

# Car Care Malls: The Wave of the Future?



There's something about the holiday season that turns ordinary people into shopaholics. Like bloodhounds on the scent, as soon as the Thanksgiving turkey is digested, the dishes washed, and the company gone, thoughts turn to shopping. Once the morning after Thanksgiving hits, the American public makes a frenzied dash for the mall. This madness lasts well into January as gifts are returned and sale racks combed for after-holiday bargains.

Customers shop at a mall because they know that it offers one-stop shopping, a pleasant atmosphere, and a convenient location. Whether it's an indoor mall or an outdoor plaza, the mall is a place to go to get things you need (or think you do) with the least possible amount of running around.

Why does a business go into a mall? Location and traffic flow are two reasons. There's also a third, called

synergism. Just by existing and advertising, one business helps draw customers to other nearby businesses. The management of the fast food stand realizes that the department store sale is also bringing customers to them. The store that sells tapes and records knows that the one selling VCRs and stereos is contributing to their customer base.

One-stop shopping isn't a new idea. But it's taking on a new twist, one that you should be aware of. Developers are choosing prime business locations and building outdoor plazas known as auto malls, or car care centers. Tenants in these plazas are repair specialists, tire dealers, quick-lube shops, car washes, electronic specialists, accessory stores, and other auto-related businesses. Some malls also have fast food places, delis, beauty shops—even drugstores.



## The Nuts and Bolts of Car Care Malls

Car care malls are a fairly new concept that began in California slightly more than 10 years ago. According to Ray Olmscheid, founder of the car care mall concept, "Car care centers developed out of necessity. During the recession in the '70s, I had two industrial parks in Huntington Beach and Fountain Valley. I couldn't rent them because no one was moving. When I sent my marketing people out looking for tenants, they came back to me and said that the only businesses moving were the automotive garages. In recessionary times, people keep their cars longer, so the automotive repair business picks up." Thus the auto care center was born.

Each car care mall is as different as the tenants that occupy it. Malls range in size from 10,000 to 65,000 square feet. There can be as few as five, and as many as 25 tenants. Rent varies from \$10 to \$16 per square foot, based largely upon the mall's location. Mall configurations depend upon the land they're built on. There may be one or two free standing buildings—there may be none. You might find a common waiting area, shuttle service for your customers, and a common parking lot. Or, in the rare case, you may encounter a mall in which each tenant has his own parking lot.



Each developer offers different services to his tenants. In some malls, you are just renting warehouse space. Any customizing must be done by you. In others, you specify to the developer what you need, and he designs the shop for you. Some management companies also help the tenants to form an association. The association primarily functions to develop group advertising and to inform the management of tenants' needs, complaints, and suggestions. Other malls have no such association, and do no co-op advertising.

There are certain traits that the malls do have in common. The majority of mall management companies require that their tenants keep common hours,

agree to (service) limiting clauses in their contracts, and have any signage approved before buying and putting it up. They also assess common area maintenance fees, management service fees, property taxes, and insurance fees. These costs are figured out by determining what percentage of the mall you occupy.

The benefits to you for paying these fees? You no longer need to worry about landscaping, snow shoveling, disposing of waste, installing a security system, or maintaining your parking lot or shop exterior. You may still have insurance costs to pay, though. If the insurance fee assessed to you only includes property insurance, you'll still need to purchase contents and liability insurance. If the tenants have gotten group insurance that covers all of these things, you may be getting a substantial break on your costs. So, this is a feature you may want to look for. For more information about insurance, see the insurance article in our March 1988 issue.

These fees don't cover your utilities or inside-of-

**Marlene Luong**

**Manager**

**T & L Auto Repair & Service Center  
Fountain Valley, California**

We are really happy being in a mall. Before relocating, we shopped around for three months looking for a good area. We wanted a high traffic area, close to shopping centers and restaurants, in a middle class area. We felt that the middle income people were most likely to have two cars, keep them for a longer time than the upper class, and bring them to independent garages.

We finally found this location in the Fountain Valley Commerce Center. We talked to the neighboring tenants and asked them about it. (You should really talk to the other tenants before you lease any space.) The center was six years old and just what we were looking for so we took out a lease.

This location is better than being at an individual garage because all the tenants help each other. We get a lot of business from the other companies.

You also get more exposure in the mall. There are some popular restaurants in the plaza. People will go to the restaurant for dinner and then they remember that they saw a Toyota repair garage in the mall, and they bring us their Toyotas for service. It's true, many customers have told us that's what brought them to us. We've also had bypassers stop in to ask us a question because they saw our sign, or they were dropping their friend off at the Mazda shop and noticed us. We've gotten a lot of business that way, business that we never would have gotten if we weren't in the auto mall.

We've got more customers, and they like coming here. So, even though it costs us a little more for rent and maintenance fees than it did before, it's worth it.



shop maintenance. When the utility bills come in, you'll need to pay them. If the pipes that your plumber installed spring leaks, that's your problem. But if the roof leaks, that ought to be covered by your developer because you are paying for exterior maintenance.

As you can see, there are a number of added costs to consider when you decide whether or not to go into an auto mall. You need to carefully weigh the advantages a prime location brings against the extra costs you'll incur.

**Brian Day**  
Owner  
Brian Day Import Service  
Tempe, Arizona

The bigger, the better, and the glossier you are, the more likely people are to come to you. That's why I'm in an auto mall, for the location and the exposure.

When I first opened up for business, I didn't know anything about location. I converted a large barn on my property into an import repair shop. The response was really good, probably because at that time there were very few import specialty shops. As time went on, and imports and import garages became more popular, I decided to move to a better location. I opened up in a low rent district, an industrial location off the main road. Big mistake! I couldn't attract any business. Even though I had a good reputation and no comebacks, my location was killing me.

For exposure, if you're an independent, you need to be on the main drag. If you're in an auto mall, people don't have to hunt you down. You've got the advantage of being in a one-stop shopping center that attracts a lot of traffic. You still need to advertise, but now your location, one that you couldn't afford yourself, is an advantage.

But I've got to tell you, auto malls are grossly overpriced. Not only are you paying \$1 more per square foot for rent—the same as if you were in a retail mall—you're also paying for area maintenance, and management fees. There are a lot of costs you need to be aware of. If you don't have the financial backing, don't try it. I'm in the end where I write the checks so I know what my costs are and how much more business I'm taking in. For me, I think it'll work. But it's not for everybody.

You need to weigh the advantages and disadvantages. It's just like the difference between owning a condo and paying for homeowner's maintenance, or buying a house and mowing your own yard. You can look at it two ways, either the burden of maintenance is being lifted from you, or care for your property is being taken out of your control. I have mixed feelings because even though you're paying for area maintenance, the choice of who does the work is up to the mall management. And they may or may not seek out the best person for the job.

All in all, an auto mall is a fancy-schmancy concept, but you're still just renting warehouse space. You've got to decide if the expense of being on main street is worth it to you. For me, I think it's worth it.



## Car Care Mall Projections

If you would like to locate in an auto mall, could you even find one in your area? The greatest number of them are found in California, Florida, Illinois, Georgia, and Arizona. But, according to Chuck Laverty, publisher of Car Care Center News, there will be more than 600 auto malls in operation by the beginning of 1989, and almost 1000 more built by 1990. These malls will be located all over the United States. Some other research commissioned by Automotive Week predicts that:

1. Car care malls will generate over \$35 billion in sales for their tenants by 1995.
2. Car care malls, currently containing 24,000 service bays, will grow to represent 155,000 service bays in 1990.
3. By 1990, one-third of all motorists will patronize car care malls.

Car care malls may not have hit your city yet. But like the import market itself, the auto mall market is a rapidly growing one. In fact, I wouldn't be surprised if one day quite soon you are confronted with the decision of whether or not to locate in a car care mall.

## Who's Shopping?

In our November/December 1987 issue, we mentioned that the primary purchasers of automotive service in the United States were women. This is still true. Successful garage owners are the ones who realize that a modern, attractive facility with a convenient location, a clean restroom, a waiting area equipped with magazines, chairs and coffee, and service technicians who are polite, clean-shaven, and knowledgeable will attract and maintain this female customer base.

Like it or not, members of the newer, younger generation are not likely to feel an allegiance to cigar-chomping Joe and his back alley garage just because their parents went there. Although today's consumers



may receive as good as or better care at Joe's than anywhere else, they'll go to the place that offers the same quality service but is convenient, comfortable, and well-maintained.

Car care malls offer the convenience of a main street location and an inviting appearance. They provide the customer with shopping options. If the work to be performed can be completed the same day, the customer can drop the car off and shop or eat while the work is being completed. And if the tire store that's rotating the car's tires notices a hole in the muffler, the muffler shop in the plaza can save the customer a lot of needless driving.

**Jay Gaskill**  
Marketing Manager  
Abel, Jarrard, & Company  
Costa Mesa, California

Better bang for your bucks—that's what auto centers are about. If you can get private parking, your own lease, and a building designed for your services, then it's better to be in a center. If the center is prohibitively expensive and under-parked, then you don't really get many advantages. For most of the tenants, parking is the biggest issue. If you've got to turn down customers for lack of it, then it's not worth it to be in a center.

The developers have got to have their tenants in mind when they put up a mall. Not only when it comes to parking, but in designing the buildings, and choosing the tenants. You've got to practice selective interviewing. You can't just accept any tenants. Having a few bad occupants is bad for everyone's business.

If the people running the shops are good, then the customers feel comfortable. It also helps to have some quick in and out retail establishments to give people who are waiting for their cars something to do. We find that women, in particular, are being drawn to these malls because of their pleasant environments.

There are many inherent advantages to being in a center: location, recognition, convenience, atmosphere, to name a few. If you, the tenant, have got good management and an association of tenants, you can use these advantages as a tool to control your own destiny.

## What's The Appeal To You?

In a survey conducted last year by Opinion Research Corporation, almost all of the motorists polled revealed that they would be very receptive to the idea of going to a car care center to have automotive work done. But the fact that the customers are willing to frequent the malls isn't enough of a reason for you to relocate into one.

You need to consider what the pluses and minuses of being in an auto mall are for you. We've spoken to a number of import repair specialists and developers who are involved in auto malls. Here are the items they

feel you should consider.

**Cost**—You will probably pay anywhere from \$ .85 to \$1.50 more per square foot to locate in an auto mall. But, you will have a main street location, one that may not have otherwise been affordable. You'll also have to pay maintenance and management fees. So, although the burden of caring for your shop's exterior is lifted, you're paying for someone else to do it.

**Exposure**—Smaller shops can feed off the advertising of the anchor stores. The major chains in the mall provide you with a focal point, a way of telling your customers how to find you—"Bug Heaven located next to XYZ Tire in the Cherry Lane Auto Mall." Customers don't have to scan the streets for addresses because you are right there, in the auto mall.



**Finances**—No matter how appealing an auto mall may seem, you need to consider the relocation costs as well as the costs to attract new clients and keep your old ones. If you are comfortable with the expenses you will incur in moving and advertising, then you may want to try it. Happy with your present location? You'll probably want to stay where you are, or wait and see how the car care mall market progresses. If you want to move because you think your location is killing you, make sure that you can obtain the finances to move. And be darn sure that it is your location that's hurting you. An auto mall can't cure an improperly run shop and turn it into a goldmine.

**Location**—Auto malls take you "out of the back alley and put you on main street." You don't have to worry about finding land or getting your city to approve zoning for a repair garage.

**Management**—Because of the opportunities car care centers offer, many developers who lacked knowledge about the market threw their hats into the auto mall arena. If you should decide to move to an auto mall, you've got to be sure that the management has carefully chosen its location, tenants, and mall design. You also need to know how well they maintain the centers and take care of their tenants.

**One-Stop Shopping**—The reason location, location, location have always been the three most important words in real estate has a lot to do with convenience, convenience, convenience. Car care malls allow a number of different repairs to be completed by special-



ty garages within easy walking distance of one another. The malls may even offer dining, entertainment, or beauty shop facilities.

**Parking**—Parking may be a problem in an auto mall. Be sure that the mall's planners have considered their tenants' parking needs when developing the mall. Otherwise, lack of parking can force you to send customers away.

**Percentage of Retail vs. Automotive Tenants**—There's a controversy here. While some developers feel that strictly automotive is the way to go, the majority say that a 70/30 mix of automotive to retail tenants is ideal. Retail tenants give customers something to do while they wait for service. And, claim many developers and tenants, popular restaurants and shops can attract people who then notice the repair facilities and wind up being customers. Even if an auto mall has no retail tenants, a location very close to a retail shopping center will help to draw in customers.



**Synergism**—Businesses help to draw other businesses. Suppose a person driving a Toyota is dropping off a friend at the Volvo garage. She notices your Toyota repair shop next door and comes in to ask you a question about her car. If that person becomes a customer, that's an example of synergism. If your shop specializes in electrical work, and the VW repair garage two doors down has an electrical problem they can't fix, they may send it to you. That's synergism too.

**Tenant Mix**—If a center is full of independents and has no national chains, it won't have the drawing power that it should. If you've got too many of one type of shop, you'll have unwanted competition. While you can have some overlap, like a tire store that also does oil changes, too many people doing the same thing is no good.

**Vacancies**—What percentage of the mall is leased? If the mall's already functioning, and there's a high number of vacancies, it could mean trouble. Maybe the rent is way too high, maybe the location's bad, maybe the management isn't responsive to tenants' needs. It can also hurt your business to go into a half-

empty mall. Customers may not be as apt to frequent the center, and there will be less companies to help draw business to you.

**Ray Olmscheid**  
Partner  
Bristol Development Company  
Santa Ana, California

I've built 18 malls in the last 10 years, so I've made at least 18 mistakes. I've learned from them to become very successful and experienced in the car care center market, so I've got quite a few thoughts about what your readers should consider before deciding to move into an auto mall.

Because the market is so hot, many developers have thrown up auto malls with no real knowledge of the industry. Good management carefully chooses location, controls parking and tenant mix, and takes care of mall maintenance. Poor management hurts the tenants, as well as the mall.

I'm building all of my centers now in two markets—planned communities and adjacent to retail shopping centers. I have found that these malls do better than strips that form their own commercial automotive centers. A good, highly visible location with a high traffic count is crucial to success.

Tenant mix is also very important. If you've got too many people doing similar things, it's no good for any of them. And, you've got to be careful how you place businesses. For example, tenants who require lots of parking should be separated from each other to prevent congestion. Parking must be managed well. Tenants need to know that if cars are kept for days in the mall parking lot, they'll be towed.

Good management is the main item to look for in choosing an auto mall. The key to the success of the auto care centers, and, ultimately, your success, lies in the management, so choose carefully.

## For More Information . . .

The auto mall concept is to provide automobile owners and members of the automotive aftermarket with the best location for automotive service. It's a fine idea. Whether or not the car care malls thrive depends largely upon the management, the tenants, and the customers.

We don't know if in the year 2000 auto malls will dot as many cities as their retail counterparts do. But we do know that it's a trend and an opportunity you ought to watch. Let us know what you see.

If you would like more information on car care malls, Automotive Week Publishing Company puts out a free monthly newsletter, *Car Care Center News*. To obtain your subscription, send your requests to: Chuck Laverty, Publisher, *Car Care Center News*, P.O. Box 3495, Wayne, New Jersey 07470-3495. Or, if you'd prefer, **circle number 210 on the reader service card.**

—By Marla Schleider