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By: Hisham Eid

For as long as there have been cars, “scratch and dent” shops have been around to fix them. Not long after cars became affordable for most of the public, car owners began looking for ways to make their vehicle unique. The need for the technology and expertise of the body and paint shop to convert these mass-produced cars, vans, and trucks into special-use and customized vehicles began to grow. As time passed, the cost of new cars increased and many Americans were extending and reviving the life of their current vehicle with a little paint and body filler.

Today, consumers rely heavily on their vehicles to transport not only themselves, but family, products, and even services. More people are buying or leasing new automobiles, while others are rebuilding older ones. This increase in cars, trucks, and SUV’s on today’s roads places a heavy burden on its citizens. Increased traffic means more vehicles are damaged by minor dents and small collisions all of which require touch ups and sometimes frame bending to restore these vehicles to their original condition. This is excellent news for the auto body repair and paint industry which eats up nearly one-third of the repair industry’s total revenues.

This industry saw remarkable 5.8% growth in 2006 and sales of \$40.4 billion. It seems as though there is no end to this growth and as long as Americans drive metal, fiberglass, or carbon fiber boxes, this industry will continue to compete and flourish.

Every year consumers purchase new vehicles while others revive older ones. The number of cars being driven is constantly increasing the amount of traffic. During rush hour, commute time increases, tempers flare, and people start paying less attention to the road. This is when major and minor accidents occur and at these low speeds, your vehicle and your pocket eat the cost. Over a vehicles’ lifetime, it will accumulate many scratches, dents, and

worn paint, that is caused by both the environment and other motor vehicles. This creates a high demand for competitive and high quality paint and body shops that can restore these vehicles to their factory fresh finish.

This snapshot of the automotive body and paint shops includes an industry overview, demographics pertaining to the primary consumer market, industry trends highlighting some interesting niches that offering untapped opportunities the R&D behind the paint, a basic workforce overview and finally some Industry leaders whose examples may serve as strong and successful models.

Industry Overview

According to the 2000 U.S. Census Bureau statistics, there were an estimated 35,220 automotive paint and body shops employing 220,393 people. Together, they shared more than \$6.9 billion in annual payroll. In that same year, the industry generated \$22.4 billion in total revenues. In 2003, total automotive body repair and paint services industry revenues climbed to \$23.4 billion. This accounted for 29.32% of the overall automotive repair industry which had generated approximately \$79.8 billion. ¹

A brief overview of the 2007 market size statistics from www.Zapdata.com reveals:

- Estimated number of U.S. establishments: 60,328
- Number of people employed in this industry: 261,494
- Total annual sales in this industry: \$15,389.6 million
- Average number of employees per establishment: 4
- Average sales per establishment (unknown values are excluded from the average): \$0.3 million

According to the Automotive Aftermarket Industry Association's (AAIA) 2007 *Collision Repair Trends: Industry Statistics & Analysis*, the collision repair industry sales grew 4.4% in 2005 to \$38.2 billion and 5.8% to \$40.4 billion in 2006.

In the same report the 2005 independent paint and body repair shops accounted for more than half of the collision repair market at \$20.8 billion. By 2006 these independent shops once again accounted for over half of the market and had grown to \$22.2 billion. Seventy-seven percent of these paint and body repair shops reported profits while 23% reported losses. ²

President and CEO of AAIA Kathleen Schmatz stated, "Collision repair shop sales for the

past five years have been averaging about 5.9% annually, 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.”

Babcox Research prepared a report for *Aftermarket News*, which cited that 57% of the respondents felt that their business was doing better over the past five years, with 64% anticipating further growth. The average sales volume for a repair shop stood at more than \$520,442, while 31% reported sales volume of more than \$750,000. Another 20% had total sales of more than a \$1 million.²

The states with the most top and body repair shops classified under the SIC 7532 are:

- California (6,693)
- Texas (4,246)
- Florida (3,512)
- New York (3,401)
- Pennsylvania (3,057)

Demographics

It is safe to assume that as the number of vehicles on the road increases and traffic becomes more dense, accidents resulting in scratches and dents are likely to increase the overall demand for body and paint shops. In 2006 studies suggest that out of a household count of 114,205,880, the average annual expenditure of each household on body work and paint alone was \$33.54. This opens a market potential of around \$3.8 billion. Householders between the ages of 35 to 54 accounted for 49.67% of the volume . Those between the ages of 45 to 54 had an average annual expenditure of \$46.35 with those between 55 and 54 spending \$37.24 annually.

In 2011 it is projected that household count will increase to 121,343,736 while the average annual expenditure will remain the same. The market potential will increase to over \$4 billion and once again householders between the ages of 34 and 55 will make up the largest portion of the market segment. They are followed by ages 55 and up representing 33.6%.³

Industry Trends

Body shop owners are generally 35-49 years of age and most (68%) have some education beyond a high school diploma. The average body shop owner has been in the industry 23.9

years and 77% of body shops are family owned. The average shop has been in business 19.1 years. Word of mouth and referrals are the most popular source of business for these shops. The average shop employs 6.9 employees. Nearly 30% of shops have sales volumes of more than \$750,000. The average for all shops is \$543,424 (56% is attributed to labor and 44% is attributed to parts). According to one study, approximately 60% of shops surveyed used just one brand of paint, and median monthly paint purchases exceeded \$1,000. Trade magazines and jobbers are the most common sources of information on new products and quality is the most important factor influencing overall buying decisions (affecting decisions much more than price). On average, 35% of shops buying dollars are spent on crash parts, with paint (18%) second. Nearly 70% of shops have at least one employee who attended a training session in 1999. Almost 60% of the shops have at least one ASE-certified technician. A typical shop spends most of its time, about 42%, on body work. It spends about 34% of its labor hours on painting; 11% on mechanical repairs; and 13% on pulling, straightening, and measuring (bench time).²

Vehicle leasing is on the rise and tends to be the preferred option for many new vehicle owners. They represent a promising niche market for many paint and body shops. "There is a huge market there" noted Ron Nagy, owner of Nagy's Body & Frame Shop. Lessees are required to follow certain guidelines in their contract with regard to their vehicle's condition when terminating their lease. To fix those small dents or even scratches that have naturally accumulated over the course of the vehicles life, many customers turn to auto body repair shops over the vehicle's dealership because they provide excellent service, quality, and extremely competitive prices. "Paintless dent repair and detailing services," were tended to capture the majority of the market share from leased vehicles.

With a national aging population, demand for services continues to rise. Shop owners would be wise to adjust their offerings and services to meet these growing demands with special emphasis on the mobility market and its huge potential. Some 23 million American drivers are age 65 or older-11% of the motorist population-and by 2020 that number is expected to double, surpassing 40 million. Another element for body shops involves addressing this segment's need for "mobility" enhancements affixed to their existing vehicles-either by offering bolt-on or fabrication services or obtaining the skills necessary to repair wrecked vehicles that have been altered elsewhere by specialized "mobility dealers." Some shops are finding that it is helpful to develop a consulting arrangement with mobility dealers.⁴

Research and Technology In an article published by *Automotive News*, Emil Hassan, vice president of engineering for Nissan Motor Manufacturing Corp. USA, reported: "Paint plant technology has progressed faster in the past 10 years than in the previous 30 years." This technological revolution inevitably impacted the small aftermarket paint and body shop in

the late 1990s. Small shops had to find capital to invest in new materials and costly equipment to remain competitive in the industry. Increased environmental protection legislation brought additional challenges to paint shops in the 1990s. Paint and body shops were primary sources of air and water pollution and contributed significantly to toxic waste problem. To address this problem, the industry attempted to reduce and recycle waste thinners, solvents, and paints. The Federal Clean Air Act of 1990 mandated a reduction in volatile organic compounds (VOCs). Consequently, paint shops had to heavily invest in a major reworking of their facilities. The industry warned that meeting the new standards may not be possible, because prices would soar and quality would plummet. Paint shops were faced with higher handling costs for chemicals, particularly for disposal, in addition to increased re-education costs. Thanks to multimillion dollar investments major assembly plants had been able to reduce their VOC emissions by 60% to 90% over the decade preceding the Clean Air Act; however, small shops lacked the capital upgrade. In 1990, the switch from oil-based to water-based paints began successfully, but painting processes still produced toxic sludge that often ended up in waste dumps. Studies in the early 1990s found that up to 40 percent of sprayed paint used in painting processes became toxic waste.

Today the new maximum allowable VOC limits for auto refinish coatings are:

Coating Category	VOC Content (Lbs/Gal)
Pretreatment Wash Primer	6.5
Primer/Primer Surfacer	4.8
Primer Sealer	4.6
Single/2-Stage Topcoat	5.0
Topcoats of 3 or More Stages	5.2
Multi-Colored Topcoat	5.7
Specialty Coatings	7.0

These limits are for coatings “as applied” (after mixing with reducers and hardeners).⁷ Clearcoat paints were introduced in the early 1990s. These versatile paints cover color coats, provide a glossy finish, and reduce acid-etching from today’s highly polluted cities. In 1995, Dupont was working to produce a one-coat clearcoat system to replace the cumbersome and expensive multi-coat process that was widely used in the industry. It used the process of group transfer polymerization to achieve 3% to 4% higher solids solvent-based coating, while reducing VOC content and yielding better color. Dupont was the first

company to introduce waterborne finishes to a U.S. OEM assembly plant. Powder clearcoats soon became wide spread throughout the industry.

In 1996, the National Paint and Coating Association announced its coatings CARE Program, which allowed companies to follow a common, effective management approach for their health, safety, and environmental programs. Participation was voluntary, but because the program offered expanded resources, improved communications, and opportunities for heightened industry performance in health, safety, and education, the NPCA believed that participation was vital to an organization's future. They believed that the industry, regardless of size, product or specialty, would have to adopt to new technologies and respond quickly to keep pace and satisfy growing consumer demands.

Pioneering materials being used by automobile manufacturers also impacted the paint and body shop industry in the 1990s. Automakers, intent on reducing car weight to improve gas mileage, began using more plastic, fiberglass, and aluminum in place of steel. These materials require specialized paint application processes that must be performed by trained professionals.

New technologies, such as laser wheel-alignment machines, hydraulic frame straighteners, and high-temperature bake ovens, were becoming common at many body shops in order to comply with the consumer demand that the repaired car look just as good as it did when it rolled off the manufacturer's assembly line. Auto repair and paint shops were also making use of another new technology—the computer.⁵

Workforce

Traditionally, the industry has used a skilled work force trained by apprenticeship. The federal government's Bureau of Apprenticeship and Training worked through state and territorial agencies to promote cooperative programs with employers.

Since the average shop had less than five employees, most workers performed tasks with materials and components used for jobs other than grinding and sanding, body repair, or detailing and painting. They might also work on suspensions and electrical systems, replace glass, or do minor mechanical repairs anywhere on the vehicle. Most workers were paid a flat rate, based on an industry standard for the number of hours required to perform the repair. In 1998, employees had gross payroll wages in excess of \$4.7 billion. According to U.S. Census Bureau statistics the number of employees stood at 219,876, in 2002. Combined, they shared an estimated \$6.9 billion in payroll.¹

Market Analysis by Company Size for Top and Body Repair and Paint Shops

Num. of Employees	No Bus.	% Total	Total Emps.	Total Sales	Avg. Emps.	Avg. Sales
unknown	319	0.5	N/A	161.4	N/A	1.4
1	19,454	32.2	19,454	1,021.4	1	0.1
2 to 4	24,720	41	63,990	3,610.3	3	0.1
5 to 9	9,039	15	58,271	3,537.1	6	0.4
10 to 24	5,767	9.6	79,292	4,526.4	14	0.9
25 to 49	827	1.4	26,115	1,491.7	32	2.2
50 to 99	169	0.3	9,967	722.6	59	5.4
100 to 249	31	0.1	3,810	307.2	123	16.2
250 to 499	2	0	595	11.5	298	11.5
Total/Avg	60,328	100	261,494	15,389.6	4	0.3

Industry Leaders

In 2004, the paint and body portion of the industry was dominated by the Caliber Holdings Corporation of Irvine, California. Caliber posted \$205 million in sales and employed 1,900 people. The second industry leader in terms of revenue was Starcraft Corporation of Goshen, Indiana. Specializing in aftermarket van conversions, Starcraft posted \$173.4 million in sales and employed 601 people. Other industry leaders included MAACO Enterprises, Inc., with \$60.3 million in sales and employed 150 people; Earl Scheib Inc. of Sherman Oaks, California, with sales of \$47.8 million and 844 employees; CSI Holdings Inc., with \$40.2 million in sales and 190 employees; 1-Day Paint and Body Centers Inc., with \$24 million in sales and 500 employees; and Dealers Truck Equipment Company Inc., with \$26.4 million in sales and 120 employees.⁶

Associations

Specialty Equipment Market Association (SEMA) - <http://www.sema.org/>

National Auto Body Council (NABC) - <http://www.autobodycouncil.org/>

Society of Collision Repair Specialists (SCRS) - <http://www.scrs.com/>

Automotive Service Association (ASA) - <http://www.asashop.org/>

Links of Interest

Elite Collision www.elitecollision.net

Automotive Body Repair News <http://www.abrn.com/>

Collision Week <http://www.collisionweek.com/>

Auto Body News <http://www.autobodynews.com/>

Earl Scheib Paint and Body <http://earlscheib.com/>

Sources

¹US Census Bureau, "2002 Economic Census: 2002, Other Services, Industry Series." August 2004. 18 September 2007 < ;

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³"House Hold Spending for transportation: body work and painting, United States." Thirdwave Research, 2006. 18 September 2007 < http://www.thirdwaveresearch.com/mrttwr/MainFrames.asp?ScreenWidth=1152&Tool=mkt_sizer&Param=>

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⁵Fattah, Hassan. "Paints & Coatings." *Chemical Week*, 10 November 1995.

⁶"Hoover's Company Profiles." *Hoover's Online*, July 2005. Available from <http://www.hoovers.com>.

⁷ "The Finishing Line - Q&A on Low VOC Compliant Coatings for Auto Body Shops." N.H. Department of Environmental Services. 18 Nov. 2007. <http://des.nh.gov/organization/commissioner/p2au/pps/ppaip/index.htm>

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