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**BUILD A BETTER
LOYALTY
PROGRAM, pg 4**

**Plus, don't miss our Spring event
April 24th on Gun Lake**

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FROM THE PRESIDENT



By Joe Chatel, *Ride the Tide Carwash*

Hello Spring!

Finally after a harsh winter, the Midwest carwashers can get back to business. The MCA has a big year in store for membership through amazing networking events. As the association steams ahead into its new and revitalized direction, I encourage all to visit our 2019 events calendar to take advantage of what we have in store.

Each season will have its own unique event beginning with our spring social event on Gun Lake. The Bay Pointe Inn is the backdrop for a night of networking and great company. Summer brings us very exciting events that include a trip to Royal Oak and The Morrie along with our biggest event of the year at Comerica Park. Fall brings the annual golf outing that is always a fantastic time whether you're on the PGA tour or you're stuck washing cars and keep the clubs in storage. The final 2019 event is a visit to Grand Rapids' crown brew jewel at Founders Brewing. No matter your schedule or your preference of event, our hope is tremendous events that foster unique networking sessions and relationship growing events for all involved.

The MCA has embraced its place as a regional association and therefore must act in such a manner that can positively contribute to the actions and needs of operator and vendor membership alike. Our event planning has developed great opportunity for growth and the board of directors has worked tirelessly to envision our future. That future is bright and involves many possible directions that all equate to better

membership benefits and utilization. Just as we want to provide the best service to our customer base in business, the MCA board makes every decision with providing the best product to all members in mind. Personally, as your president, I take nothing lightly as I serve you every day.

If any member wishes to become more involved in the direction of the MCA, please reach out for potential board of director positions that periodically become open. I want nothing more than to be transparent in operation of your association, so if you have any feedback whether in form of question, comment or concern, please feel free to reach out to me or any other member of the board.

I look forward to enjoying our 2019 calendar with you. Happy spring and happy washing!

~Joe

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Diamond Shine

Building a Better Loyalty Program

Exploring different options for different carwashes

By Meagan Kusek



Every business' goal is to attain loyal customers. But, every business has a different way of going about achieving that goal. Certainly, the products or services you offer must be top-notch, and you must provide outstanding customer service to create a customer experience that keeps patrons from defecting to the competition. But, once you have them hooked, how do you get them to come in more often?

"The primary motive behind a loyalty program is to retain customers by rewarding them for their repeat purchase behavior," Dean Lecky, vice president of sales with Micrologic Associates, says. "There are several studies which show that there is a direct relationship between loyalty and retention rate. Some examples of these are that the loyal customers tend to spend more, frequent more and will increase the overall revenue. In addition, the cost to retain a loyal customer is significantly less than acquiring a new one."

Loyalty programs, when leveraged properly, are a key tool that can change customers' behavior. Without

having an incentive or understanding the benefits of frequent washing, the average customer may get a single carwash (and a basic one at that) every few months. But, if you can strike a balance between offering what seems too good a deal to be true and getting an uptick in your revenue, then it's a win-win situation.

LOYALTY VERSUS MEMBERSHIP

Loyalty programs have evolved over the years, but it's important to note that there is a major difference between a loyalty program and a membership program.

"In the past, a customer would receive a punch card that would have 'Buy X amount of washes and get one free.' Current computer systems can now track the usage by the use of a loyalty card or RFID technology," Lecky explains. "The most recent option is to give customers points for each dollar that they spend. Customers who spend more will earn loyalty points faster."

However, it could still take months for a customer to purchase all these washes, so while both the discounting

and points accrual forms of loyalty programs help ensure the customer will return, it doesn't necessarily change their washing habits.

Hence, the problem: Both types of loyalty programs rely on the whims of the customer. You may have provided some incentive, but you haven't necessarily changed his or her behavior. Membership programs, on the other hand, earn you money regardless of the customer's behavior. Whether a customer washes once or five times a month, you are still earning the same amount from that person month over month.

"There's not a sort of one-to-one relationship between a loyalty program and revenue as there is with a membership program. Membership programs are a form of loyalty program in a certain sense, but it's a direct line to revenue," Max Pulcini, director of communications and marketing at EverWash, states.

Because membership programs are so tied to revenue, they open more financial doors for you. Potential lenders can look at a spreadsheet and see guaranteed revenue each month, making an investment in your business less risky.

"When you've got a successful membership program, what it allows you to do is get loans, expand your company, buy new locations, etc. — things that simple loyalty programs can't do," Pulcini adds.

Furthermore, Pulcini notes, washes with membership programs that decide to sell often receive higher offers and sell easier, since a new owner can also look at a balance sheet and see that direct tie between the membership program and recurring revenue.

REASONS TO HAVE A MEMBERSHIP PROGRAM

Aside from building a solid customer base, loyalty programs are also the key to positive, free marketing. After all, if customers feel they are getting a great deal out of a loyalty/membership program, they will be sure to tout it.

"One of the things that loyalty also creates is word-of-mouth recommendations, which is the most powerful way to gain more customers," Amy Olson, graphics and marketing generalist for WashCard Systems, asserts.

Furthermore, membership programs help owners combat a carwash's worst foe: the weather.

"A prepaid loyalty system is best viewed as an insurance policy for wash operators," explains Joe McEwan, marketing manager for Hamilton Manufacturing Corp. "Even if the sun is shining today, a forecast of rain tomorrow can often affect a customer's decision to wash. Their perceived value of a carwash is affected

Midwest Carwash Association

drastically by the weather, and that puts operators in a difficult spot, considering they have no control over the elements."

Another way that membership programs help owners is by giving them the ability to have a relationship with their customers, according to Shane Larsen, chief coin slayer at Coinless Mobile. Having a loyalty program grants you access to customer names and contact information. Attendants can now greet and address customers personally, and your company will have the ability to market directly to your patrons.

"When they're willing to commit to you, you can definitely commit more efforts to them, giving them benefits and even creating customized marketing campaigns," Larsen says.

Finally, membership programs prove particularly lucrative with fleet accounts. Businesses with fleets need their vehicles to look good and function well to both make a positive impression on their own customers as well as stay in service for long enough to get the most out of what these companies paid for them. They are willing to pay well for guaranteed, routine cleaning. If you have one or more fleet accounts but don't have a membership program, you could be missing out on thousands of dollars in certain revenue per year.

"One of the biggest benefits our customers see is taking advantage of business-to-business (B2B) — or fleet — accounts, which work across all platforms," Olson says. "This creates the largest amount of revenue for operators. It's not always about the discount or loyalty factors for the fleet manager — it's knowing the car gets washed and having easy access to reports of when washing was done."

LOYALTY PROGRAMS FOR IBAS AND SELF-SERVES

As far as membership programs go, one of the most common types is the unlimited wash program that tunnels typically employ. These carwashes will use one of two systems: an RFID reader or a license plate reader (LPR). RFID readers require giving patrons RFID stickers to put on their windshields so that when they pull up to the kiosk, the reader will scan the sticker and let them through. LPRs need only read a license plate before letting a customer enter. Not only do these methods increase throughput, since there is no lingering at the kiosk, but they are also difficult to manipulate or abuse, since they are tied to specific vehicles.

While it's possible for in-bay automatics (IBAs) and self-serves to offer unlimited programs, it is substantially harder and not always recommended. The problem for IBAs is that these carwashes are not always staffed. As for self-serves, defining what counts as a "wash" when

Loyalty Programs

providing unlimited washes is tricky, since washes are so customizable.

“While IBAs can also use RFID programs, a common struggle has been timely completion of new customer accounts at sites that are not always staffed,” McEwan explains. “This is where an app-based loyalty program can really be of benefit, as the entire sign-up process can be completed by the customer without any need for employee interaction.”

App-based solutions solve many of the problems associated with loyalty programs at IBAs and self-serves. For self-serve carwashes in particular, Larsen explains, “The model that seems to make the most sense to us is if you just use dollar amounts as credits.”

For instance, if customers commit to preloading a certain amount of money every month for the carwash on the app (not unlike purchasing a monthly membership), the self-serve carwash not only has guaranteed revenue, but it can also reward the customer by giving extra money/credits in return for his or her loyalty.

For instance, let’s say a customer agrees to load \$20 per month. The carwash can then grant the user an extra \$20 for the month. These numbers are all customizable on both the customer and business end, which allows customers to determine the maximum they would spend at a carwash per month. Whether the customer uses all of that money in one month or not is ultimately up to him or her. As with unlimited tunnel washes, some will wash as much as they can and some won’t.

According to Larsen, another perk that customers love about some app programs is being able to control the purchasing process from inside their toasty cars in the winter.

“People who use the automatics in the winter love that they don’t have to roll their window down. They just roll up to the in-bay automatic, and they pull out their phone and turn everything on without lowering their window down,” Larsen explains.

MARKETING AND MANAGING LOYALTY PROGRAMS

Not all carwashes will have on-site attendants to sell a loyalty program, and even if they do, not all customers will want to talk to the attendant at that time about the program. Therefore, what the experts we interviewed all agreed on was that it is greatly important that a carwash have both a website and social media presence to help sell the program.

“Many operators will overlook this in today’s world,

which is unfortunate because it is a huge help in providing information about their location as well as the available loyalty options they have,” Olson states.

In fact, Pulcini notes that for about half the carwashes his company has worked with (both IBA and tunnel), the company has either built or modernized the carwash’s website and Facebook page. “The majority of operators out there aren’t utilizing social media to the level that they should. That’s critical to a successful program, [and I think it] gets overlooked, not because I think they don’t understand the importance of it, but in a lot of cases, it’s just resource constraints. They don’t have time in most cases to sit and formulate a strategy for social media.”

It can be easy to let marketing and branding slide when faced with the day-to-day operations of a carwash. Comparatively, marketing might seem like a luxury for when you have some time (if ever). However, marketing is critical both for a wash and a loyalty program; therefore, Pulcini says, if time is a factor, carwash owners should find a loyalty program company that can provide sample social media posts and other such digital assistance.

Of course, you also need to utilize your point-of-sale (POS) and payment systems. “One of the most efficient ways to let potential customers know about the benefits available to them is to literally put it in a place they cannot ignore — the touchscreen of a pay station. Whether it’s a short promotional video with a call to action or a menu item that allows them to purchase loyalty membership, this is a great way to ‘hook’ customers,” McEwan says.

App-based systems can also help with marketing in a different way: through customer reviews.

Larsen provides the following example: While the customer has the app open at the carwash, it can ask him or her to rate the wash experience. If that experience is low, such as one or two stars, it can provide the telephone number of the owner/carwash contact and ask the customer to call that person immediately to resolve the problem. This takes care of problems before they spiral out of control, hopefully bettering a customer’s experience and leading to a change in those negative reviews.

However, there will inevitably be times when you lose customers from your program. “As the program evolves, you will need to manage your churn rate (loss of customers),” Lecky notes. “Most recent technology can provide a way to automatically update the customer’s credit card if it has been replaced due to the card being lost or stolen. This allows for the focus to be on growing the program versus chasing inactive customers that have been declined and become inactive.”

SELLING YOUR CARWASH ... AND ITS MEMBERSHIP PROGRAM

As mentioned earlier, having a membership program can increase the value of your wash in a prospective buyer's eyes. Depending on the type of loyalty program you have — app-based or POS-based — a sale can either be very easy or a little more complicated, but in either case, it never need impact the customer.

With app-based systems, as long as there is communication between the buyer, seller and membership-program manufacturer, a sale can be as simple as a transfer in ownership name and ID number, Pulcini and Larsen note. Members can be informed via the app about any changes they can expect to see in prices, naming, etc. On the consumers' part, there is little to no interruption.

Whether app-based or not, communication is critical when handling the sale of a carwash and its membership program.

"Generally, most transfers can happen without interruption to the customer, but again, this all

depends on communication. Sellers and buyers need to communicate and agree on things such as current prepaid balances. If there are outstanding balances available on loyalty cards, who does the money go to? In some cases, we've seen well over \$50,000 sitting out there, and that money needs to be agreed upon who it goes to at the end of the day," Olson says.

Other challenges can arise if a chain, for instance, is only doing a partial sale, selling only a few locations. Again, these specifics need to be communicated to make sure the proper accounts are set up beforehand so the transfer goes smoothly.

"If, at any point, an operator is thinking about selling his or her location, it is critical that he or she pass this information along to the business maintaining any credit card, loyalty card or mobile app information for the sale and transfer to happen seamlessly. Without this communication, things can end in a disaster for the seller and create a lot of friction with the new owner before he or she ever gets started," Olson concludes.

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Opioid Abuse & Workers' Compensation

An epidemic of prescription pain medicine abuse has resulted in serious issues to both the health of injured employees as well as to the overall cost to the workers' compensation system. The damaging impact can be seen in a variety of ways, including skyrocketing medical and prescription costs, longer treatment periods and claim settlement expenses.

The Michigan Cleaning Fund has implemented an aggressive and comprehensive Drug Management Program. The goal is to prevent inappropriate use of potentially harmful and addictive medications for injured employees and to control the costs associated with these prescriptions. The Fund accomplishes this goal through agreements with the treating physician, the use of technology to monitor the injured employee's claim and by utilizing the procedures outlined in the MI Health Care Service Rules (HCSR).

Schedule II Narcotics/Opioids

...

- Hydromorphone
- Methadone
- Meperidine
- Oxycodone
- Fentanyl
- Morphine
- Opium
- Codeine
- Hydrocodone

Opioids are prescribed to manage acute and chronic pain complaints. It can be difficult to recognize when the course of treatment moves from "acute care" to "chronic care." The Michigan Health Care Service Rules has given employers, providers, TPA's and Carriers, the necessary guidelines to help establish the acute from the chronic care. Managing a Michigan WC claim with opioid involvement should have the following objectives:

- Identify claims within the criteria of chronic pain (>90 days usage)
- Educate the treating physician regarding the requirements under the new HCSR
- Employ available tools to ensure that continued use of opioid medication falls within the acceptable parameters as outlined by the HCSR

- Provide a system of continued monitoring that works towards the discontinuation of opioid medication therapy.

The Fund's guidelines along with the HCSR changes have allowed us to address the problem of long-term abuse of opioids by injured workers. The intent is to lower the projected pharmaceutical costs associated with Medicare Set-Asides, and help reduce the over-all medical costs for the State's job providers. In a recent review of a large sample of 2016 Michigan WC claims, involving prescribed opioid's for pain management, the results show that the pharmaceutical costs can easily exceed \$2,000 a month.

Managing Occupation Injuries

What are some of the early warning signs?

1. Any opioid prescription with a supply over 14-days, within the first 30 days of treatment
2. Any opioid prescription lasting longer than 45 days - post surgery
3. Any opioid prescription lasting longer than 90-days
4. Pain management consultation within 45-days of the injury
5. More than one Pharmacy being utilized, simultaneously
6. Injured employee frequently runs out of medications
7. Increased or exaggerated pain complaints during the course of treatment

In summary, when managing injured employees with opioid issues, your fund utilizes the following action items: direct the medical care the first 28 days of treatment; if opioids are being prescribed, consider an Independent Medical Evaluation to assist in guiding the treatment plan; consider the use of a Nurse Case Manager to help guide the employee and physician away from utilizing opioids for chronic care and in certain cases involve communication with a trusted WC Defense Attorney to outline short and long-term strategies that adhere to state guidelines.

For more information on how the Fund can help your business manage its costs and benefit you by being an owner, contact RPS Regency at 800-686-6640. This article was provided by York Risk Services Group, the Fund's claim adjusting service partner.



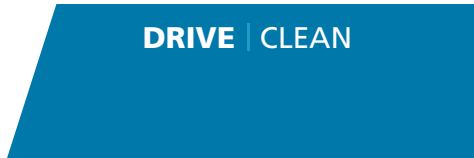
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For more information visit VehicleWashSolutions.com



Join us for our Spring Event at Bay Pointe Inn!

Wednesday, April 24th

We invite you to join the MCA for an evening of food, networking, and fun at our first event in 2019. We will kick-off our packed event calendar at the Bay Pointe Inn Boat House on beautiful Gun Lake.

Bring your spouse, employees, or customers for a relaxing evening and catch up with other MCA members and operators.

RSVP at www.MidwestCarwash.com or call 800.610.4512

Not a member yet? No worries, sign up today at www.MidwestCarwash.com and take advantage of this and our whole calendar of events.



2019 MCA EVENT CALENDAR

April 24

**SPRING SOCIAL EVENT
BAY POINTE INN
SHELBYVILLE, MI**

June 18

**SUMMER SOCIAL EVENT
THE MORRIE
ROYAL OAK, MI**

Date TBD

**DETROIT TIGERS OUTING
COMERICA PARK
DETROIT, MI**

September 17

**ANNUAL GOLF OUTING
EAGLE EYE GOLF COURSE
BATH, MI**

October 24

**FALL SOCIAL EVENT
FOUNDERS
GRAND RAPIDS, MI**

Don't miss any of these great events! In 2019 the MCA Board has lined up a whole host of events that are free to MCA Operator Members. Take advantage of all your MCA membership has to offer and make sure your membership is current today!



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