


The background of the entire page is a photograph of a mechanic in blue overalls working on a car tire. The car is elevated on a lift, and the mechanic is seen from behind, using a tool on the tire. The setting is a professional auto repair shop with various equipment and another worker visible in the background.

4 Trends Accelerating the Auto Repair Industry Forward



Despite the shocking news about California's ACC II zero-emission requirements, four distinct trends are driving the auto repair industry's Capitalized Annual Growth Rate (CAGR) to over 5% for the next five years¹. Garage and shop owners leveraging these emerging trends today can expect to increase their sales and grow their customer base moving forward.

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Introduction

As more drivers return to pre-pandemic work commutes and travel routines, vehicle mileage rises. More miles driven typically translates into more customers needing body work, maintenance, and mechanical repairs, to keep their vehicles looking their best and running at peak performance levels. Unfortunately, this simple equation of more miles = more customers or sales is being disrupted by the four emerging trends we'll discuss today.

The average vehicle age on the nation's roads increases daily², with consumers slamming the brakes on new car sales. Older vehicles usually require more maintenance and repairs than newer ones.

Automotive software and technology have changed the skill set from spinning wrenches to mastering computers, connectivity, and sensors. DIY auto repairs declined due to a lack of available parts and time, fueling new DFY (Done For You) demand for auto repairs.

Changing emission laws like the recently passed ACC II³ could create sweeping industry changes for garages and repair shops within the next 10 years.

(2) www.detroitnews.com/story/business/autos/2022/05/23/average-vehicle-age-hits-new-record/9856936002/
(3) ww2.arb.ca.gov/news/california-moves-accelerate-100-new-zero-emission-vehicle-sales-2035



The current state of the automotive repair industry

With a quick check of the rear-view mirror, we can see that today's auto repair industry has two distinct service models. The repair shop focuses on mechanical and electrical issues, and the body shop focuses on our vehicles' exterior fit and finish. Using the latest IBIS World data⁴, here is a quick breakdown of the combined \$133 billion generated by the US auto repair industry through 2022.

Auto repair shops	Amount	17-22 Growth	22-27 Growth
Revenue	\$78.4 Billion	1.9%	1.3%
Profit	\$4.9 Billion	2.6%	1.5%
Wages	\$22 Billion	2.3%	1.9%
Businesses	278,000	1.3%	1.4%
Employees	614,000	1.3%	1.4%

The average auto repair shop operates with 2.2 employees, spends 27% of all revenue on wages, and has a profit margin of 6.3%.

Body shops	Amount	17-22 Growth	22-27 Growth
Revenue	\$54.6 Billion	1.1%	1.1%
Profit	\$4.5 Billion	1.3%	2.0%
Wages	\$16.2 Billion	0.6%	0.9%
Businesses	109,000	-0.5%	0.2%
Employees	367,000	1.1%	0.9%

The average body shop operates with a staff of 3.3 workers, spends 30% of all revenue on wages, and has a profit margin of 7.9%.

Industry growth across these sectors should continue at a predictable and manageable rate for the next five years. However, inflation is the greatest short-term threat as higher materials and parts impact profit margins.

Industry segmentation by company

Auto repair	% Share	Revenue	Profit
TravelCenters of America	3.04%	\$2.378 B	\$183.1 M
Monro Muffler Brake, Inc.	1.44%	\$1.126 B	\$75.5 M
TBC Corp.	1.04%	\$813 M	\$62.6 M
Love's Travel Stops & Country Stores	1.0%	\$784.2 M	\$60.04 M
Meineke Car Centers, LLC	0.58%	\$455 M	\$35.0 M
The Boyd Group	0.02%	\$13.3 M	\$1.0 M

With the most significant players generating 7.12% (\$5.58 billion) of the industry's total revenue, the industry remains highly fragmented. As a result, industry consolidation remains low, leaving the independent local garages to perform most of our vehicles' maintenance and auto repairs.

Industry segmentation by company

Body shops	% Share	Revenue	Profit
Caliber Collision Center	8.32%	\$4.4 B	\$294.8 M
Gerber Collision & Glass	3.51%	\$1.98 B	\$108.9 M
Service King	1.61%	\$908 M	\$49.9 M
Driven Brands	0.17%	\$93.7 M	\$5.2 M
The Boyd Group	0.01%	\$3.3 M	\$0.2 M

Industry consolidation is only slightly better for the body shop industry. Here the most prominent players generate 13.62% of industry revenue, nearly double the share of their auto repair counterparts. But the smaller independent body shops remain the backbone of the industry, being responsible for over 85% of the bodywork performed, or \$46.41 billion in revenue.

(4) US INDUSTRY (NAICS) REPORT 81111 / OTHER SERVICES (EXCEPT PUBLIC ADMINISTRATION) Auto Mechanics in the U.S. Report by: Marley Brockner | July 2022

Industry segmentation by services

Auto repair service	% of Revenue
Scheduled/preventative maintenance	31.0%
Powertrain repairs	18.1%
Brake repairs	17.4%
Other repairs	10.6%
Wheel alignment/repair	8.1%
Electrical system repairs	6.4%
Heater repairs	4.9%
Muffler/exhaust system repairs	3.5%

Preventative maintenance remains the most frequent service, as consumers prefer to spend a few dollars now to avoid expensive component repairs or replacements down the road. Powertrain repairs can include the motor, transmission, and drive axle/differential assembly.

Body shop service	% of Revenue
Body repair services	61.1%
Painting services	14.6%
Glass replace/repair	16.5%
Upholstery/interior work	2.5%
Merchandise sales	2.2%
Detailing/conversions	1.6%
Other services	1.5%

Body damage repair is the most requested body shop service, followed by glass repair and vehicle painting. Most body shops rely on insurance company referrals to provide a steady stream of customers for their services.

Industry segmentation by customer

Auto repair customer	% of Market
Businesses	28.1%
Age 18-45	27.7%
Age 45-64	26.1%
Age 65 and up	8.7%
Non-profits	5.4%
Government	4.0%

Body shop customer	% of Market
Age 18-45	33.3%
Age 45-64	24.3%
Businesses	21.0%
Age 65 and up	18.7%
Other	2.7%

The ideal customer is essentially the same for both industries; drivers ages 18-64 who commute and travel and businesses who need to deliver goods/services. The data also shows that companies spend substantially more on repairs and maintenance than body and paint services.

Four trends driving the auto repair industry forward

While some garages are still dealing with isolated parts and labor shortages, the industry has recovered from the pandemic fallout overall. Auto repair shops should start preparing to take advantage of the increased customer demand for services. The average vehicle age continues to grow as new car sales continue their decline. In addition, new automotive technologies require specialized computers or testing equipment to diagnose and troubleshoot mechanical issues. As a result, DIY auto repairs are moving from the shade tree to the local service center. Changing emission laws could eliminate the DIY repair market while changing the auto repair industry.

1 Miles and miles

Despite disposable income rising steadily⁵, new car sales are down due to sticker shock and higher interest rates⁶. As a result of automakers continuing to build better and longer-lasting vehicles over the last decade, today's average vehicle age is 13.1 years for cars and 11.6 for trucks⁷. Longer-lasting vehicles were also responsible for the vehicle scrappage rate reaching its lowest point in twenty years, just 4.2% for 2021.

Kelley Blue Book⁸ reports that the average US driver travels 12,700 miles yearly, meaning the average odometer currently displays between 147,000-166,000 miles.

Once a vehicle starts hitting milestones of 100,000-mile intervals, non-typical repairs such as coil/leaf springs, sway bars, tie-rods, and suspension bushings and mounts become more common as these suspension components and rubber/urethane parts wear out or require manufacturer-recommended replacement.

Haphazard maintenance and rough driving conditions will shorten the lifespan of powertrain components, which require regular maintenance to keep a vehicle running its best. Skipping maintenance can save the owner a few dollars today but can quickly drive up the cost of future auto repairs.

Mileage is a factor when discussing auto body repairs and service, too. Common sense dictates that the more time spent behind the wheel, the greater the chances of being involved in an auto accident. The accident damage can range from a simple door ding to a mild fender-bender to replacing body panels and matching paint. While some drivers do their own mechanical work, most do not have the specialty tools to attempt bodywork or paint.

2 Trading tools for technology

Every vehicle manufactured since 1996 is required to have an OBD-2 diagnostic connection. Mechanics and techs connect to the OBD-2 port to retrieve data (error codes) from the ECU/ECM to diagnose the problem quickly. Then, when a component fails, like a catalytic converter or oxygen sensor, the ECU/ECM unit (Engine Control Unit/Engine Control Module) detects the failure and illuminates the dreaded "Check Engine" light.

While many drivers are aware of this "main computer," most would be surprised to learn that today's vehicles can have as many as 30-50 computers and 60-100 sensors monitoring and controlling the different vehicle systems⁹, such as climate control or entertainment systems. Each processor uses a collection of sensors to gather the data and forward it to other onboard systems.

(5) ycharts.com/indicators/us_disposable_personal_income_per_capita

(6) www.reuters.com/business/autos-transportation/us-new-vehicle-sales-fall-december-high-prices-deter-buyers-report-2022-12-21/

(7) www.detroitnews.com/story/business/autos/2022/05/23/average-vehicle-age-hits-new-record/9856936002/

(8) www.kbb.com/car-advice/average-miles-driven-per-year/

(9) www.compassvsc.com/post/all-that-and-a-bag-of-chips

A simple rain sensor provides data to turn on the windshield wipers, but it also alerts the systems controlling everything from anti-lock brakes to collision avoidance control.

Global Marketing Insights¹ recently stated, “With the increasing use of software vehicle systems in engines and car electronics, software knowledge has become the core competency factor.” Of course, this doesn’t mean that the roll-away tool boxes will be disappearing from the shop anytime soon. But it does pressure shop owners to add/upgrade their technological expertise to service these vehicles properly.

3 The shrinking DIY auto repair market

The DIY auto repair mentality is quickly losing ground to the DFY (Done For You) school of thought for three reasons.

Many DIYers don’t have the testing tools or necessary tech expertise to troubleshoot these advanced computer systems. While it’s true anyone can purchase an OBD-2 diagnostic tool online for \$30.00, an error code is merely the diagnostic starting point.

During the pandemic, replacement parts became scarcer as surplus inventories quickly disappeared. As more stock parts moved to back-order status for months, many shade tree mechanics could not perform their vehicle maintenance or repairs.

At the same time, disposable income levels rose over 5%⁵ as employers began paying higher wages to retain key staff and employees. Higher salaries and stimulus checks made the local garage and body shop an affordable option for more drivers and businesses again.

4 Changing emission regulations

The passage of California’s Advanced Clean Cars II³ regulation appears to be a game-changer for the state’s auto repair industry. With more than 16% of all vehicles sold being electric, hydrogen-powered, or plug-in hybrid models, California⁶ has the largest zero-emission market in the nation. The ACC-II’s goal is to (more than) double that market share to 35% by 2026, with yearly incremental growth goals to meet the 100% requirement by 2035. The bill also includes funding for infrastructure changes to support the growing number of zero-emissions vehicles and tax incentives to offset new vehicle costs for consumers.

And since seventeen¹⁰ other states have already adopted all or part of the California standards per Section 177 of the Clean Air Act, many predict an industry-wide disruption as 2035 approaches.

The new law impacts new car sales only and allows drivers to continue to buy, sell, and register the 25 million used fossil-fueled vehicles currently registered in the state. The Alliance for Auto Innovation¹¹ recently stated that the group is “committed to electrification and a net-zero carbon future” but questions the drastic ramp-up required by the new California law.

“Automakers will certainly work to meet whatever standards are eventually adopted, but these draft requirements will be extremely challenging even in California and may not be achievable in all the states that currently follow California’s program,” the group said.

Even as zero-emission vehicles become more prevalent due to changing emission laws, auto repair and body shops won’t be heading into extinction anytime soon. The only real change is with the technology and tools needed to diagnose and service the powertrain components of zero-emission vehicles.

(1) www.gminsights.com/industry-analysis/automotive-repair-maintenance-services-market

(6) www.reuters.com/business/autos-transportation/us-new-vehicle-sales-fall-december-high-prices-deter-buyers-report-2022-12-21/

(10) ww2.arb.ca.gov/sites/default/files/2022-05/s177_states_05132022_NADA_sales_r2_ac.pdf

How to build a loyal customer base

Create a Customer-First Mentality

With limited face-to-face interactions, it's important to step up your customer service game. Make time for your customers by maintaining transparency, communicating consistently, and answering questions.



Personalize Your Communication

A Segment survey found that 71 percent of consumers get frustrated by impersonal encounters by companies. Earn your customer loyalty by building and delivering an authentic, personalized experience.



Start a Community

With social media abundant, Entrepreneur recommends creating an online community that encourages customer engagement and user-generated content, such as final product photos taken and shared by customers.



Respond to Reviews and Complaints

Whether it's a one-star rant or a five-star cheer, it's up to the business to respond positively and openly. Choosing to answer each review promptly and kindly can increase trust in your brand.



Honor Promises

Whether there are supply issues, price quotes, or unforeseen mistakes, work to keep the line of communication open with customers. By honoring promises and operating with transparency, you're building trust.



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What business owners like about BBB

- 1 Accredited Business **status on BBB.org**
- 2 Use of the **Accredited Business Seal**
- 3 BBB **Customer Reviews**
- 4 BBB **Dispute Resolution**



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We asked businesses how BBB Accreditation impacts them. Here are their responses...

- 1 Accreditation increases the **credibility** of my business
- 2 Accreditation shows **integrity** in our business practices
- 3 Accreditation builds consumers **trust**
- 4 Accreditation increases my **visibility** as a reputable business
- 5 Accreditation shows **we care** about our customers



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- **reputable**
- **trustworthy**
- **honest**

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