
ECOWASH: A BUSINESS OPPORTUNITY WORTH PURSUING?

Atul Teckchandani wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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In 2012, Aiden Patel was driving home, full of excitement. He had known from an early age that he would never have been happy working for someone else. He hoped that through a business venture, he could achieve a level of autonomy in his future work. His graduation from the marketing program at the university was approaching and he was apprehensive about the next step in his life. About a month prior, he had gone to a wedding and happened to share a table with Madelyn Chao. This meeting presented Patel with a possible opportunity that was rarely offered to new graduates.

Chao fancied herself an inventor and liked to create new things. While most of her inventions were created for her own personal benefit, she had recently created something that she felt could be offered to others. After meeting Patel and learning of his studies, she wondered if he could help her.

The two exchanged contact information and then set up a time to meet so that Patel could see Chao's invention. When they met, Patel was pleasantly surprised to see that Chao's invention was further developed than that of a prototype. Chao had taken her invention out of the laboratory and tested it extensively in the field. The product was ready to be marketed to customers.

The business opportunity that Patel had been looking for seemed to be in front of him. Not only was the product ready to be marketed to potential customers, but he and Chao seemed to get along well. Chao seemed willing to enter a partnership with Patel. The venture was his for the taking, but was this a business he *should* be a part of?

THE ECOWASH PRODUCT

Chao called her product "EcoWash" — an all-in-one system that could be used to clean both the exterior and interior of any vehicle. Unlike most car washes, where the water used to wash the vehicle was discharged as waste water, the EcoWash system had a patented wash head that vacuumed up the dirty water as soon as the cleaning solution was sprayed onto the vehicle's surface. The wash head featured a soft foam brush, power spray and vacuum, which were used to whisk dirt and water away without scratching the surface of the vehicle. The result was an extremely efficient car wash system that was also very ecologically friendly. A car wash

performed using the EcoWash system used less than two gallons of water. This was a considerable improvement when compared to the 38 gallons that were typically used at a full-service car wash.¹

The EcoWash unit was not only efficient, it was also easy to install. The EcoWash unit and all of the necessary equipment could be mounted on a small pickup truck for use by a two-person crew. Complete controls would allow the operator to regulate water, soap mixtures, spray rate and washing speed. Pre-soaking was unnecessary and washing was fast. Vehicles could be dried with towels to provide the desired finish. In addition to exterior cleaning, the EcoWash unit also functioned as a carpet or upholstery cleaner. The powerful vacuum component could clean even the dirtiest carpets and the built-in sump pump could be used to discharge dirty water into an approved receptacle. As a result, EcoWash was an environmentally friendly carwash service that leant itself to mobile operators as well as those who wished to use it from a stationary location; EcoWash was very dynamic.

THE CAR WASH INDUSTRY

In 2012, there were approximately 183 million passenger cars, light trucks, vans and sport utility vehicles in the United States.² A 2011 customer survey by the International Carwash Association³ found that approximately 69 per cent of consumers used professional car washes to clean their vehicles, an increase of 21 percentage points from 1996. Amongst those who used professional car washes, 35 per cent used full-serve car washes and 34 per cent used self-serve car washes. Moreover, almost one out of every three car wash patrons were considered to be “frequent washers” who washed their vehicle at least three times a month. Consumers who did not consider themselves to be frequent washers cited price, necessity and time as the top three reasons that they did not visit a professional car wash more frequently.

A growing concern amongst the American public was the matter of clean water and the environment. The same 2011 study found that 59 per cent of those surveyed expressed interest in going to a car wash that was environmentally friendly, and 60 per cent of those surveyed would tell others about an environmentally wash car wash service. In addition, frequent washers expressed willingness to drive further and pay somewhat more for an environmentally friendly car wash. Because EcoWash was an environmentally friendly alternative to traditional car washes it would have been attractive to these consumers.

POTENTIAL CUSTOMER SEGMENTS

A lengthy brainstorming session between Patel and Chao resulted in a decision to employ a business-to-business approach. Rather than selling car washes directly to consumers, Chao and Patel felt that their chances for creating a successful business would be better if they pursued business customers. As such, they felt that there were four groups of potential business customers that might be interested in the EcoWash service:

1. Car dealerships: Car dealers required frequent (typically on a weekly basis) washes for a large number of vehicles. If dealerships were located in close proximity to each other it would have been possible for

¹ 1 U.S. liquid gallon = 3.79 liters.

² Office of the Assistant Secretary for Research and Technology, “Table 1-11-Number of U.S. Aircraft, Vehicles, Vessels and Other Conveyances (Updated January 2015),” United States Department of Transportation, www.rita.dot.gov/bts/sites/rita.dot.gov.bts/files/publications/national_transportation_statistics/html/table_01_11.html, accessed July 20, 2015.

³ K. Brockway, “Loyal Customers are Looking for you,” CAR WASH Magazine, Summer 2012, www.nxtbook.com/nxtbooks/naylor/CWQ0212/index.php#42, accessed July 20, 2015.

- an EcoWash truck to service a large number of customers with little travel between jobs. Moreover, dealerships wanted their vehicles to look their best.
2. Fleet vehicles: Vehicles that were part of fleets (e.g., car rental locations, electric utility vehicles, cable company vans) also required regular washes on a year-round basis.
 3. Valets at shopping centers, malls and restaurants: EcoWash could have partnered with valet services or parking garages at upscale shopping centers or restaurants to offer car washes to their patrons. These customers were likely to be less price-sensitive than others, so there may have been potential to generate more revenue with this customer segment than with others.
 4. Other aspiring entrepreneurs: A radical option, posed by Patel, was to sell the EcoWash unit to other entrepreneurs or small business owners, who would then use it to offer car washes to others. In other words, the company would be selling a product rather than a service.

FINANCIALS

An important consideration for Patel when considering the business opportunity was whether it had the potential to move forward and if it could be profitable on a sustainable basis. His preference was to be part of a business that was going to grow rapidly, as it would likely offer tremendous opportunities for professional growth. Nevertheless, he also needed a steady paycheck in order to cover his living expenses.

Chao and Patel decided to start the business as one that would offer car wash services to businesses and consumers using the EcoWash product (pursuing customer groups 1–3, as mentioned in the previous section). They would start with one truck, two car wash workers, one sales person and one manager. The staff would work a standard 40-hour week. Of the eight hours that the car wash staff would be working each day, it was likely that at least two of these hours would not be spent actively washing vehicles. This was to allow for preparation time before leaving the main office, time to setup and put away the car wash equipment at each location and time to drive between the various locations. That left the workers with six hours in which to be productive. After using EcoWash on their own cars and the cars of their friends, Chao and Patel learned that the average time needed to wash a car was 15 minutes. Therefore, each team of workers could wash a maximum of four cars per hour, or 24 cars per day. Assuming that EcoWash charged customers US\$25⁴ per car wash, this translated to maximum revenue of \$12,000⁵ per month (see Exhibit 1).

CONCLUSION

As Patel stood in line at the university's cafe, he pondered the EcoWash opportunity. EcoWash was clearly much more than an idea: it was a real product that could be used to generate revenue immediately. He and Chao seemed to have complementary skills. She would create innovative products and he would figure out how to make money with them. Most importantly, he wouldn't be an employee, he would be a partner, which meant he would work *with* someone, rather than *for* them.

While it seemed attractive, launching EcoWash wasn't going to be easy. Because the unit had already been developed, the immediate challenge for EcoWash was marketing the product. What was Patel's plan to quickly find customers interested in EcoWash? How would they structure the partnership? Patel had little

⁴ All figures are in USD unless otherwise specified; US\$1 = EUR€0.92 on July 20, 2015.

⁵ The minimum wage in the United States in 2015 ranged from \$7.25–9.50 per hour and the estimated median income per capita in 2013 was \$54,462; Division of Communications — Wage and Hour Division, "Minimum Wage Laws in the States," U.S. Department of Labor, January 1, 2015, www.dol.gov/whd/minwage/america.htm, accessed September 3, 2015; C. DeNavas-Walt and B. D. Proctor, "Income and Poverty in the United States: 2014," United States Department of Commerce, September 2015, www.census.gov/content/dam/Census/library/publications/2015/demo/p60-252.pdf, accessed September 17, 2015.

savings, so the only way he could financially contribute to the business would be if he kept his current job as a bartender. Could EcoWash be successful if the founders only worked there part-time?

After getting his coffee, Patel hurried to get to his next class. All the while, he was keenly aware that soon there would be no class to go to and that he'd need to make a decision about his future.

EXHIBIT 1: PROJECTED FINANCIALS FOR YEARS 1-3⁶

	Year 1	Year 2	Year 3
Number of trucks	1	2	3
Number of car wash workers	2	4	6
Number of sales people	1	1	1
Number of managers	1	1	1
Maximum number of car washes per day	24	48	72
Revenues	\$156,000	\$312,000	\$468,000
Expenses:			
Salaries	\$100,880	\$138,320	\$175,760
Supplies & Maintenance	\$18,720	\$37,440	\$56,160

Source: Company files.

⁶ Some key assumptions for these numbers: Car wash workers will be paid \$9/hour; Sales people will be paid \$10.50/hour; Managers will be paid \$20/hour. In addition, Patel and Chao assume that the business will be operating for 260 days per year (52 weeks × 5 days per week). A further consideration is that the cost of supplies and maintenance for EcoWash equipment and vehicle is approximately \$3 per car wash. This includes supplies for the car wash (towels, soap, etc.), as well as vehicle maintenance for both the vehicle (e.g., gas, oil changes, etc.) and the EcoWash system.