



WeatherBill Case Study: Belle Harbor Car Wash Rain Protection

CHALLENGE

Even a little rain can be bad for business

There were an estimated 54,030 car washes in the United States by the end of 2007, according to IBIS World, with \$8.16 billion in annual revenue. The average car wash serves more than 71,000 cars a year, making the business appealing to entrepreneurs and investors. The business does come with risks (slumping economies, lower new car sales, competitors, etc.) but one of the largest and most unpredictable risks is the weather.

While the industry is affected by volatile rainfall trends, car wash activities are also influenced by seasonal factors. Demand for washes increases during warmer months (drought conditions force household water use restrictions) and lower during winter months. Too much rain on prime car wash business days (Thursdays through Sundays and days before major holidays) can mean no cars and no profits.

"The worst case scenario is that we're closed," says Robert Webber, owner of Belle Harbor Car Wash in Long Island, New York. "We've had a lot of rain this spring. Lately, in our area, car wash owners are singing the blues."

It takes very little rain, even a mere forecast of rain, to put the brakes on a car wash business. Webber expects to service an average of 200 cars on Fridays with good weather and 300 cars on sunny Saturdays. Belle Harbor is a full service wash with x employees. On days when it rains he still has rent, utilities, and employees to pay. The bulk of expenses, 32%, go towards wages. Business expenses don't stop for bad weather.

SOLUTION

Customized rain coverage protects key days

"When I started this business I immediately saw how vulnerable we were to rain. I thought, 'there's got to be a way to hedge against it,'" says Webber.

In 2007 he found WeatherBill. Webber uses the JFK airport weather station to determine his payout. He chooses the days he wants coverage (prime car wash days) and the amount of rain he wants to get paid for.

"After looking at historic weather data I determined .2 inches was bad for business," says Webber. "Coverage for .1 inch was too expensive, but that's because there's a high probability of that amount of rainfall. I figured that I could handle a few days a year with .1 inch. The days with .2 inches are really costly."

"There were drizzle days when I didn't make any money," Webber explains. "But 'bonus' days make-up for drizzle days."

Because WeatherBill coverage is based on weather measurements and not human assessment, there are some days when customers get paid for the type of weather that disrupts their business, even if it happens after business hours. Webber, who calls these days "bonus days," explains that there have been several instances when he has been paid for rain on days when he reaches his projected profit.

"We had dry weather and 220 cars on Friday. We closed and around 7:00 [pm] it started raining. We got .2 inches by midnight. By 5:00 [am] it's a clear day and we're back in business."