Mechanized engine flush/cleaning	17%	\$77.65 [†]	0.9% [†]	16%	\$84.81 [†]	3.6% [†]
Minor mechanical repairs	29%	\$86.93	4.2%	65%	\$145.93	6.4%
Nitrogen-based tire inflation	11%	\$23.24 [†]	2.4% [†]	8%	\$23.61 [†]	5.3% [†]
Oil changes on boats	11%	\$43.75 [†]	*	12%	\$57.29 [†]	*
Oil changes on class C or larger commercial vehicles	38%	\$101.30 [†]	*	22%	\$96.45 [†]	*
Oil changes on motorcycles	8%	\$48.73 [†]	*	14%	\$48.43 [†]	*
Oil changes on RVs	70%	\$51.68	0.8%	66%	\$56.47	1.1%
PCV replacement	63%	\$8.23	2.0%	82%	\$9.20	1.6%
Power steering flushes	60%	\$61.38	1.7%	59%	\$61.28	2.1%
Radiator, heater, A/C hose replacement	20%	n/a	1.2%	67%	n/a	1.8%
Repair rock chips in windshields	24%	\$37.76 [†]	2.0% [†]	30%	\$42.18 [†]	3.6% [†]
Serpentine belt replacement	79%	\$60.66	1.4%	95%	\$68.20	2.2%
Shock and strut replacement	6%	\$67.50 [†]	0.8% [†]	48%	\$168.65 [†]	1.2% [†]
Smog checks/emission testing	10%	\$30.37 [†]	14.3%	20%	\$57.80 [†]	8.9%
Tire rotation	69%	\$18.35	5.1%	71%	\$18.53	6.4%
Transmission service (drain/refill manually)	57%	\$87.50	1.3%	67%	\$92.13	1.4%
Tune-ups	22%	\$109.30	1.2%	58%	\$145.50	2.3%
Water-repellent glass treatments	21%	\$10.59 [†]	2.0% [†]	35%	\$12.54 [†]	2.1% [†]
Wheel balancing	8%	\$36.62 [†]	2.4% [†]	41%	\$48.01 [†]	4.7% [†]
Windshield wiper/blade replacement	99%	\$18.68	9.8%	100%	\$17.61	7.4%

* insufficient data to calculate n/a: question not asked †average from small sampling

EMPLOYEES

	Fast Lube	Lube-Plus
Average length of employment for managers	6.2 yrs	6.2 yrs
Average length of employment for technicians	2.4 yrs	2.7 yrs
Starting wage rate paid to lube techs	\$7.81	\$7.99
Average hourly wage rate paid to lube techs	\$9.07	\$9.37
Annual salary paid to managers	\$36,929	\$42,541
Annual salary paid to owner (if full-time employee)	\$54,365	\$56,231
Average number of employees per store	5.8	6.0
Operators testing employees for drugs	33%	49%
Hours of formal training employees receive per year	37	32
Operations that use surveillance cameras	59%	55%
Owners who work: On site	67%	70%
From remote location	33%	30%

EMPLOYEE BENEFITS

	Fast Lube	Lube-Plus
Percentage of operators that offer these benefits:		
Paid vacation	77%	70%
Uniforms	69%	72%
Paid holidays	58%	60%
Commission	46%	53%
Health/life insurance	42%	43%
Paid sick leave	22%	21%
Non-sales based bonus	9%	8%
Retirement	15%	18%

SALES

	Fast Lube	Lube-Plus
Yearly sales per store:	\$510,744	\$566,039
Portion of gross sales used for:		
Payroll ¹	27.3%	29.3%
Lease/Mortgage	12.2%	12.3%
COGS ²	31.3%	29.6%
Net Profit	10.2%	9.8%
Operations ³	15.5%	16.0%
Other ⁴	3.5%	3.0%

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, training, company vehicle, etc. used to operate business on a day-to-day basis.

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

BEST FORM OF ADVERTISING

	Fast Lube	Lube-Plus
Word of mouth	63%	60%
Direct mail/reminder cards	13%	14%
Coupons/discounts	14%	17%
Radio	4%	4%
Television	4%	0%
Newspapers	2%	3%
Internet	0%	2%

ANALYSIS

Bearing in mind that responses to the 2008 Fast Lube Operators Survey were for the oil change/automotive maintenance portion (i.e. the "fast lube") of a business, the differences between a "pure" fast lube and a lube shop operated in conjunction with an additional profit center or centers are not as large as intuition might suggest. "Pure" lube shops enjoy a higher average car count but a slightly lower ticket average, but metrics like average LOF price, COGS, bulk oil prices, etc. are surprisingly similar.

It is primarily in the area of services offered that lube-plus shops enjoy an advantage, with more lube-plus shops offering a wider array of services than "pure" lube shops, a factor that certainly contributes to lube-plus shops' higher overall ticket averages and annual gross sales. Still, with lube-plus shops operating larger facilities than "pure" lubes and generally employing more technicians, lube-plus shops have higher payroll and operational expenses, contributing to a profit margin that is overall slightly smaller than that of "pure" lube shops.