

# P&G reaches into retail despite rough economy

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MASON, Ohio (AP) - At the Mr. Clean car wash, kids can shoot suds at vehicles moving through the 160-foot wash tunnel while adults enjoy free coffee and watch sports or news on flat-screen TVs.

"They love coming here," said Kristin Nelson, a fan of Mr. Clean household cleaners who arrived in a Cadillac Escalade with five kids, ages 6 to 10, including three of her own.

Consumer products maker Procter & Gamble Co. plans to expand the service-intensive business nationwide in spite of the tough economy. P&G won't disclose its goal for the expansion, but spokesman Jeff LeRoy said it is licensed to operate in 41 states and the company plans to "make it as big as we can."

P&G revved up the expansion with the announcement last month that it bought Atlanta-based Carnett's, which operated 14 car washes, and put that company's founder Bruce Arnett in charge. And it has hired veteran franchising executive Jim Amos to head a new subsidiary that oversees franchising.

The new venture comes as most households are cutting discretionary spending — including such items as the \$15 to \$24 car washes at Mr. Clean — and as other major consumer companies are focusing inward. P&G forecast a week before it announced the expansion that its total sales will fall for the current quarter and perhaps the year.

And the car wash industry is hurting.

"This is a very difficult time to enter the car wash business," said Donnelly Eurick, executive director of the Lansing, Mich.-based Midwest Carwash Association. "It's an optional service, money is tight, the future is uncertain."

By comparison, The Home Depot Inc., which in January began closing four home-improvement retail subsidiaries, operates six car washes alongside service stations in its parking lots. It has no plans to expand its car wash business.

"We're still evaluating the concept," said spokesman Ron DeFeo.

But executives with Cincinnati-based P&G say the muscular, white-browed, smooth-headed Mr. Clean's brand is so strong that building a national car wash chain around it makes solid sense. Even in the recession, they say, many time-short people will seek out Mr. Clean to make their cars look good.

"Consumers want to know that they're going to get a consistently superior wash," said Nathan Estruth, P&G vice president for P&G's FutureWorks division. "We start with an incredibly powerful brand, which is quite a difference versus the rest of the car wash industry."

P&G sees special potential because the \$35 billion industry is very fragmented, Estruth said. The company says the recession could build opportunity because real estate prices are down and communities are eager for new businesses that bring 40 to 60 jobs — as each Mr. Clean does.

For proof, P&G officials turn to traffic figures for the car wash in this northern Cincinnati suburb. Its revenue has risen 10 percent and volume 20 percent in its second year — helped by a \$5 morning special on exterior washes, managers here said. Twice in January, when Americans were in a post-holiday spending hold-down, it drew more than 1,000 customers on a single day.

**AP** Associated Press

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"You can tell how strong the brand is by the response," said Justin Bailey, who ran a car wash in Burlington, Ky., that his family owned and now manages the Mr. Clean here. "What it took me five years to accomplish with my car wash, they did here when they opened the doors."

There are two corporate prototypes in Ohio and 17 franchises operating or under development in the southeastern United States. LeRoy said interest from potential franchisees has far exceeded expectations.

P&G stock was trading Friday around \$46, almost 40 percent below its high last September of \$73.15.

"I'm a little surprised they're doing this because at times like these, you need to hunker down and focus on the basics," said Edward Jones analyst Jack Russo. "They must just be trying to extend out their brand power a little."

Russo doesn't see the startup businesses as playing a big role in the finances of P&G, which had sales of \$83.5 billion last year. He kept his buy rating on its stock.

Robert Passikoff, president of the market research firm Brand Keys, said P&G's consumer expertise and its brand strength — the idea that customers like Nelson will patronize the car wash because they like P&G's consumer products — justify the move, even now.

"It'd be different if you and I decided to do it," he said. "Given the kind of value and recognition that those brands have, looking for new and different income streams beyond consumer packaged goods makes a lot of sense."

P&G also is extending the Tide detergent brand, the nation's top seller, into retail with three pilot dry cleaning stores in the Kansas City, Mo., area.

"It's fair to say that we're in a learning mode on these two and we are looking at other industries and other brands we have," Estruth said.

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On the Net:

<http://www.mrcleancarwash.com>

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