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Car Wash Market Analysis

**4th
Quarter
2023**



At a Glance



Revenue

The Car Wash industry has faced some decline since COVID-19, with revenue decreasing 1% CAGR to \$14.6 billion despite revenue increasing in 2023. As inflation subsides and people have more disposable income, the car wash industry is expected to increase revenue by 1.8% to \$15.9 billion over the next five years.



Profit

Despite revenue decreasing, 2023 was a profitable year as the industry experienced a 1.3% increase, resulting in profit being \$2.3 billion. As the economy bounces back, the car wash industry is expected to increase to \$2.7 billion in 2028.



Profit Margin

In 2023, profit accounted for 16.1% of the industry revenue. However, profit is projected to increase to 17.1% over the next five years. This is due to a variety of factors, such as an increase in disposable income and the number of registered vehicles.



Full-Service

Full-Service car washes include cleaning of the interior and exterior of the car. This takes up a majority of the market at 31% despite consumers finding cheaper, alternative methods due to a decrease in disposable income over the last five years.



Automatic

In-Bay Automatic car washes comprise of paying a flat rate, on average \$10, for a conveyor belt to bring the car through the tunnel as rollers and other machines clean. This is different from the Full-Service conveyor, as this is normally five minutes compared to the Full-Service automatic wash of 15 minutes. In-Bay Automatic washes take up 15.4% of the market but are rapidly increasing due to convenience and lower cost.



Self-Service

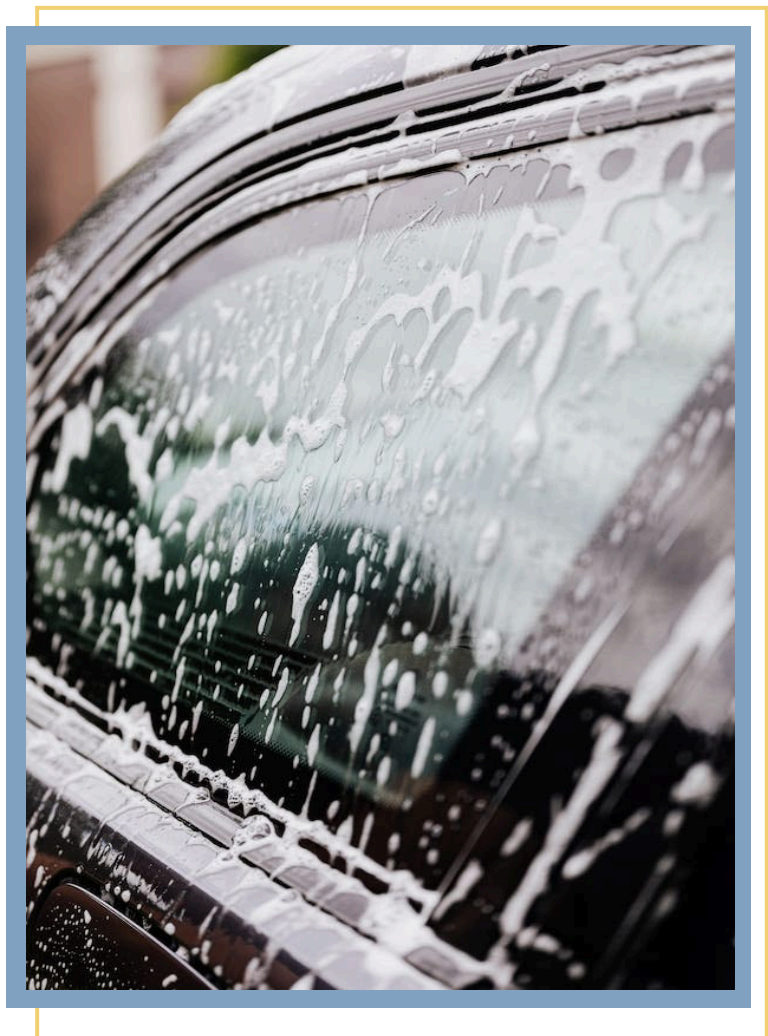
Self-Service car washes offer drive-in bays with tools so you can pay a minimal fee to wash your own car. Although the low cost of \$5-\$10 is a good alternative to a more costly Full-Service without all the extras, the added labor of washing it yourself deters customers. Self-Service holds a 9.7% share of the market.

U.S Overview

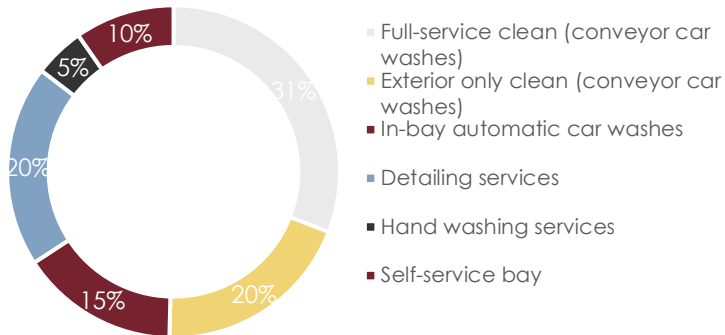
Servicers in the Car Wash and Auto Detailing industry clean, wash and wax automotive vehicles like passenger cars, trucks, vans, and trailers. Severe drops in oil prices encouraged more consumers to hit the road, as lower gas prices translated to greater use of cars.

Despite strong growth until 2019, the Car Wash and Auto Detailing industry endured downward pressure in 2020 due to economy-wide challenges of rising unemployment and falling consumer spending stemming from the COVID-19 pandemic. Following the pandemic, gas prices increased significantly, discouraging driving and spending on luxury services provided by this industry. Over the past five years, industry revenue slowed down, declining at a CAGR of 1% to \$14.6 billion. Despite revenue increasing 1.3% in 2023, rising inflationary pressures contributed to a noticeable slowdown from average growth of 6.1% between 2015 and 2018.

Before 2020, average industry profit improved as demand for industry services increased, stemming from changes in product offerings by industry servicers. Companies diversified their offerings to build a stronger customer base, implementing value-added services like interior cleaning, waxing and rim shining, in addition to their more basic packages. Moreover, companies revamped waiting rooms to offer Wi-Fi, TV and coffee lounges to generate repeat customers. In 2020, pressure from electricity and utility costs exceeded revenue growth and reduced profit. Nonetheless, unlike many industries in the current period, the high number of non-employing servicers limits the effect of increasing wages on profit, causing a recovery in 2023.



Products & Services Segmentation



IBISWorld

\$15.9 billion

**Of revenue growth
over the next five years**



Demand for services provided by the Car Wash and Auto Detailing industry will continue rising as the economy recovers and inflationary pressures subside. Over the next five years, industry revenue will grow at a CAGR of 1.8% to \$15.9 billion. Revenue growth will be bolstered by rising per capita disposable income, which will boost consumers' propensity to spend on discretionary services like car washes.

Nonetheless, an uptick in the unemployment rate will dampen demand for car washes and detailing, causing year over year revenue growth remains low compared with the beginning of the current period.

Number of Motor Vehicle Registrations

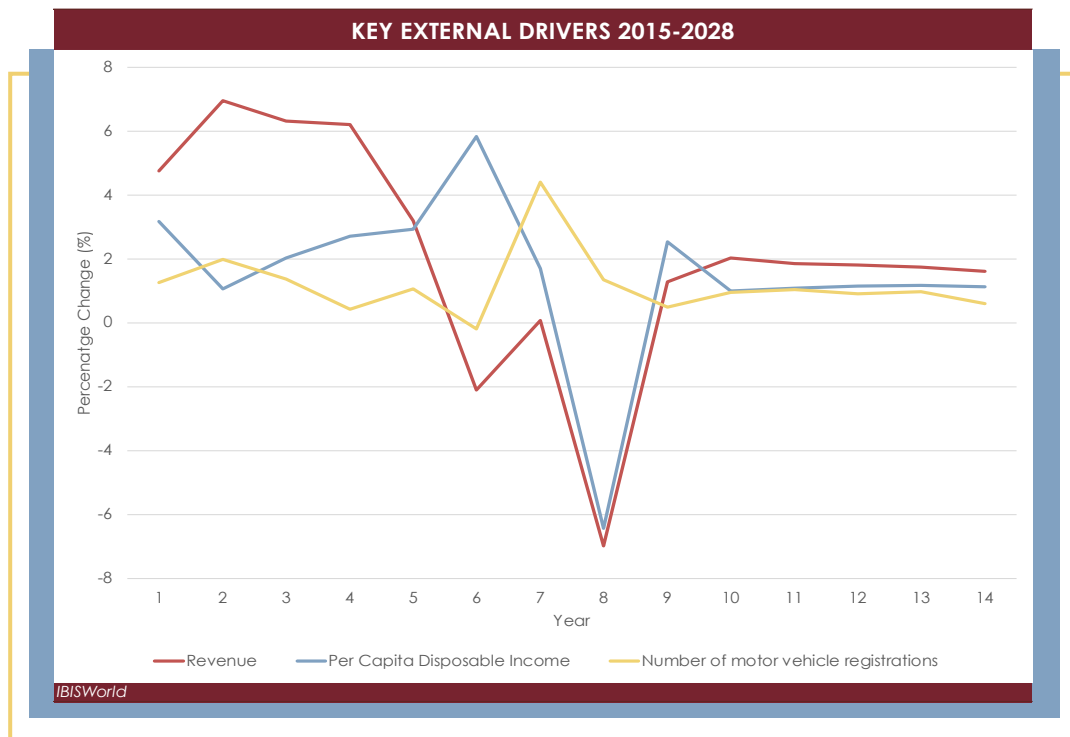
Demand for car washing services positively correlates with growth in the number of US motor vehicles. As the number of vehicles increases, demand for aftermarket services, such as car washes, also increases. The number of motor vehicle registrations will increase in 2023, representing a potential opportunity for this industry.

Consumer Confidence Index

Due to the discretionary nature of industry services, customers' perceptions toward economic outlook have a significant effect on industry demand. When customers perceive positively about their finances and employment outlook, they tend to increase spending on industry services. The consumer confidence index will stagnate in 2023, posing a potential threat to the industry.

Per Capita Disposable Income

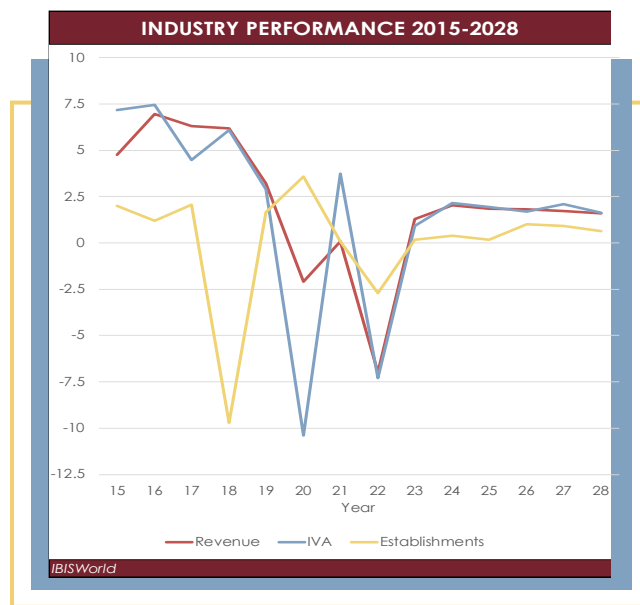
Demand for car wash and detailing services depends on the level of per capita disposable income since these services are considered discretionary. Growth in disposable income boosts discretionary spending and demand for industry services. Per capita disposable income will inch upward in 2023.



Industry Performance

Current Performance

Volatile economic landscape hurts industry performance. The industry endured revenue declining at a CAGR of 1% to \$14.6 billion over the past five years, despite a 1.3% incline in 2023, when profit reached 16.1%. For car wash and auto detailing shops, economic volatility negatively impacts customer demand and dampens broader consumer sentiment, resulting in lower revenue growth for the industry. The COVID-19 pandemic severely hurt industry servicers since they are dependent on consistent consumer activity in the form of car usage and travel.



Even as the economy reopened following the pandemic and stay-at-home orders were lifted, inflationary pressures caused consumer sentiment and per capita disposable income, two core metrics for industry success, to drastically fall, dampening industry growth.

HISTORICAL PERFORMANCE										
Year	Revenue (\$m)	IVA (\$m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports (\$m)	Imports (\$m)	Wages (\$m)	Domestic Demand (\$m)	Consumer confidence index (Index)
2014	12,083	7,035	60,937	59,052	195,730	N/A	N/A	4,171	N/A	87
2015	12,657	7,540	62,161	60,133	200,229	N/A	N/A	4,489	N/A	97
2016	13,536	8,101	62,905	60,854	206,757	N/A	N/A	4,690	N/A	100
2017	14,391	8,464	64,203	61,722	210,916	N/A	N/A	4,766	N/A	120
2018	15,283	8,981	57,963	55,577	206,546	N/A	N/A	4,732	N/A	130
2019	15,773	9,243	58,932	56,314	205,134	N/A	N/A	4,906	N/A	128
2020	15,442	8,283	61,042	58,115	206,366	N/A	N/A	4,649	N/A	101
2021	15,453	8,593	61,094	58,149	207,075	N/A	N/A	4,663	N/A	112
2022	14,375	7,966	59,435	56,720	197,619	N/A	N/A	4,427	N/A	103
2023	14,560	8,039	59,546	56,773	199,160	N/A	N/A	4,466	N/A	103

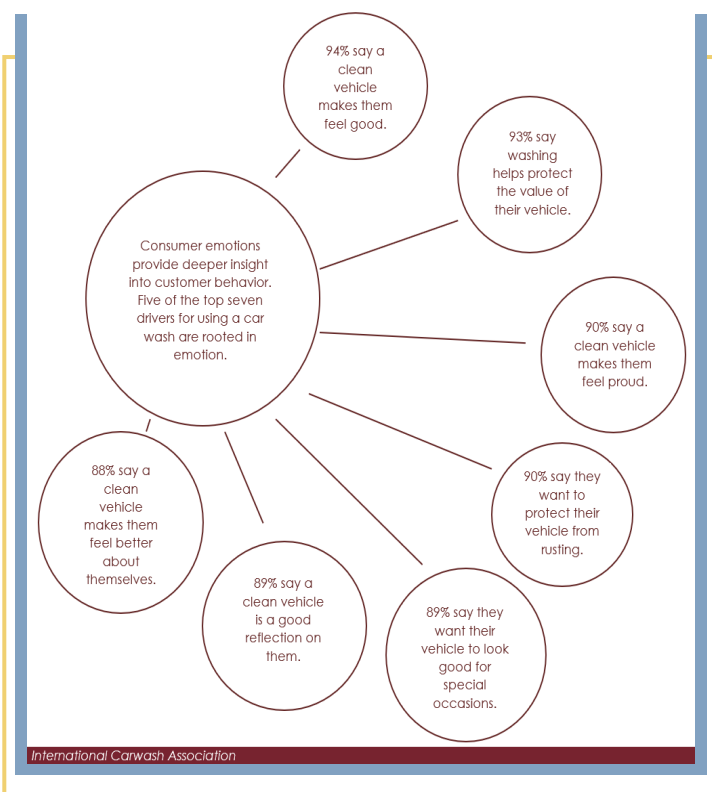
Acceleration of do-it-yourself competition dampens appeal of the industry's services. One of the core competitors for the industry that gained market prominence is the increased activity of do-it-yourself (DIY) services from individual consumers. Since car washing is a labor-intensive task, some consumers have taken to washing their vehicles at home or using professional servicing from home, hurting industry demand and traditional car wash shops. A 2016 study from the International Car Wash Association supports this trend, with a reported 9% increase in consumers using DIY services when washing their cars. The nature of car washing enables notable flexibility for consumers and renders the industry's range of services as discretionary from a fiscal perspective.

Customer Satisfaction & Competition

According to the International Carwash Association (ICA), customer satisfaction is also a key factor to success for the car wash industry, Car washes are the #3 ranked retail category behind grocery stores and sit-down restaurants, up from #5 in 2019. Industry operators mainly compete with consumers' do-it-yourself (DIY) alternatives. The International Carwash Association estimate total 2022 sales at \$13.7 billion as professional car wash use has reached all-time record high levels.



EXCEPTIONAL CUSTOMER SATISFACTION IS THE KEY DRIVER



Over the past two decades, the universe of vehicles being washed at a car wash most often has skyrocketed by an estimated 114 million. Consumers' assessment of present economic and labor market conditions improved at the start of 2023. However, the Expectations Index retreated in January reflecting their concerns about the economy over the next six months. Consumers were less upbeat about the short-term outlook for jobs. They also expect business conditions to worsen in the near term. Despite that, consumers expect their incomes to remain relatively stable in the months ahead. Meanwhile, purchasing plans for autos held steady. Consumers' expectations for inflation ticked up slightly from 6.6% to 6.8% over the next 12 months, but inflation expectations are still down from its peak of 7.9% in June.

Conclusion

The Car Wash industry is enduring steady growth. The industry is tied to how well the economy is doing, so as the economy continues to recover from the global pandemic, the Car Wash industry is projected to increase revenue as people have more money to spend. The number of vehicle registrations is growing quickly as more businesses move back to the office and disposable income increases. This will result in more car on the roads, and more people willing to spend on car washes. Although it will be a slow growth over the next few years due to the uncertainty of interest, taxes, and overall prices potentially increasing, the condition of the car wash market is preferable compared to five to ten years ago. It is sensible to assume current trends will carry on at a steady pace in the coming years.

At LPA we pride ourselves in providing our clients the most up to date and accurate market data, so they can make informed business decisions. If you would like further information about any of the data in this car wash industry report or if you have additional commercial real estate valuation needs, please feel free to contact me using the information below.

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