

PROFITABILITY!

Don't be afraid to think outside the box

by Ryan Beaty

Regardless of where you fall politically, one thing is for sure, higher taxes and increased natural resource costs are coming and businesses of all sizes are sure to feel the pain. That said, having a highly qualified supporting cast of financial planners and accountants are important but there are other cost saving and revenue enhancing measures that must also be considered.

Operation

If you've been holding off on upgrading new equipment or other enhancements that will lower operating costs now is the time to start. The government has offered many tax breaks and leasing incentives to promote clean and Green technology. Car wash equipment is efficient as ever when it comes to water, chemical and energy consumption. Understanding new product development is one operational measure that is often overlooked. Technology is changing at a pace we've never seen before in our great business. Keeping in contact with your suppliers, peers and in touch with publications like this will all lend themselves to better understanding what is out there and the pros and cons of each. Total cost of ownership is now more important than ever and a simple excel spreadsheet can extrapolate cost savings over time which will bring a smile to most operators.

Financing is still tight to say the least, but things are improving. SBA loans doubled year over year from 2008 to 2009. Section 179 should be evaluated with your tax advisor to see if it is right for you but, many operators have taken advantage of this and saved tens of thousands of dollars.

Investment

Many operators are performing "face lifts" to their sites as well. It's no surprise that customers are scrutinizing buying decisions more than ever these days and having a clean, well lit and easy to navigate sites are more favorable than dark, dank, cluttered ones. Just as in remodeling homes, a little investment can go a long way and all operators should be reviewing how welcoming their site(s) are to their customers. I've recently seen two examples of operators who performed such work, each spending nominal amounts of investment and are reaping the rewards. Consider bay cleanings if you have not before. It's amazing how new you can keep your bay and equipment looking with monthly cleanings.

Revenue

Revenue enhancing options continue help drive top line revenue which of course leads to better profitability. Menu building and different loyalty types of software are allowing operators to capitalize on higher ticket averages while growing the customer base. Sure tri-foam has been around for years and it still

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sells, but options like tire shine, profiling dry, hub scrub and Rain-x have customers heading for the premium package, which can be the most profitable for operators. The ICA Show was full of vendors who have developed such technology and ancillary products aimed at driving top line revenue. As we enter this new decade one can't help but be excited with the way technology is changing the way we operate our businesses. While higher taxes, rising utilities and more government involvement seem inevitable at this point, at least in the mid-term, all operators should be keeping their eye on the prize, customer satisfaction and overall site profitability. It's not getting any easier, but the good news is there are suppliers and other industry experts hard at work at products and policies that will help operators maximize profits, even as financial hurdles approach.

The Plan

If you have survived to this point, in these trying times, surely you have used some kind of roadmap that included both long and short term goals yet was flexible enough to manage your way through unexpected bumps in the road. Business plans will vary by business model however there are indeed some hard and fast steps that need to be taken.

It's always important to remember the saying that goes something to the effect of he who forgets the past is doomed to repeat it. Sounds like a simple idea to grasp, however, it's easier said than done. It appears the economy is turning the corner, financing is slowly loosening up and consumer confidence is on the rise. All good signs for operators, manufacturers and customers to be cautiously optimistic.

It's important to remember to understand the buying process the customer goes through when selecting where they will wash their vehicles. Identify, search, evaluate, decide, purchase and re-evaluate are the steps each consumer will go through. Having a business plan that addresses this process will ensure success as an operator. From a 20,000 foot view, below are a few steps every operator should be reviewing on a fairly frequent basis.

- Review and assess the current situation.
- Develop short term (30,60,90 day) strategy as well as a long term (1,3,5) year strategy.
- Set goals that are documented, posted and measured. If you can't measure, you can't manage.
- Review and communicate to key employees. No matter what your business model, Key employees must "buy in" to the goals and exceeding them. Strategy should then be communicated to the other employees.
- Have established relationship with a financial institution. Even if you don't carry any debt, this kind of relationship is essential in this kind of economy where survival is a must and buying opportunities are many.



- Identify and meet/know your customer. It's time to be more hands on and much of this can be accomplished with new software systems that tell you lots about your customers but the human handshake and conversation still goes a long way.
- Know and foster relationships with your suppliers. In this kind of economy, it is important to be involved with financially strong suppliers who are going to be around to not only support you but, help you grow.
- Build reserves. Cash is king and having a larger than smaller "rainy day" fund will give you confidence to operate your business in the way that allows you to spend money where you need to but also take advantage of efficiencies that will lead to greater profitability.
- Constantly review current procedures and implement new ones quickly that provide greater opportunity for customer loyalty and profitability. Being flexible is the name of the game and changing course shouldn't be like turning an aircraft carrier around.
- Don't be afraid to think outside the box. What some considered crazy talk years ago is now the way it's done. Creativity and innovation will always be rewarded with the highest profits so don't be afraid to go out on a limb.❖

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