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## Brand Power

American Auto Wash attracts  
"gas and wash" customers



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CAR WASH

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# Brand Power

American Auto Wash attracts the “gas and wash” customer



Kevin Kan

If you're in the Philadelphia area and looking for a good carwash and low-priced gas, you can't go wrong stopping by one of the 20 Gentle Touch Car Wash locations. After all, a company that washes one million cars a year and sells 40 million gallons of gas annually has to be doing something right.



Gentle Touch's logo is well known in the Philadelphia area.

American Auto Wash Inc., the 35-year-old parent company of Gentle Touch Car Wash, has been cross-marketing gas and carwashes since its inception. The company was founded by Reinhard Bets on the gas and carwash cross-marketing model. Today, Bets serves as the chairman of the American Auto Wash Board of Directors and is also one of the company's major shareholders. Kevin Kan, who joined the company in 1999, is the current CEO and also a major shareholder.

"We offer low gas prices to attract customers to our locations and hopefully get them to purchase a carwash," Kan says. "Even though we make money from gas, it's not our main concern. We make no secret of the fact that we make our money on the carwashing side."

Kan says 40 percent of their carwash patrons are what the company calls "gas and wash" customers. These customers buy gas and then have the option of purchasing a discounted carwash at the pump or from a cashier.

Typically, when you buy any amount of gas at a Gentle Touch location, you get \$1 off a carwash. Locations in more competitive areas will offer as much as \$3

off a full-service carwash. Recently, the company decided to try marketing in reverse—getting its carwash customers to buy discounted gas.

"For the last 35 years, we've been doing it one way. Now we've decided that we need to do it both ways. It pays to get them to also buy gas," Kan says.

Gentle Touch sells BP gas at 13 locations and Mobil gas at five. Due to the company's high-volume gas sales, it is also a distributor for BP in the greater Philadelphia area.

What's interesting about the company's cross-marketing concept is that even with the discount, the dollar-per-car (carwash) average of the gas and wash customer is higher than the carwash-only customer who pays full price. Kan says this is due to the fact that the gas and wash customers use credit or debit cards more often, and people tend to spend more when they're using plastic. Carwash prices range from \$6 for the basic exterior wash to \$16 for the top full-service wash.

Gentle Touch has 12 exterior washes and eight full-serve locations with detail centers in the greater Philadelphia area. Exterior washes are also available at the full-serve sites.



Auto Wash has only built one carwash from the ground up. Kan says the company prefers to buy existing washes that are not at their full potential and turn them around.

"Working with townships on a new carwash construction is tough," he says. "And residents don't want to live near carwashes. We just don't like building them."

## New blood

Since Kan joined the company, his goal has been to take American Auto Wash from what he calls a mom-and-pop operation to a more corporate environment.

"What I've done is bring in a more corporate structure," Kan says. "Managers and supervisors are now accountable for production. Our managers are required to come up with yearly and quarterly business plans and are expected to follow through with those plans and report on the results."

Kan says he's seen tremendous overall improvement since implementing this accountability plan and requiring managers to set goals.

Prior to joining American Auto Wash, Kan, who has a law degree, worked for AIG, one of the world's largest insurance companies. While his position as CEO for American Auto Wash is different than his work with AIG, he says he's taken the knowledge he gained at AIG and applied it to the carwashing business.

One of Kan's most noticeable contributions to the company since joining is the development of the Gentle Touch Car Wash brand. When he started working for the company, Kan noticed that all of the carwashes were operating under the name of the gasoline brand that was sold at each site. He was concerned that customers couldn't differentiate a carwash at an American Auto Wash location with a carwash at a gas station down the street. Enter the little lamb—more specifically, the cartoon lamb created by N/S Wash Systems to promote its Lammscloth washing material. This lamb is part of Gentle Touch's logo, which is seen on signage at every location.

"It was my number-one task to brand the carwash," Kan says. "In the last few years, we've aggressively marketed our brand and



our name on TV, radio and in the newspaper."

That advertising has paid off, and customers now associate the little lamb with Gentle Touch.

"People know the name Gentle Touch, and they know the logo," Kan says. "I'm very happy with what we've done with that. It's not just a sign. We've done a lot to make it a true brand."

Kan has also helped the company roll out its Carwash University, a two-day training course for Gentle Touch managers.

*American Auto Wash has had great success cross-marketing carwashing and gas.*

## Low-priced gas

Philadelphia is a highly competitive gas market. While Gentle Touch is able to stay competitive with other major-brand gas retailers, it has been challenging beating the prices of non-major brand retailers. But all that should change with the introduction of American Auto Wash's own brand of gasoline. At the end of the year, the company will launch its own proprietary brand of gas called Griffin. The company hired a major design firm to create the logo and a public relations firm to make sure the brand would appeal to the public.

"We're going to be buying gas at the lowest possible price, and hopefully we'll have an image out there that's credible to our customers and will help us compete better with non major-brand providers."

Kan says he eventually wants to market the Gentle Touch logo and the Griffin logo together. The company is even considering offering franchising opportunities under these two brands.

## The look

Even though it has 20 locations, American

carwashes. We just don't like building them."

Kan says he receives calls weekly from carwash operators who want to sell their locations to American Auto Wash. The company will take a look at the site to see if it could work as a Gentle Touch site. Often, these carwashes are not performing up to their full potential and can be turned around.

Buying existing carwashes means there isn't really an identifiable look to the Gentle Touch locations, but that's about to change. Last year, the company hired an architectural firm to give all of the sites a similar look. That new look will be accomplished using white metal panels that will be attached to the sides of all the locations.

"This will give all the washes a whole new modern look without having to knock the buildings down," Kan says.

Another major improvement the company plans to make is retrofitting all locations with Tunnel Master systems from Innovative Control Systems (ICS). All the sites have different equipment, which creates a few challenges. Adding the ICS systems to all 20 locations will allow the company's Clean Car Club members to use their cards at any Gentle Touch location. The company has nearly 4,000 club members who pre-pay for carwashes in six-month or one-year packages.

"After the retrofitting, we'll be able to electronically verify the validity of the card and track member usage."

Kan says he is steering the company toward buying all of the same carwashing equipment in the future. Gentle Touch currently has a mix of equipment from several manufacturers.



*The company's carwash tunnels range from 60 to 125 feet long.*



This architectural rendering shows the planned facade changes for all 20 locations.

## The Industry

While Kan likes the carwashing industry immensely, it presents some challenges, he says—the main challenge being the weather.

“Most industries don’t have this external factor [rain] that controls their success or failure,” Kan says. “We are fortunate that our numbers, despite all the rain on the East Coast, have stayed the same or improved. We think this is due to our heavy couponing in Val-Pak, Clipper and in newspapers,” he says, adding that American Auto Wash spends \$300,000 to \$400,000 a year on marketing.

The carwash industry is changing, Kan says, and one of these changes involves new players coming into the industry. He often receives phone calls from people who want to enter the carwashing business. He tells them

all basically the same thing.

“It’s not as easy as it looks,” he says. “Chemicals, water costs and especially labor can kill your business. That’s how we get many of these distressed carwashes—people think that all they need to do is buy good equipment and chemicals, hire a good manager and turn the machines on. It doesn’t work that way.”

One potential challenge on the horizon for all carwash operators is the possibility that hypermarkets like Costco will enter the carwash business. This could hurt business for many operators, and hypermarkets could even begin offering free carwashes.

“That’s the biggest potential threat that I see,” he says. “But it’s not a hands-off business, and if these hypermarkets want to succeed they’re going to have to devote

time to study it. I don’t know if they want to do that.”

But despite the potential for increased competition, American Auto Wash plans to focus on making the Gentle Touch and Griffin brands well-known in Philadelphia.

“This company has tremendous room for growth,” Kan says. “That’s what first attracted me to the company.”

Another focus will be on franchising Gentle Touch carwashes. But Kan says they want to make sure they can do it right before they jump into anything.

“I want to start by franchising with people I know and getting feedback from them about how we’re doing,” he says. “I want to test it out before we really start building the franchise.” ♡

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