



IN THIS ISSUE:

Synopsis of keynote presentation by Dr. Roger Selbert to the Western Car Wash Association 2011 Annual Convention

- 1 – INTRODUCTION: WE'RE IN A HUNKER-DOWN ECONOMY, BUT YOUR BUSINESS CAN THRIVE IN HARD TIMES
- 2 – OTHER STRATEGIES
- 3 – WHY GOOD TIMES WILL RETURN
- 4 – WHAT ABOUT CALIFORNIA?
- 5 – THE CAR WASH INDUSTRY
- 6 – LONG-RANGE REASONS TO BE OPTIMISTIC

1 – INTRODUCTION: WE'RE IN A HUNKER-DOWN ECONOMY, BUT YOUR BUSINESS CAN THRIVE IN HARD TIMES

Capital appears to be on strike through the next election. I can understand why. We have set a lot of bad records during this administration – on rising debt, deficits, unemployment, poverty, welfare, and food stamps, and declining income, wealth, fertility, mobility, and share of population working. And they still think they can win re-election? Well, as they say out in the country, “That dog won’t hunt.”

But hunkering down doesn’t get you very far. Some of the points I will be making today include the following:

- The worst is over, and man, it was bad. But growth will return. It may be slow growth, with an overhang of high underemployment – and I’m sorry about that – but the rest of us have to keep pushing ahead: working, investing, growing, and building the future. You see, there are two economies in the US, and one is doing quite well, thank you. (I have always said the future will be bright for many but dismal for many others, and have always recommended being in the first group!)
- Banks do have money to lend (in fact they are awash in liquidity) and must start lending,

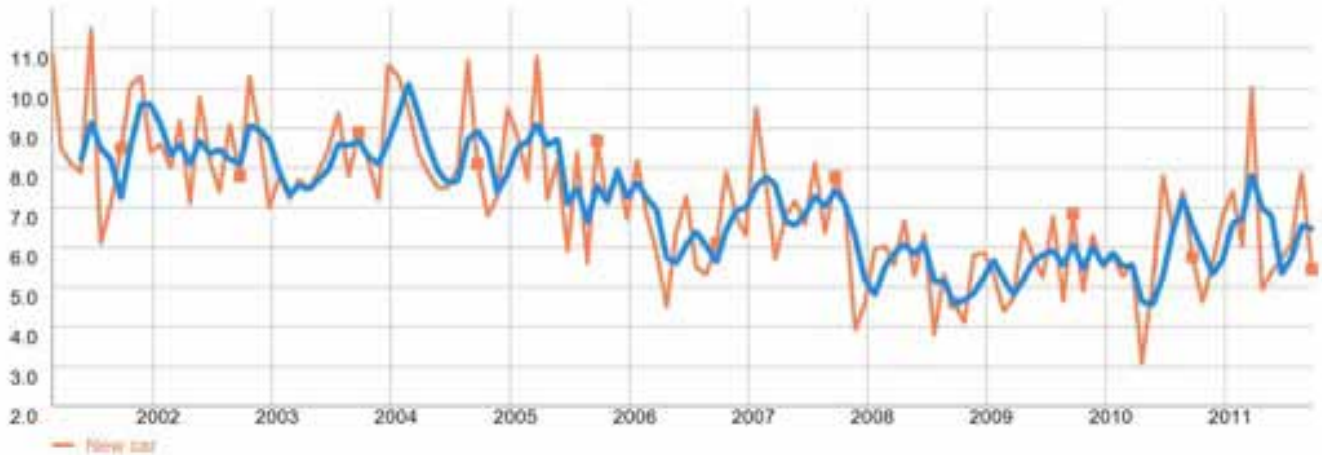
soon, for their own profitability and growth. Right now they may be immobilized by uncertainty over regulation and taxes, but this anti-business environment must end. They must then start lending more and more to small businesses because 1) large businesses are sitting on their own cash and don’t need the banks right now, and 2) small businesses are where all the opportunities are (and are the backbone of this economy).

- Consumers are deleveraging (getting rid of debt), but disposable income and consumer spending will recover, *at least for the majority of consumers with steady jobs who are not completely underwater*. This is your target market; it does not make sense to speak about the general economy or general market. For the people who are doing well, adjusted retail sales are trending higher, and new car sales – so important to the car wash industry – will follow.

This is where to target your strategies, plans and actions. This is where you will profit and thrive. Find the successful businesses and individuals in your trading area. Design services suited to them. Devise marketing approaches to appeal to them

Trend Analysis That Builds Business Decisions

Will buy a new car within the coming three months
Per cent of households – monthly and three-month average



Note: After moving up four months in a row from 4.9 per cent in April, to 7.9 per cent in August, demand for cars is now down to 5.4 per cent in September, marginally below the 5.8 in September 2010

(include new media!). Identify best prospects and best customers and bend over backwards for them. Make your waiting rooms inviting. Add a Starbucks-like coffee service. Offer space to other service providers/problem-solvers – things that would help people combine errands or entice people to relax while waiting for their car. For

instance: dry cleaning and alteration services. Dog walking and/or pet services. Dental whitening strips. Oil change (and check the other fluids!). Shoe repair. Recycling services. Postal services. Massage service for sore muscles. Errands that can be bundled on Saturday mornings. Yes, in other words, go upscale!

2 – OTHER STRATEGIES

This is the time to plan, invest, and grow into a prosperous future. A down economy presents opportunities for the astute small business owner, such as the following:

- Negotiate reductions in costs (from suppliers and landlords), enabling you to reduce prices (or hold them steady), providing current customers and clients with more value, and thereby attracting new ones.
- There is a greater pool of qualified labor; you should be able to hire great people for less than the cost you were paying during good times.

- Creativity and innovation are rewarded. Provide a great service, solve people’s problems, and loyal customers will give you more repeat business and good referrals.

Move past the functional aspect of a car wash into the theatrical/entertainment aspect of “the car wash experience.” It’s showtime! A car wash can be musical theater. Make it emotional!

In other words, take a commodity service and make it special. Turn a convenience into a destination!

- Market and industry analysis
- Strategic business direction
- Growth dynamics

- Trend identification and analysis
- Keynotes and presentations
- Proprietary research and reports

Trend Analysis That Builds Business Decisions

3 – WHY GOOD TIMES WILL RETURN

The non-bubble portions of the US economy are doing well. Given the magnitude of the bubble that had to be popped, that outcome actually is encouraging. Sales, employment and profits of established corporations with a global presence are rising. The railroads and airlines are carrying more freight, the airlines are carrying more passengers, and exports are up by nearly 20% over a year ago.

M2, which is mostly cash, demand-deposit checking accounts, savings deposits, and retail money-market funds, has been soaring. Hours worked,

retail sales, and industrial production are all picking up. Profits are still rising, even though their growth is slowing. Commercial and industrial business loans have grown at an 8% annual rate over the past three months.

The fact that larger American corporations have had a strong recovery should reassure us that American is capable of a broader recovery. Disposable income and consumer confidence will rise gradually, leading to growth in discretionary spending for car wash industry services.

4 – WHAT ABOUT CALIFORNIA?

California is slowly extracting itself from the Great Recession. According to Well Fargo Securities, California's economic recovery will become more visible this year as private sector job growth improves in a broad cross-section of industries across the state, even in the most troubled metro areas.

More service businesses will be adding to payrolls this year as stronger consumer spending improves revenues and smaller businesses see

improved top-line growth for the first time in this expansion. Manufacturing and exports will remain an important source of economic activity. Statewide job growth is being led by solid gains in some southern California metro areas, especially Orange County and San Diego.

California's housing troubles are not over, and unemployment will remain uncomfortably high, but tax revenues are recovering, and the state is setting records for exports and international trade.

5 – THE CAR WASH INDUSTRY

After a couple of very difficult years, the Car Wash and Auto Detailing industry will face a solid recovery in the next five. Demographic and social trends support a continuation and acceleration of the use of professional car washing:

- More middle aged: more desirous of a clean car and less willing or able to do it ourselves.
- The more affluent sector is growing its income and spending: the luxury market has recovered from the recession.

- More female: in the next 10 years, females aged 30 to 39 are expected to be among the fastest growing demographic groups within the US population, and in their peak earning and spending years. (May I mention the importance of large, clean, well-lighted restrooms?) Since women are expected to earn a larger portion of household income, they will begin to exert even more control over spending than they already have.

- Market and industry analysis
- Strategic business direction
- Growth dynamics

- Trend identification and analysis
- Keynotes and presentations
- Proprietary research and reports

Trend Analysis That Builds Business Decisions

- More educated: more open to intelligent appeals (increase the life of your car, its resale value, etc.).
- More mobile: work/life integration means more driving and more time in the car.
- Busier, more time-poor, more convenience-oriented: again, less able to wash the car ourselves.
- More suburban: don't believe the hype about a return to city living – 90% of population, business and job growth occurs in the suburbs of metropolitan areas.
- More experiential and emotionally-based consumer spending: make the car wash an emotional experience!
- As the US economy recovers and awareness of water efficiency takes off, demand for the car wash industry's services will increase (a

professional car wash uses less water on your car than you do using your garden hose in the driveway).

For the carwash industry today, nothing is more important than increasing wash counts and revenues at every site. You must do this with repeat customers, washing more often and spending more at each visit, and referrals from best customers. Develop and utilize your own proprietary database! Target your best customers; micro-market.

Use new tools: email, the web, Google (internet marketing optimization), social media, Twitter, blogs, YouTube.

Differentiate, innovate. Move beyond standard offerings and standard performance. This is the time of determining those who will survive, those who will thrive, and those who will not.

6 – LONG-RANGE REASONS TO BE OPTIMISTIC

Reasons to be optimistic about the American future

1. **SIZE:** a large, growing and dynamic (not static) nation
2. **DEMOGRAPHICS:** a large, growing and melding (not melting but melding) population
3. **MANUFACTURING, INDUSTRY, TECHNOLOGY & EXPORTS** (still the world leader in all these categories)
4. **ENERGY & NATURAL RESOURCES** (plentiful, if we have the political will)
5. **CAPITAL** (traditional and non-traditional sources)
6. **LAND & AGRICULTURE** (plentiful and fertile)
7. **MILITARY POWER & PROWESS** (not to impose our will but to protect our interests)
8. **ENTREPRENEURSHIP, INNOVATION, CREATIVITY** (they are in our DNA)
9. **EDUCATION, R&D** (we realize their value and prioritize them)
10. **CONSUMERS GOTTA SPEND** (we are as acquisitive as conditions allow)
11. **THE CULTURE** (Americans will not settle for an unsatisfactory status quo)

In other words, we have more than enough going for us to overcome our own foibles as well as those of the politicians we are silly enough to vote for. And you have enough going for you in the car wash universe to overcome the problems posed by difficult conditions!