

INVESTMENT GUIDE

Auto Repair Shops

3 SMART INVESTMENTS / TO GROW YOUR AUTO REPAIR BUSINESS



A publication of



INTRODUCTION

As more cars hit the road, it's safe to assume that traffic becomes more dense, accidents resulting in scratches and dents are likely to increase the overall demand for body and paint shops, and more engines will need service.

With competition from car dealerships, gas stations, and big box stores like Sears, Walmart and K-mart, smaller auto repair shops need to make strategic investments to stay competitive. As auto sales increase, the auto repair shop industry, too, will continue to grow—and the competition with it.

According to sbdcnnet.org, the auto shop industry includes 160,000 establishments collecting more than \$80 billion in annual sales. Increasing demand projections show that this number will grow to 221,033 shops over the next 5 years. So it's more important than ever to be focusing on getting ahead of the competition to increase your monthly sales and gain repeat customers.

This guide focuses on four investments for beating out your competition, maximizing your profits and becoming a successful auto repair shop.

INVESTMENT ONE MANAGEMENT CONSULTING AND TRAINING





According to an auto repair shop industry profile on bodyshopbusiness.com, the average gross monthly sales for an auto shop were more than \$1 million. And this number is only expected to grow. Investing in training for your staff to ensure that you are maximizing your profit margins at every turn is the first step in building your auto shop business.

While traditionally the industry has used a skilled workforce trained by apprenticeship, more and more auto body repair shops are sending their staff for training and specialty training. As auto shop technology advances, education is more important than ever. Shops should provide education through continual training and specialized courses of study designed to give technicians the knowledge and tools to do specialty work for customers.

In fact, technicians with specialty training are becoming harder to find. All the more reason to invest in your staff to offer services other auto repair shops cannot. "Our biggest problem is finding trained technicians," says dealer [Robert Maguire](#), chairman of the National Automobile Dealers Association. "Young people who can work with both their mind and hands are in high demand in the computer industry and other jobs."



Additionally, management consulting and training can be a great way for your auto repair business to leverage specialized knowledge in both the industry and in business management. A management consultant can give auto repair shop owners the skills needed to run a profitable auto shop in today's world, and they can teach your employees the skills, experiences, and processes to improve profits and customer services at your auto repair business.

At [Management Success](#), they have seminars, training videos, webinars, and training and consulting services that can lead directly to increased sales by teaching profit boosting techniques such as how to upsell your customers.

INVESTMENT TWO REPAIR & REPLACE TOOLS & EQUIPMENT PROACTIVELY





A profile of the auto repair industry on sbdcn.org points out that auto shops perform more than 70 percent of repairs on out-of-warranty vehicles. 70 percent! That is the lions-share of that sector of business. Having the tools and equipment in your shop working and in good repair is a must to beating out your competition for these customers.

Across all industries, taking a [proactive maintenance](#) approach to repairing and replacing tools and equipment has become a best management practice. Though most popular in the manufacturing industry, the idea of preventative maintenance has quickly become the standard in the auto shop repair industry too. Many businesses underestimate the cost to their business caused by downtime from unexpected breaks in equipment. Proactively fixing equipment or purchasing new tools helps to avoid unnecessary and unplanned downtime due to failure.

Customers are looking for a reliable repair service that can fix their cars as quickly as possible, causing the least amount of disruption to their daily lives. Having your shop always ready to serve will help make you a leader in the industry.

INVESTMENT THREE
EXPAND YOUR
MARKETING BEYOND
WORD OF MOUTH &
REFERRALS

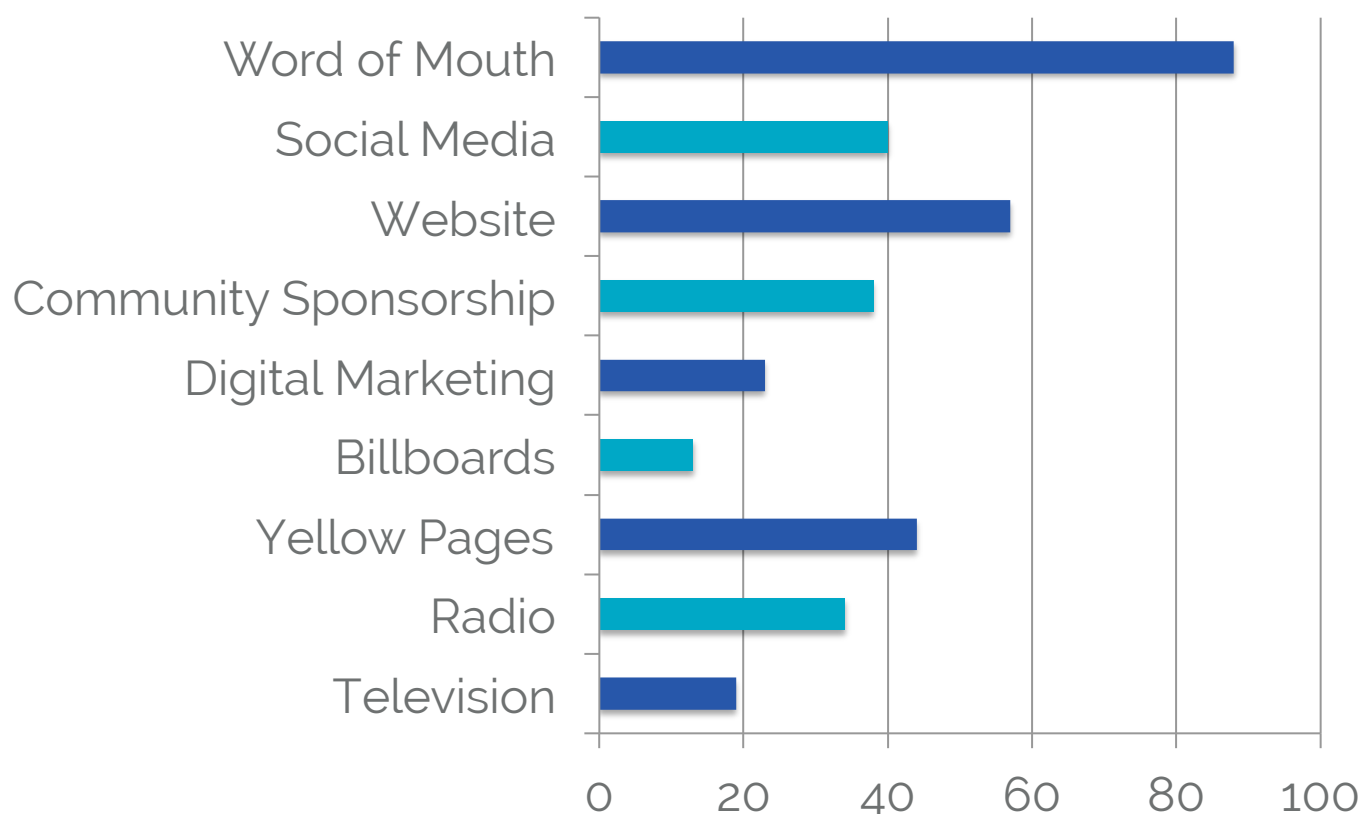


If no one knows your shop exists, how will they know to come to you for repair work on their cars? Today's auto repair shops need to step up their marketing savvy and budget to increase customer awareness and increase profits.

A [poll](#) of auto repair shop owners shows that 88 percent of auto repair shops use word of mouth for marketing in addition to other forms of traditional and social media; however only 3.9 percent of business is generated by word of mouth. And many shops are relying on dealer referrals to bring in customers. However, as [Hank Nunn](#), a 33-year veteran of the collision repair industry and owner of H W Nunn & Associates, points out, "Every shop needs to have multiple marketing strategies and not put all its eggs in one basket."

How Auto Shops Are Marketing Services

Source: bodyshopbusiness.com

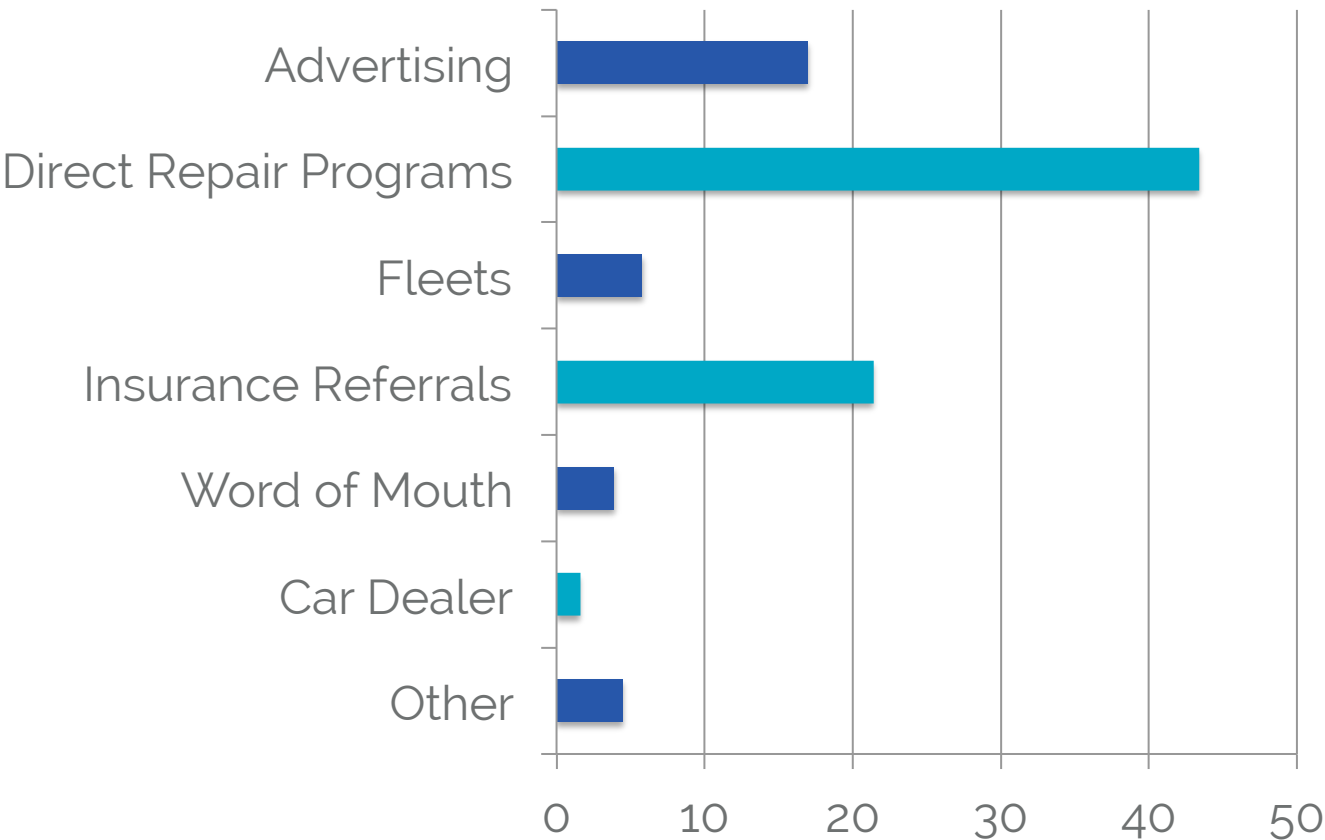


Nunn points out that auto repair shops need to have several of the following basic marketing strategies to maximize the exposure to customers: 1) a customer referral strategy to build repeat business; 2) an agent referral strategy to develop relationships with insurance agents; 3) a strategy to increase dealer referrals; and 4) a brand awareness strategy.

In this day and age of social media and marketing, there are several ways to market your business beyond word of mouth. Advertising channels such as the websites, billboards, television, radio, direct mail, and a variety of social media sites can reach new audiences and gain new customers.

How much business is gerated by each source?

Source: bodyshopbusiness.com



INVESTMENT FOUR DIAGNOSTIC EQUIPMENT FOR IMPORTS





This should come as no surprise, but offering more services will result in your shop getting more business. One way to do this is to focus on import or luxury vehicle repairs and purchase the specialty equipment needed to repair those models of cars. According to [Jeff Bracken](#), Lexus group vice president, 2013 had strong luxury car sales and this is only "expected to expand in 2014."

While many car owners are looking for a luxury ride and are focusing on imports, they aren't looking to pay the top-dollar that dealerships charge for repairs. To become a true competitor in this market, consider purchasing the specialty equipment needed to diagnose and repair import vehicles and be sure to employ staff that have received the training needed to work on import vehicles. The front-end investment will gain you both customers and profits at the end of the day.



With more than 250 million cars on the road in the United States, the automotive repair industry continues to see steady growth and income. As more and more small business owners open garages and collision repair shops, it's imperative to stay ahead of the competition by offering superior customer service and specialized services through an investment in your staff through training, specialty equipment, preventative maintenance and repair, and an increased focus on marketing.

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