



AUTO MAINTENANCE & REPAIR FRANCHISES

DOWN THE ROAD: The growing technological complexity of cars will likely drive more individuals to seek expertise from industry establishments.

Jared Ristoff | September 2021

Information provided by Sunbelt Texas Inc. directly to Dan Altom of Sunbelt Texas.
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ABOUT SUNBELT TEXAS

Sunbelt Texas Business Brokers, purchased in 1996 by Dan Elliott, has expanded from 1 broker to 12 business broker experts in Houston. Our brokers are a talented mix of industry professionals, business owners, real estate experts and community leaders. We have over two decades of business sales history and a great deal of experience working with all types of buyers – from strategics to private equity, and family offices to high net worth individuals.

Sunbelt Texas Business Brokers is the world's largest business broker specializing in the confidential sale of privately held businesses in Texas. We have sold over 600 businesses in the local Houston area alone, creating numerous jobs, helping business owners successfully retire, and giving new buyers the opportunity to achieve their entrepreneurial dreams.

We take pride in providing quality services to all buyers and sellers. This ensures that both the buyers and sellers will be left fully satisfied with the transaction whenever **Sunbelt Texas Business Brokers** is involved. We've worked with all types and sizes of businesses, in a variety of industries and we walk our clients through the steps of how to buy a business.



ABOUT THIS INDUSTRY

INDUSTRY DEFINITION

This industry comprises establishments that provide a wide range of mechanical, electrical and engine maintenance and repair services for automotive vehicles. As a franchise industry, this industry report focuses solely on the operation of franchised outlets and excludes nonfranchise data. Data reveals the total number of franchise outlets, total franchise revenue and the average profit margin earned by franchisees.

MAJOR PLAYERS

- Driven Brands
- Jiffy Lube International
- Tbc

MAIN ACTIVITIES

The primary activities of this industry are:

- Major body repair services
- Painting and other body repair services
- Oil change and lubrication services
- Mechanical and electrical repair
- Transmission repair

The major products and services in this industry are:

- Oil change and lubrication
- Mechanical and electrical repair
- Major body and mechanical repair services
- Painting and other body repair services
- Transmission repair
- Other repair services



EXECUTIVE SUMMARY

DOWN THE ROAD: THE GROWING TECHNOLOGICAL COMPLEXITY OF CARS WILL LIKELY DRIVE MORE INDIVIDUALS TO SEEK EXPERTISE FROM INDUSTRY ESTABLISHMENTS.

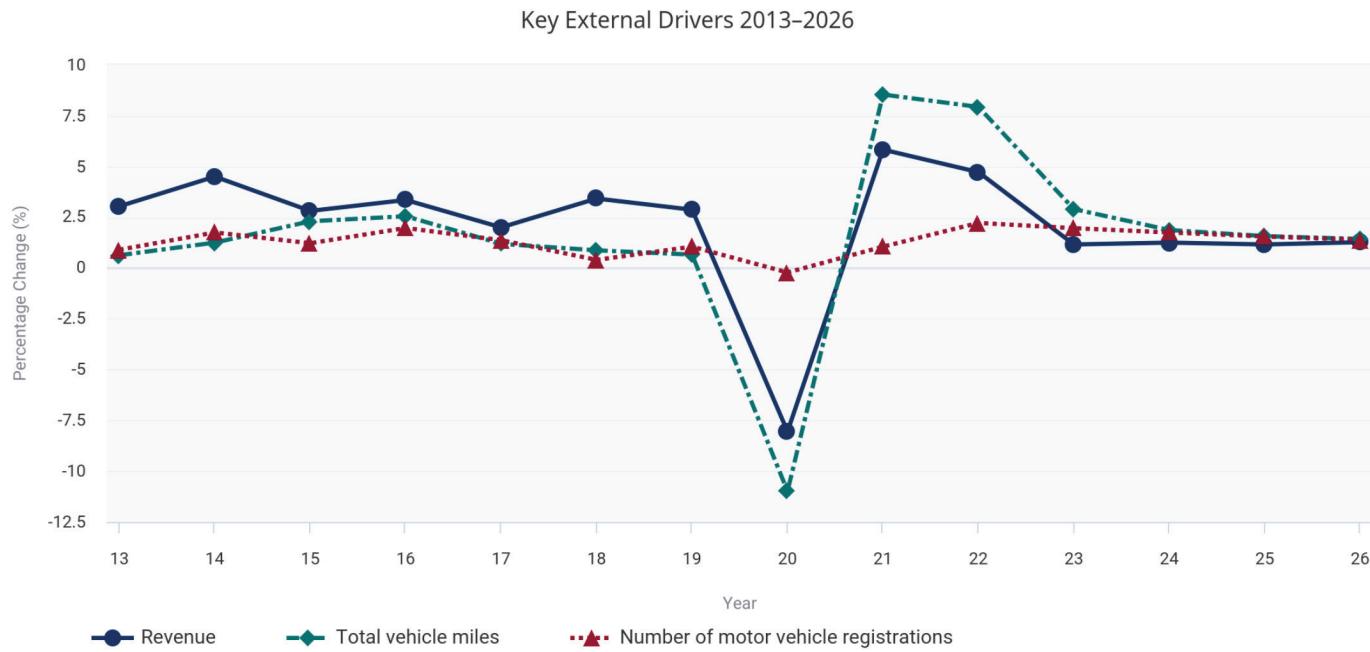
Operators in the Auto Maintenance and Repair Franchises industry provide a wide range of mechanical, electrical and engine maintenance and repair services. Over the five years to 2021, the industry has experienced growth due to a rise in the average age of the vehicle fleet and high consumer confidence, which enabled consumers to spend more on costlier repairs. Moreover, total vehicle miles rose throughout most of the period and as consumers used their vehicles more frequently, general wear and tear resulted in the vehicles requiring more regular repair and maintenance work. However, the onset of the COVID-19 (coronavirus) pandemic in 2020 caused a sharp contraction in demand for industry services in line with stay-at-home mandates and a contraction in vehicle traffic. Nonetheless, industry revenue is anticipated to rebound in 2021, rising 5.8% amid an increase in vehicle traffic and a rise in disposable income.

Over the five years to 2021, industry revenue is expected to increase at an annualized rate of 1.1% to \$9.2 billion. Over the past five years, per capita disposable income levels increased. As a result, not only did consumers' vehicles require more regular repair work, consumers were also more willing to enlist the service of industry operators, rather than attempting the task on their own. Consequently, the industry experienced relatively stable revenue gains throughout most of the period. While these factors generally benefit industry operators, when consumers have an abundance of disposable income and confidence is high, many opt to purchase new vehicles rather than repairing their older models, siphoning demand from industry operators. Industry profit has fallen over the past five years in line with declining demand during the coronavirus pandemic.

Over the five years to 2026, the industry is anticipated to expand in line with the overall economic rebound from the coronavirus pandemic. Thus, industry revenue is estimated to increase an annualized 1.9% to \$10.1 billion over the next five years. Improving economic factors are expected to persist over the next five years, resulting in solid growth opportunities for the industry. Additionally, the number of motor vehicle registrations and total vehicle miles are projected to rise over the next five years, resulting in more vehicles in need of repair work. Moreover, the growing technological complexity of cars will drive more individuals to seek expertise from industry establishments.



INDUSTRY PERFORMANCE



KEY EXTERNAL DRIVERS

Total vehicle miles

The more a vehicle is driven, the more the vehicle will require repair and maintenance services due to wear and tear resulting from road conditions and mileage. Consequently, cars that are used more often require more frequent repair and maintenance services. The total number of vehicle miles is expected to increase in 2021.

Number of motor vehicle registrations

The number of registered vehicles directly affects demand for repairs and maintenance. As the number of registered vehicles increases, demand for automotive repair and maintenance services will rise. In 2021, the number of motor vehicle registrations is expected to rise.



INDUSTRY PERFORMANCE

Per capita disposable income

As disposable income increases, drivers are able to have their cars checked and repaired more frequently. In contrast, when households have less money to spend on nonessential expenditures, repairs that are not urgent will likely be postponed. Per capita disposable income is expected to increase in 2021, representing a potential opportunity for the industry.

Demand from car and automobile manufacturing

An increase in demand from car and automobile manufacturers indicates a rise in the number of vehicles hitting the road. As the number of vehicles grows, demand for auto repairs will climb, generating demand for industry operators, especially those that can perform increasingly complicated repairs. Demand from car and automobile manufacturing is expected to increase in 2021. However, as car and automobile production rises from COVID-19 (coronavirus) pandemic induced lows, consumers are increasingly likely to purchase a new vehicle, which requires less maintenance than a used vehicle, representing a potential threat to industry operators.

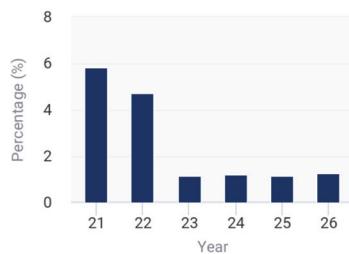


INDUSTRY OUTLOOK

OUTLOOK

Over the five years to 2026, the Auto Maintenance and Repair Franchises industry is expected to continue to experience growth.

Industry Outlook
2021-2026



Revenue for the industry is projected to increase at an annualized rate of 1.9% to \$10.1 billion over the next five years, as the economy rebounds from lows endured during the COVID-19 (coronavirus) pandemic. Moreover, due to the needs-based nature of this industry, car and truck owners will continue to depend on auto maintenance and repair services to prolong the life of their vehicles. As the economy expands over the next five years, demand for industry services is expected to rise as more consumers visit auto maintenance and repair franchises. Furthermore, early during the period, industry operators are also likely to benefit from the supply chain constraints experienced by automobile manufacturers and the relatively high price of used cars, which is likely to cause consumers to maintain their current automobile and delay the purchase of a new vehicle. As consumers drive their current automobile for a longer period of time, they are more likely to employ industry operators' services. Nonetheless, similar to their experience during the previous five-year period, operators are likely to have some demand siphoned by new and used car dealers, as consumers with an abundance of disposable income may opt for a newer vehicle rather than repairing their older models. This trend is likely to be particularly affect the industry once the semiconductor shortage is remedied, which is likely to be in the middle or end of the five-year period.

CONFICTING EFFECTS FROM THE ECONOMY

Over the next five years, the national unemployment rate is anticipated to decrease an annualized 1.8% as the labor market recovers from the coronavirus pandemic.

This is expected to lead to an increase in the number of drivers commuting to work and, consequently, will increase demand for the maintenance and repair of their vehicles. During the same period, per capita disposable income is estimated to increase at an annualized rate of 2.5%, enabling a greater volume of car owners to more frequently visit auto maintenance and repair franchises. Consumers who previously lacked disposable income and opted to visit auto parts retailers for self-repairs are likely to elect to visit industry establishments to save time. Over the next five years, total vehicle miles driven are also estimated to increase at an annualized rate of 3.3%. The return of individuals to the office as well as increased e-commerce activity is likely to



INDUSTRY OUTLOOK

stimulate the rise in total vehicle miles driven over the next five years. These positive factors are expected to cause the total number of industry enterprises to expand at an annualized rate of 0.8% to 8,609 companies over the next five years.

During the same period, the world price of crude oil is expected continue to experience fluctuations. Volatility in oil prices could have a multitude of effects on the industry. If oil prices rebound significantly over the next five years, consumers could opt for public transportation, carpooling or cycling to work instead of driving. This would lead to a decline in everyday wear and tear on vehicles and subsequently a decrease in demand for industry services. Conversely, an increase in oil prices could also encourage consumers to purchase hybrid or electric vehicles, which generally require more sophisticated machinery that will send them to auto maintenance and repair franchises. However, the world price of crude oil is estimated to fall an annualized 0.1% over the next five years. Consequently, this should encourage more individuals and households to purchase more cars, thereby increasing the pool of potential industry customers.

NEW CARS

New car sales declined over the five years to 2021 at an annualized rate of 1.1% and moving forward, growth is likely to be difficult.

Despite an estimated rise in disposable income, interest rates are expected to rise during the period, making it increasingly difficult for consumers to purchase new vehicles. Moreover, more stringent regulatory benchmarks for new vehicles, including higher fuel efficiency standards, are expected to increase compliance costs and new car prices over the next five years. Consequently, new car sales are estimated to marginally decrease at an annualized rate of 0.7% over the next five years. The average age of the vehicle fleet is expected to increase at an annualized rate of 0.9% over the same period, due to an increase in the quality of vehicles manufactured leading to longer-lasting cars if properly maintained. As a result, these vehicles will require professional expertise and specialized machinery as the technology found under car hoods become increasingly complex. Consequently, consumers will seek auto maintenance and repair franchises to fix their vehicles when problems arise. To meet this higher demand, industry employment is expected to rise at an annualized rate of 1.5% to 72,964 workers over the next five years. Furthermore, the increasing popularity of hybrid and electric vehicles is expected to make auto maintenance franchises more profitable, due to the highly specific work that must be completed with specialized machinery. Due to growth in the technological complexity of vehicles and rising demand for industry services, the average industry profit margin is anticipated to rise over the next five years.



COMPETITIVE LANDSCAPE

MARKET SHARE CONCENTRATION

Concentration in this industry is MEDIUM

The Auto Maintenance and Repair Franchises industry is highly fragmented with more than 8,000 operators competing for market share in 2021. Still, the industry exhibits a moderate level of market share concentration, as the four largest industry players are expected to account for 50.4% of the industry in 2020. Yet, this represents a decline in concentration, as the same four players accounted for an estimated 52.6% of the industry in 2016. As more brands have entered the industry over the past five years, competition has increased, resulting in lower concentration. Additionally, many of the largest operators have increasingly sought opportunities abroad, resulting in a smaller share of their revenue being derived from US-based operations. Still, acquisition activity has been increasing over the past five years, with Driven Brands Inc., in particular, acquiring sizeable operators to increase its share of the industry.

Sunbelt Texas identifies 250 Key Success Factors for a business. The most important for this industry are continued on the following page:



COMPETITIVE LANDSCAPE

KEY SUCCESS FACTORS

Access to highly skilled workers:

Skilled technicians are required to conduct repair and maintenance services on vehicles. This is especially true in regard to newer vehicles, which are more technologically advanced.

Proximity to key markets:

Auto maintenance and repair franchises need to be located close to highly populated areas as the core market consists of private vehicle owners.

Access to the latest technology:

Technologically advanced diagnostic and repair tools are becoming increasingly important, as they are needed to service newer vehicles.

Provision of superior after sales service:

Industry players must have exceptional customer service skills to retain customers.

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