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## Business Reference Guide Online



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### Auto Body Repair

**SIC:** 7532**NAICS:** 811121**Number of Businesses / Units:** 34,500

#### See Also

▶ [MAACO Auto Painting and Bodyworks](#)

This U.S. industry comprises establishments primarily engaged in repairing or customizing automotive vehicles, such as passenger cars, trucks, and vans, and all trailer bodies and interiors; and/or painting automotive vehicles and trailer bodies.

#### Rules of Thumb

35 percent of annual sales including inventory

1.5 to 2 times SDE including inventory

#### General Information

"DRP means Direct Repair Program. These DRP shops have an affiliation with one or more insurance carriers, and the carriers refer their business to the DRP shops. This does not mean that the DRP shops necessarily get all of the business; however they do get first crack at much of the business, since most auto owners have insurance to repair their cars."

#### Expert Ratings

▶ Competition	2.4	(1=Lot of : 4= Not Much)
▶ Amount of Risk	2	(1=Very : 4= Not Much)
▶ Historical Profit Trend	2.8	(1=Down : 4= Up)
▶ Location & Facilities	3	(1=Poor : 4= Excellent)
▶ Marketability	2.4	(1=Low : 4= High)
▶ Industry Trend	2.4	(1=Declining : 4= Growing)
▶ Ease of Replication	2.4	(1=Easy : 4= Difficult)

#### Expert Comments

"Body shops should only be purchased by experienced buyers in this industry. Shops doing less than \$100,000 a month in sales all make around the same profit, which is \$60,000 to \$100,000 for a working owner. Working owner means one who physically works on cars some of the time. Only shops with a multiple of insurance contracts are easy to market. Shops without insurance contracts are very difficult to sell."

**Seller Financing**

"Sellers carry for three to five years with SBA requiring the seller not to receive payments for the first two years."

**Questions**

"What is your real sales volume? How many DRP contracts do you have? Which insurance companies are your DRP contracts with? What is the labor rate paid by the insurance companies? How many employees do you have? Are your employees paid a salary or a percentage of the production they produce? How many frame machines do you have? is your spray booth heated?"

"Show me your Profit & Loss statements, tax returns, environmental compliance & OSHA documents."

"If real estate is part of the deal, are the painting/baking facilities included as part of the real estate or part of the FF&E?"

▶ Cost Of Goods	35% to 40%
▶ Payroll/Labor Costs	30% to 40%
▶ Occupancy Costs	5% to 10%
▶ Profit (pretax)	10% to 15%

**Industry Trend**

"I see the trend going to fewer and fewer body shops."

"Up and up for well-run shops with reliable, skilled employees."

Total collision repair industry sales grew 5.8 percent to \$40.4 billion in 2006, according to the *2007 Collision Repair Trends: Industry Statistics & Analysis*, recently published by the Automotive Aftermarket Industry Association (AAIA).

Independent paint and body repair shops accounted for more than half of the collision repair market at \$22.2 billion.

"Collision repair shop sales for the past five years have been averaging about 5.9 percent annually," said Kathleen Schmatz, AAIA president and CEO. "This steady growth has been driven by several factors, including increases in the number of registered vehicles, miles driven on U.S. roads, increased road congestion and the higher cost of collision repair per vehicle."

Source: [www.aftermarket.org](http://www.aftermarket.org), September 17, 2007

**Advantages**

"A body man can make \$80,000 owning a business or working for someone else."

**Disadvantages**

"The vast majority of body shops do not get DRP contracts and therefore only make a very good salary for a working owner. There are very limited buyers for non-DRP shops."

"Hard work required, maintenance of skilled, well-paid body/painting people and/or mechanics."

**Additional Resources****Trade Publications**

- ▶ [Body Shop Business](#) is an excellent publication for the industry, and also offers an excellent Web site. The site has a lot of information and offers back issues. It is a good example of what a trade publication Web site can be.
- ▶ [Collision Repair Industry Insight](#) is also an excellent publication and Web site. It's interesting that body shops with two good publications also have informative Web sites.

**Associations**

- ▶ [Automotive Service Association, \(ASA\)](#) - Great site with lots of information