



“We plan to bring the tunnel wash to the U.S.” Interview with Rafael Tomás, Istobal

Rafael Tomás is CEO Corporate & Sales Development at ISTOBAL S.A., the leading car wash manufacturer in Spain and a major player in the international sector. We discuss the importance of the North American market, differences with Europe and the recovery of the Spanish car wash industry.

With ten subsidiaries in Europe and America, the group has increased its turnover by 5%, totalling 124 million euros in 2016. With a new corporate image, presented at the beginning of May, the company intends to continue developing new products and expanding its international business, which already accounts for 80% of its production.

How important is the North American market for ISTOBAL?

It is a crucial market for us. Spain and France are usually our first and second markets, respectively, while the United States and Italy are the third and fourth most important. The North American market, however, shows great potential, with clear possibilities for growth and could become even more relevant in the future.

What key differences do you identify between the North American and the European markets?

In general, equipment is better in Europe as operators are more focused on the technical side. Americans, on the other hand, have a better understanding of the business and therefore they do not mind investing in the most complete machines to offer an optimal service. They are very good at marketing, business and *show*. The European client usually focuses more in the technical details and less in the business of selling wash services. If we combined the strength of Europe's manufacturing with the marketing capabilities of American operators, we would achieve a preeminent market.

From the consumer's point of view, are there big differences in what they demand in those two areas of the world?

The North American public is more demanding in terms of the experience that they have at the car wash, while the European – especially the North European – focuses more in technical details such as the quality of the drying process. In the U.S. it is key that, first, the car does not suffer any damages

from the wash and second, that the process is fast and efficient.

Seeing how our Research + Development department is the same for both regions, we are increasingly trying to adapt what we do for the U.S. to the European market, allowing us to offer very attractive products and services.

The car wash market is at a good moment, showing growth both in the U.S. and in Europe, and there is a positive vibe that can be felt at events such as the Car Wash Show. Do you see a big difference in the growth of both markets?

Our industry is tightly connected to economic cycles. In that sense, the economic situation of the U.S. is a few steps ahead than us and that could explain why their car wash market is growing faster. In Spain (ISTOBAL's country of origin) the market is also growing rapidly. In other countries where the recession was not that considerable, such as Germany, they have not undergone such strong changes.

For a manufacturer like ISTOBAL, is it more beneficial to do business in a market with heavy consolidation or one with many competitors?

Normally, when you take a look at offer and demand, the one who is offering products usually is not interested in a market with few competitors. I see that tunnel wash operators are consolidating but, on the other hand, rollovers operators (mainly major oil companies) have already unconsolidated and almost disappeared from the scene, giving way to small and medium operators.

What plans does ISTOBAL have for the North American market?

Our goal is to strengthen business. Right now we are focusing on two sectors where we are doing pretty well, but where there is still room for growth: dealerships and wash equipment for commercials. Apart from that, we still have important business with service stations, the sector where we began our business and where we also intend to grow.

ISTOBAL has a very strong position in Europe and dominates the market in Spain. What markets are you looking to expand in?

Currently, the U.S. is probably the market where we are making the biggest effort to increase our business. Followed by Italy. Right now we are also beginning to invest in developing countries by creating various products adapted to their specific needs. In many cases, we are positioning ISTOBAL as the first player in the market; we are working strategically so when they become developed markets, we will be the go-to manufacturers. Brazil, where we have had a manufacturing and assembly plant for some years, is a good example. But the recession that the country has suffered has not delivered good results for us, so far.

Has the Spanish market fully recovered from the recession it suffered?

The Spanish market is in a very good place. The market suffered from 2009 to 2012 with a

devastating effect in the number of washes, sales of equipment and other areas connected to the industry. When the number of washes go down, the sales of equipment follow suit. In the second semester of 2013, things started to improve and right now we have a sustained growth. In the last two years, many machines have been upgraded or renewed. What we still have not seen many new installations, but we are on the right track.

There has been a significant increase in sales of tunnel washes in the U.S., a product that ISTOBAL already successfully sells in Europe. Are you planning to bring your tunnel system over to the U.S.?

The tunnel wash market in the U.S. is booming; it is a shame we have not brought it over to this market yet! It is the sector with the biggest growth rate. Some years ago, we decided to focus all our development in the rollover line. It is very hard to adapt the lines of the car wash to American standards. Each machine we make for U.S. involves developing a product almost from scratch. We are currently working to adapt our tunnel wash – perhaps at the next Car Wash Show we will be able to showcase the ISTOBAL tunnel.