



PulseTM

INTERNATIONAL CARWASH ASSOCIATION[®]

The Pulse Report Q2 | 2024



Industry worries about the economy increase dramatically.



Switchers can be a great membership growth target.



Industry expectations for 2024 growth is optimistic, but with some potential headwinds.



About Pulse

Pulse™ is International Carwash Association's™ proprietary research brand. Its mission is to help members grow their business through access to timely consumer and industry data and actionable insights.



This marks the start of the second year of The Pulse Report. This issue analyzes quantitative consumer and industry studies by International Carwash Association, conducted online in April 2024.

The industry surveys were separated into two categories: retailers and suppliers. The consumer survey consisted of U.S. respondents, age 18 or older, who own or lease a vehicle. The U.S. Census is used for data weighting and the margin of error is +/- 1.9% at the 95% confidence level.

184 Sample size for the industry surveys

906 Sample size for the consumer survey

About International Carwash Association

International Carwash Association is the nonprofit organization representing the car wash industry in the United States and around the globe. Its members own, operate or support nearly every car wash business in dozens of countries. ICA offers the world's largest car wash events and exhibitions, the leading online manager training program (LEAD™), news and inspiration through CAR WASH Magazine™, the latest innovations in products and services (PITCH™) and a variety of industry research products (Pulse™).



If you know someone who would benefit from the insights published in The Pulse Report, the link to become an individual member of ICA is www.carwash.org/join or scan QR code at right. If you have suggestions for future research topics or would like to schedule a one-on-one consultation, reach out to Shaneen Calvo, ICA director of content, at scalvo@carwash.org.

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Consumer Pulse

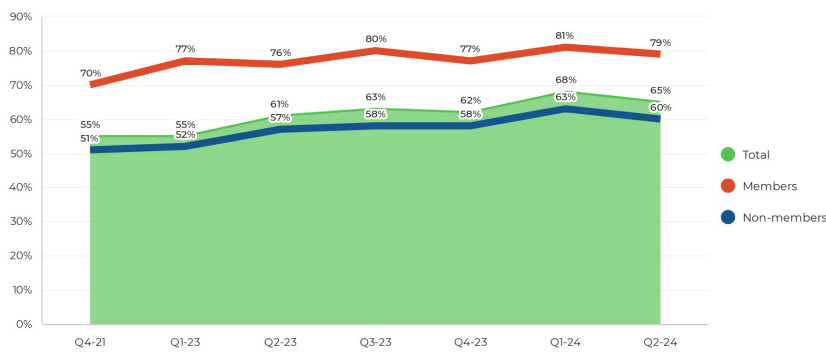
During these times of global conflict, economic volatility, rising prices and pressure on discretionary income, the consumer fundamentals of the car wash industry continue to excel. Customer satisfaction is consistently strong. In the case of member satisfaction, exceptional. Car wash memberships rank third among a list of 10 leading subscription services, trailing only streaming TV subscriptions and streaming music subscriptions. Across industries, the popularity and low levels of churn for car wash members are among the highest. While price sensitivity, especially the correlation with gas and food prices, will continue to be a watch out, the outlook for membership retention and growth are very favorable. While consumer confidence increased for the first time in three months, consumers remain anxious about the future. (See page 8, U.S. Economic Pulse.)

Overall Customer Satisfaction Remains Exceptionally High

- Overall, 65% of customers are very satisfied with the car wash they use most often.
- Exceptional satisfaction among members correlates with low churn level (see below).

Overall Customer Satisfaction

% reporting "very satisfied"



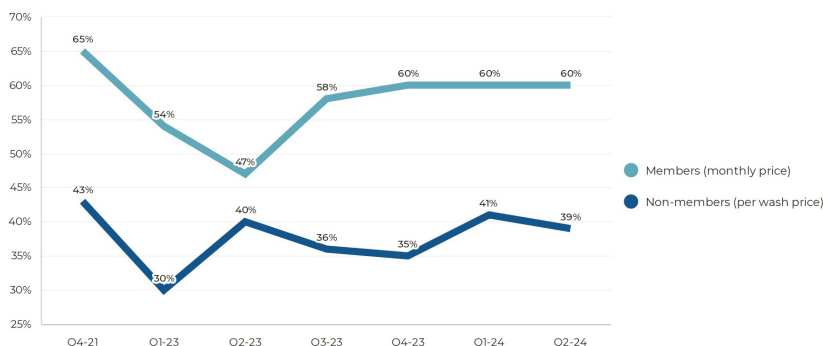
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Price Satisfaction Is Stable Despite Mounting Pressure on Discretionary Income

- Member satisfaction with price has stabilized and is up significantly since Q2 2023.
- Non-member customer price satisfaction has also stabilized since hitting a low in Q1 2023.

Satisfaction with Price Paid

% reporting "very satisfied"



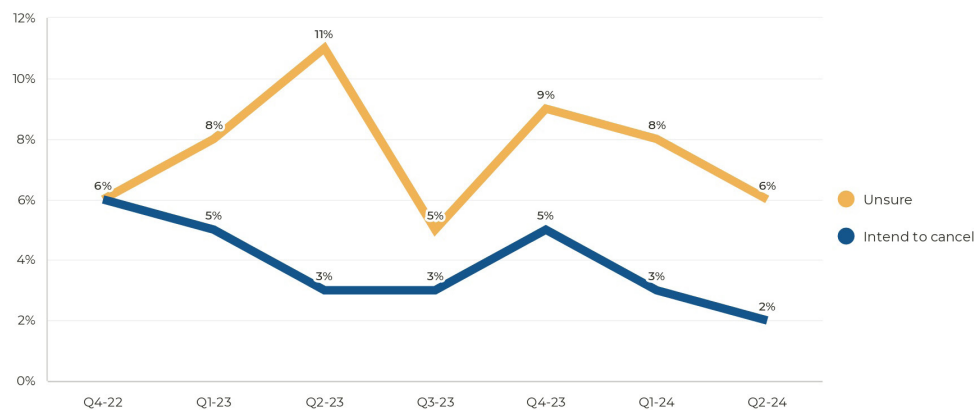
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Subscription Membership Churn Drops to Lowest Recorded Level

- The vast majority of members (92%) intend to renew their membership.
- Anticipated churn (current members who say they will not renew their membership) reached a record low of 2%.
- As retailers continue to deliver an outstanding product and price sensitivity remains low, these churn levels are among the best compared to other categories of subscription membership (e.g., TV subscriptions, streaming music subscriptions, etc.).

Membership Churn Intent

% of members who intend to cancel or are unsure



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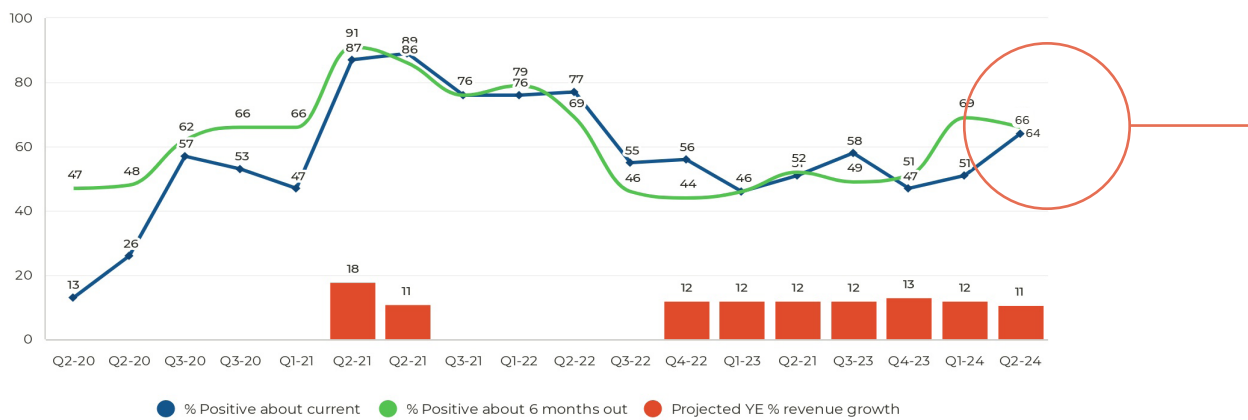
Converting Switchers

- 43% of customers who wash at a car wash most often also wash their vehicle at home at least once per year.
- These switchers are twice as likely to say worries about vehicle damage and safety discourage them from using a car wash more often.
- What they crave most of all is convenience — nearby locations, shorter wait times or knowledge of when wait times are least problematic.
- All in all, switchers are a great membership growth target. 23% say they are extremely or very likely to join a car wash membership program in the future.

Industry Pulse

Overall industry optimism remains favorable with expectations for double-digit revenue growth in 2024. Retailer optimism related to current conditions is up significantly from Q1. However, expectations for six months out are reflecting some uncertainty. Concerns with the economy have increased across the industry. For suppliers, core business challenges have deepened considerably compared to year ago. In addition to the economy and the rising costs of inputs, building or maintaining distribution and new customer acquisition concerns have skyrocketed.

Retail Positivity and YE Growth Projections



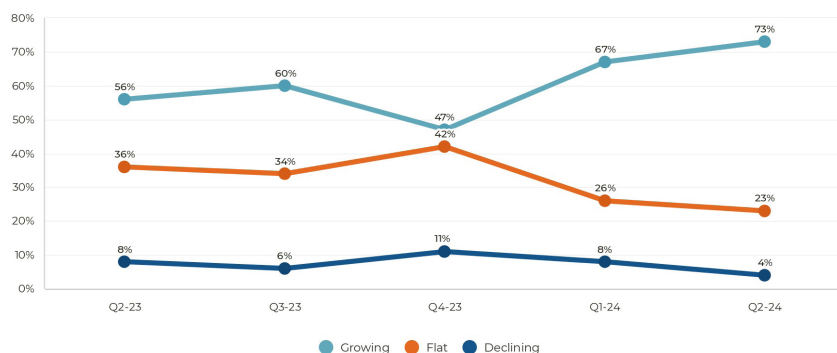
- Year-to-date Pulse survey results reflect the strongest retailer sentiment over the past two years.
- These retailer results align with consumers' continuing resistance to discretionary income pressures.

Escalating from 51% in Q1 to 64% in Q2, retailers' attitudes about current business conditions are on the rise.

Membership Sales Growth Reaches a New High

- Exceptional customer satisfaction is the ongoing driver.
- Mitigation of consumer concerns with membership price satisfaction further strengthens value proposition.

Subscription/Membership Sales Growth



64% Say Same Store Sales Are Increasing

- 64% report same store sales increasing over the past 12 months.
- Only 9% indicate that sales are declining.

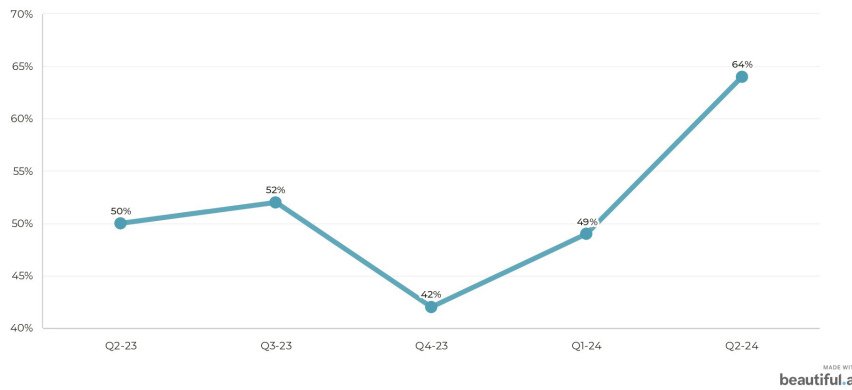
Nearly Two-thirds Say Store Profitability Is Growing

- Up dramatically from Q2.
- All correlating factors extremely positive year-to-date.

Forecasted Topline Revenue Growth for 2024:

11%

Store Profitability Growth



I expect that the severe inflation pressure on consumers is impacting businesses and we will see a decline in same store sales in the near future.

—Full/Flex Service Conveyor



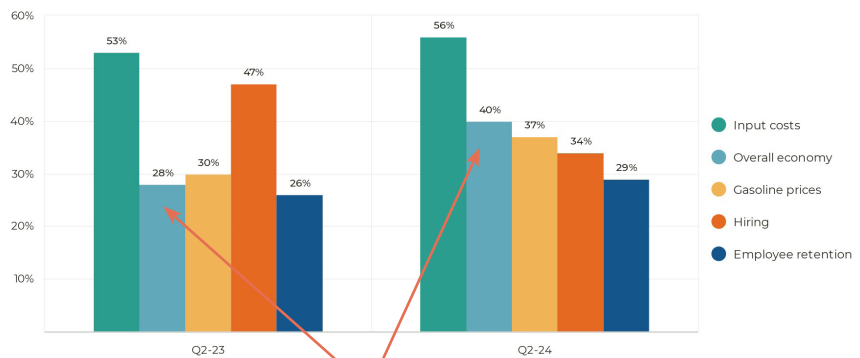
Retailer Business Challenges

When comparing the top five challenges in Q2 2024 to a year ago, economic related concerns (state of the economy, gas prices) have increased dramatically.

- The rising cost of inputs is by far the biggest challenge.
- Hiring concerns have declined dramatically, from 47% last year to 34% in Q2 2024.

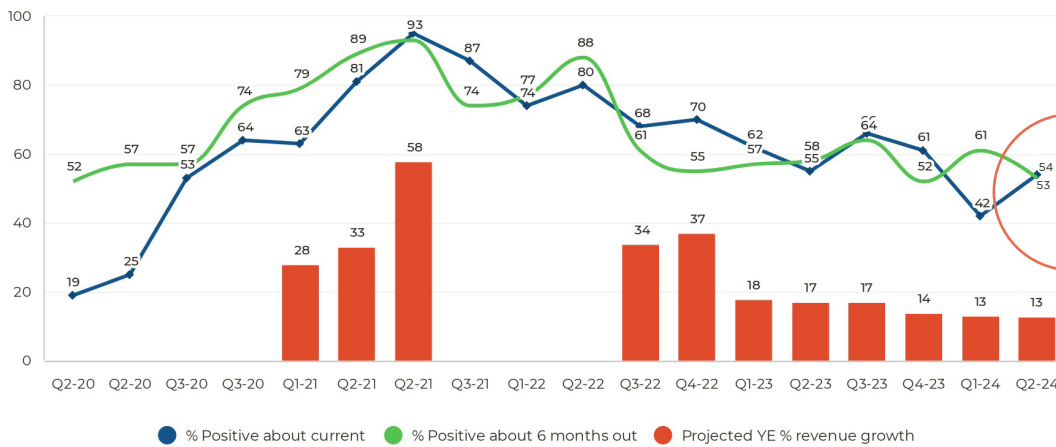
Retail Challenges

Top Five: Q2 '23 vs. Q2 '24



Concerns with the overall economy (40%) have escalated compared to a year ago.

Supplier Positivity and YE Growth Projections



- While current positivity improved significantly from Q1, it remains well below levels reached in 2021 and 2022.
- Industry consolidation and economic pressures including interest rates are key factors influencing supplier optimism.
- Nevertheless, topline revenue growth for 2024 is 13%, down marginally from 2023.

Supplier expectations for the next six months decline, but positivity about current conditions goes up.

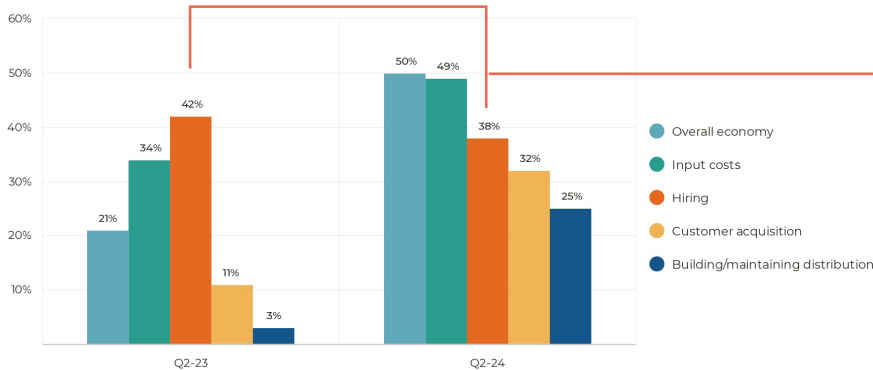
Supplier Business Challenges

The spectrum of business challenges has deepened considerably compared to a year ago.

- Worries about the economy and the rising costs of inputs are the biggest challenges.
- Building or maintaining distribution and new customer acquisition concerns have risen.

Supplier Challenges

Top Five: Q2 '23 vs. Q2 '24



The only challenge that has declined is concerns with hiring (38%). Nevertheless, hiring is the third biggest challenge suppliers face.

“Playing the waiting game to see what all shakes out in this election year. Hopefully the economy will improve.”
-Distributor/Reseller

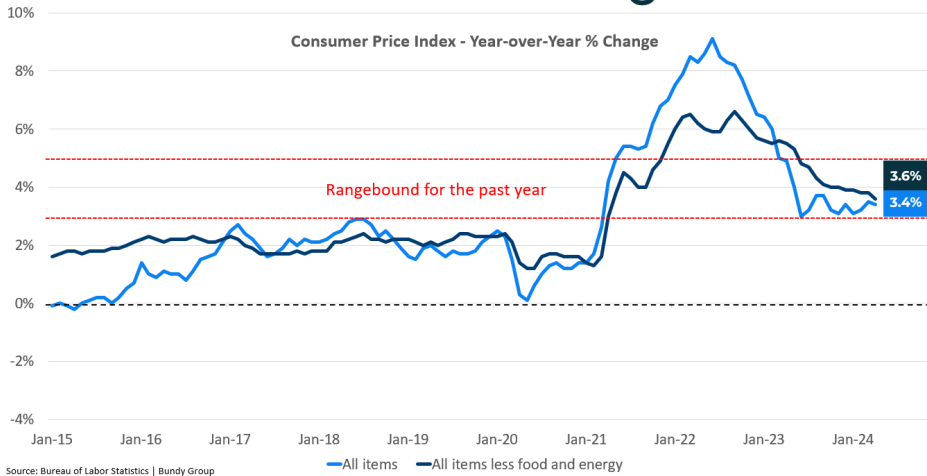
“Inflation, consolidation, PE have reduced the amount of potential customers.”
-Manufacturer

U.S. Economic Pulse

Inflation, Interest Rates Impacting the Car Wash Industry

The deceleration in U.S. inflation has effectively ground to a halt over the past year, which has caused some frustration for consumers — in addition to retailers/suppliers in the car wash industry. Since price growth cooled to 3.0% on a year-over-year basis in June 2023, inflation has been moving sideways, with some months being slightly up and others being slightly down. In April 2024, the all-inclusive Consumer Price Index (CPI) registered a value of 3.4%, while the Core CPI, which excludes volatile food and energy prices, remained stubbornly higher at 3.6% annual growth.

Consumer Prices – New (Higher) Normal

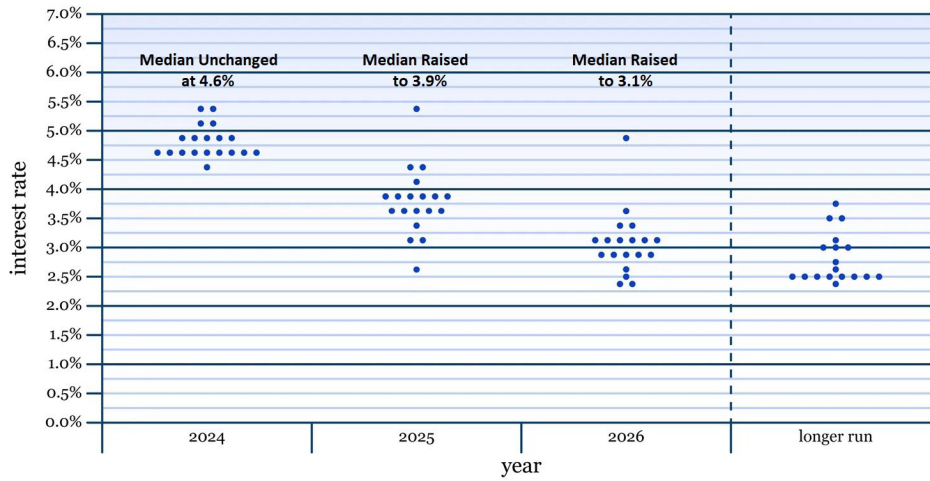


Prices for automotive-related categories that are likely to have an impact on the car wash industry showed a dichotomy. On one hand, car prices are declining, with new vehicle costs down 0.4% year-over-year. Used cars and truck prices have fallen by a more meaningful 6.9% in the last 12 months. On the other hand, costs for everything else related to car ownership continue to go up. Gasoline prices are up 1.2% year-over-year, motor vehicle maintenance and repair costs are up 7.6% over the same time, and motor vehicle insurance prices are a shocking 22.6% higher than they were a year ago.

On the car wash front, according to Q2 2024 Pulse research, in the past 12 months, 60% of car wash retailers have raised their prices. 47% plan to in the next 12 months.

The stickiness in inflation has drastically altered expectations for interest rate cuts by the Federal Reserve this year. At the beginning of 2024, the Fed signaled that three or four cuts to the Federal Funds rate were a possibility. A mere five months later, not only are any cuts in doubt, but the prospect of another rate hike is back on the table if inflation continues to remain an issue. In the meantime, the Fed is begrudgingly acknowledging that longer-term rates are not going to be coming down as quickly as they originally thought.

FOMC participants' policy path chart ("dot plot"), March 2024

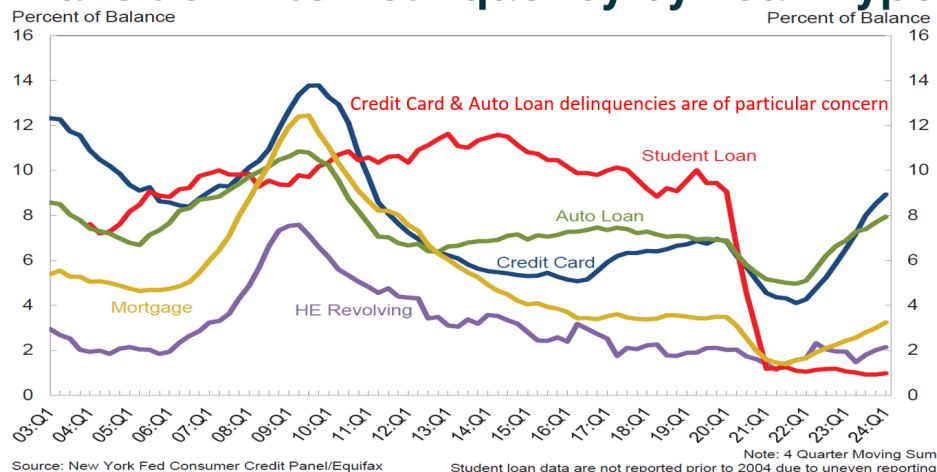


Higher-for-longer rates are a headwind to capital investment in the car wash industry. Q2 2024 Pulse survey responses highlighted that some operators are delaying new site investments in the face of higher borrowing costs. Return-on-investment considerations are under higher scrutiny as new projects must clearly justify their costs before receiving approval.

However, the Pulse responses also reveal that other car wash retailers are still actively pursuing new store development, with 52% interested in that route, compared to 27% pursuing it opportunistically and 21% pausing or putting it on hold. This is up from last quarter's results, where 44% were actively pursuing new store development. Meanwhile, on the other side of the spectrum, only 9% are actively pursuing the sale of existing stores, down from 18% in Q1.

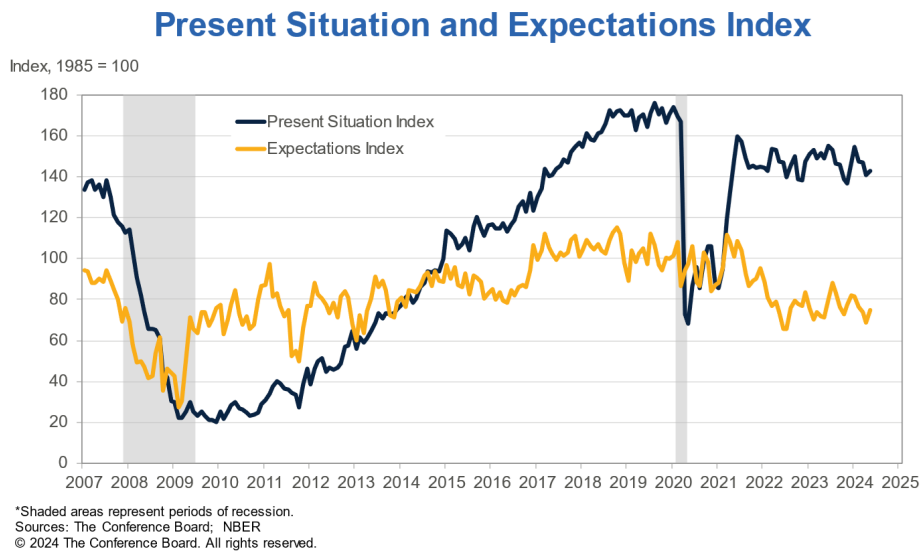
The elevated interest rates are starting to impact the armor of U.S. consumers, though, and cracks are clearly visible. Delinquency rates for both credit cards and auto loans have risen substantially over the past year, and are now high enough to call into question the consumer's willingness and ability to continue spending money at the pace we've seen since the post-pandemic recovery set in.

Transition into Delinquency by Loan Type



U.S. Consumer Confidence Rose in May

Confidence ticks up after three straight months of decline but consumers remain anxious about the future.



Consumer Confidence: Present Situation

- The Conference Board Consumer Confidence Index® rose in May to 102.0 (1985=100) from 97.5 in April (a slight upward revision).
- The Present Situation Index—based on consumers’ assessment of current business and labor market conditions—increased to 143.1 (1985=100) in May from 140.6 in April.

Consumer Confidence: Expectations

- Meanwhile, the Expectations Index—based on consumers’ short-term outlook for income, business, and labor market conditions—rose to 74.6 (1985=100) from 68.8 last month.
- Despite this improvement, for the fourth consecutive month, the Expectations Index was below 80, the threshold which usually signals a recession ahead.

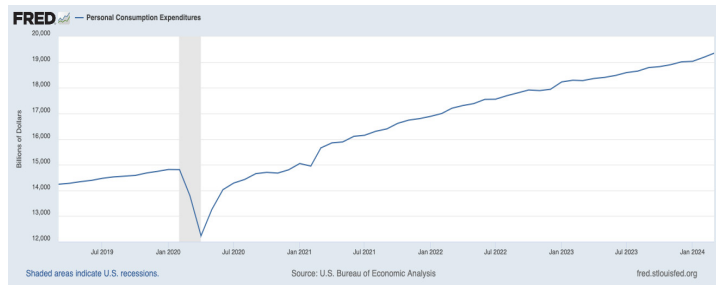
“Consumers cited prices, especially for food and groceries, as having the greatest impact on their view of the U.S. Economy. Consumers’ assessment of their family’s financial situation both currently and over the next six months deteriorated slightly.

-Dana M. Peterson, Chief Economist at The Conference Board.”

Relevant Indicators for the Car Wash Industry

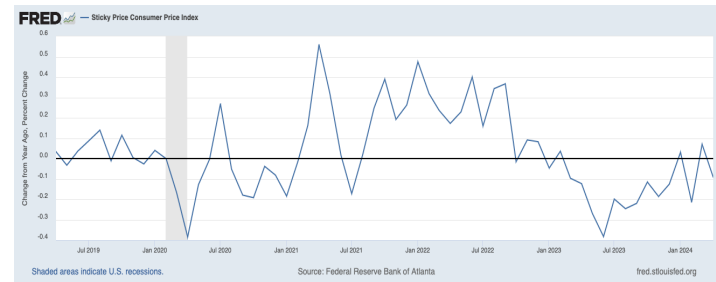
Personal Consumption Expenditures

- Spending continues to climb, +5.8% versus year ago.



Sticky Price Consumer Price Index

- Prices are flat, -.1% versus year ago.



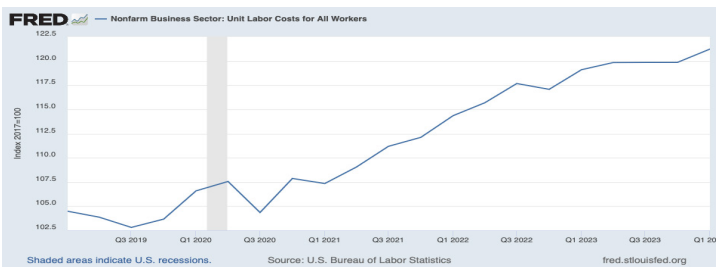
Revolving Consumer Credit Owned and Securitized

- Debt continues to increase, +7.8% versus year ago



Unit Labor Costs for All Workers

- Labor costs have moderated, +1.8% over past year.



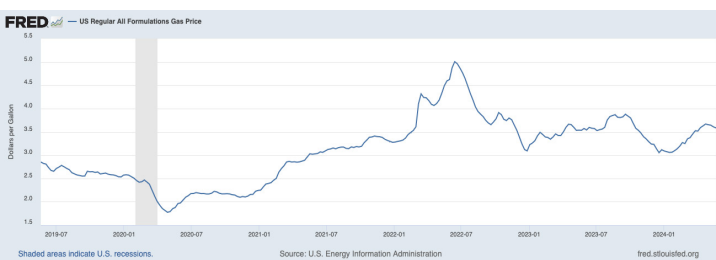
Vehicle Sales

- Sales of autos and light trucks are relatively stable, +0.4% vs. year ago.



Gasoline Prices

- Average price per gallon as of May 20, 2024, is \$3.58, +1.4% vs. year ago.





PulseTM **In Action**

Ask yourself these questions to see how the latest Pulse research could have immediate applications for your business.

Do you stay in touch with your switchers?

23% say they are extremely or very likely to join a car wash membership program in the future.

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Are you prioritizing subscription sales?

Membership/subscription sales have reached a new high, with 72% reporting growth in this area.

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Should you consider a price increase?

In the past 12 months, 60% of car wash retailers have raised their prices. 47% plan to in the next 12 months.

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