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Do customers buying a carwash spend more when they use a credit card?

Mark Ellis chuckles when he talks about how carwashes that sold petroleum used to give a discount to customers who paid for their fuel with cash. "That was about 15 years ago; customers paid a little less if they used cash instead of credit cards for their fuel purchase," said the owner of the Southland Auto Wash in Grand Rapids, Michigan.

Today, Ellis looks back on those cash discounts with a sense of irony. "Sure, credit card fees cut into margins at the fuel pump, but from the point of view of the carwash itself, we probably should have gone in the opposite direction," he says. "Knowing what we know now, maybe we should have been thinking in terms of giving the customer an incentive to pay with credit cards rather than cash at the carwash."

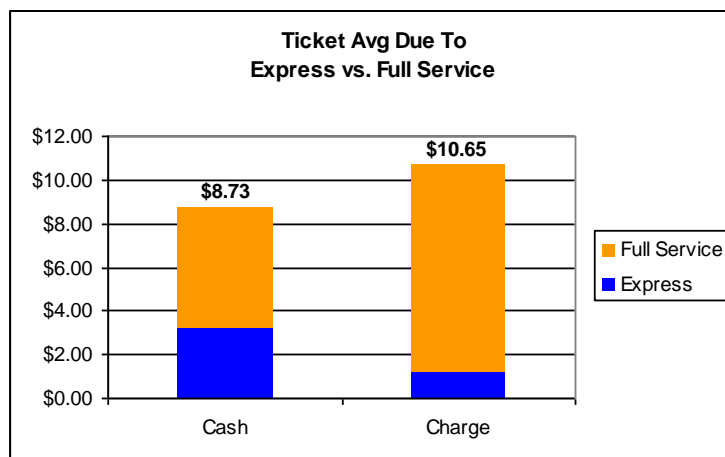
Like a growing number of carwash operators, Ellis has come to see credit cards in a new, and far more positive, light. Instead of trying to minimize their use, he is now actively seeking ways to encourage customers to charge their washes at Southland.

A study we conducted at Ellis' high-volume full-service site shows why this successful, well-respected operator has become so enthused about credit cards. We believe that his experience holds valuable lessons that can help other carwash operators increase their traffic count and dollars per vehicle.

Express vs. Full Service

To make sure we are comparing apples-to-apples, our analysis includes only those sales where a carwash was involved. We excluded sales, for example, where only a candy bar was sold. We analyzed only those sales where the customer purchased either an Express Wash or a Full Service Wash. In this way, we can answer the question at hand, which is "Do customers buying a carwash spend more when they use a credit card?"

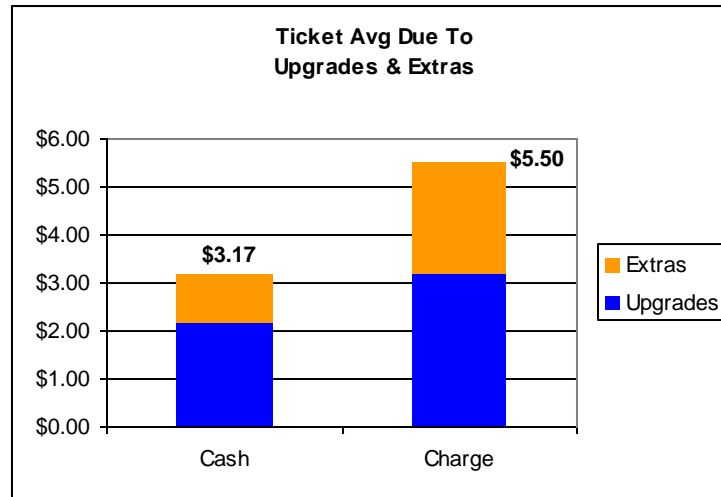
First, let's look at the type of wash purchased when someone uses cash versus when they use a credit card.



What the above chart shows is that a customer using a credit card is more likely to purchase the higher-priced full service wash than a customer using cash. This results in a higher “base price” when using a credit card. So, before adding in any packages and extra services, the site is getting \$1.92 more per customer when they use a credit card simply due to the type of wash (full service versus express) they purchase.

Packages & Extras

Customers purchasing a wash can opt to purchase the “Signature” package, the “Wheel Deal” package, or other extras/merchandise. When looking at purchases of a package upgrade, credit card customers are about 39% more likely to upgrade the basic wash to a package than those who pay with cash. This translates to more dollars for the carwash.



As we can see from the chart, not only is the ticket average of the charge customer higher due to package upgrades, but it is higher due to extras. Even though the credit card customer buys extra services and items 39% more often than the cash customer, what we find is that they spend significantly more when they do buy extras.

When we take a look at package upgrades and extras services/items combined, credit card customers spend over 73% more (\$2.33 per sale) than cash customers. These kinds of numbers seem to indicate that credit card customers are less price sensitive and are more likely to spend more on the services that they want.

Coupons

When a customer uses a coupon, a cash customer takes \$5.45 off the sale as compared to \$7.63 for the credit card customer. This makes sense. Because the bulk of the coupons used are Entertainment Book coupons and because the average sale of a credit card customer is higher, the value of the coupon would be higher for the credit card customer.

Averaged over all the sales (with and without discounts) the average discount is \$.98 for cash customers versus \$1.26 for credit card customers.

Adding It All Up

The following chart summarizes the average sale due to each of the above areas:

	Cash	Credit Card
Wash	\$8.73	\$10.65
Package Upgrade	2.15	3.18
Extras/Items	1.02	2.31
Discounts	-.98	-1.26
Total*	\$10.92	\$14.88

*Totals don't match due to rounding.

When told that credit card customers average about \$4 (36.2%) more per transaction than cash customers, Ellis jokingly said "I'm putting up a sign that says 'no cash'". He added, "Of course, I couldn't get away with that."

When asked if he feels the price drives the tender method or vice versa, Ellis feels that we are creatures of habit. "We know the stores that take checks, and we visit those stores because it is not a hassle."

Ellis feels that people view cash differently than they did in the past. "When deciding how to pay, people think about all the other things they need their cash for: haircuts and lunch, for example. They will then balance how they pay with what they think they'll need the cash for." He has heard customers say "No, I'm going to keep my \$20 bill and pay with this credit card." "Money in people's wallets is limited. They view cash as an emergency fund", says Ellis.

Ellis admits "80% of the time, I don't carry cash in my wallet." He also feels that people, in general, are carrying less cash. As that trend continues, credit card use will continue to increase.

For customers that pay with credit cards, Ellis feels that he benefits in two ways:

1. He gets those customers who wouldn't have come in the first place. They either don't have the cash or are saving it for some other expenditure. By taking credit cards, those folks can get their car washed.
2. "Credit card customers are easier to up-sell." They don't have to worry about how much cash they have in their wallet. As a result, they spend more.

So, it sounds like Ellis feels that price does help drive the tender, and that credit card use also helps drive the price. Either way, taking credit cards has been a good thing for Southland Auto Wash.



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A graduate of the University of Akron with a degree in mathematics, Harold toiled for IBM before he came to our company in 1994.

A consummate numbers guy, he has conducted numerous engineering studies on a wide variety of SiteWatch products. When it comes to figuring out the meaning of figures, Harold is clearly our number one choice. He can be reached at 800-336-6338.