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Long road: More driving due to lower unemployment will bolster demand

# IBISWorld Industry Report OD5578
# Auto Maintenance & Repair Franchises in the US

July 2014

Omar Khedr

# 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.

## 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**

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

## Similar Industries

**33611a Car & Automobile Manufacturing in the US**
This industry manufactures cars and automobile chassis. These operations, which are referred to as automakers, typically produce cars, including electric cars, in assembly plants.

**81111 Auto Mechanics in the US**
This industry repairs and maintains vehicles, including passenger cars, trucks, vans and trailers.

**81119a Car Wash & Auto Detailing in the US**
This industry cleans, washes and waxes automotive vehicles, such as passenger cars, trucks, vans and trailers. It also includes self-service car wash establishments.

**81119b Oil Change Services in the US**
This industry changes motor oil and lubricates the chassis of automotive vehicles. It also provides automotive air-conditioning repair.

# About this Industry

## Additional Resources

**For additional information on this industry**

**www.asashop.org**
Automotive Service Association

**www.iatn.net**
International Automotive Technicians Network

**www.nada.org**
National Automobile Dealers Association

# Industry at a Glance

## Auto Maintenance & Repair Franchises in 2014

### Key Statistics Snapshot

| | | |
|---|---|---|
| Revenue **$18.0bn** | Annual Growth 09-14 **2.4%** | Annual Growth 14-19 **2.3%** |
| Profit **$1.5bn** | Wages **$4.7bn** | Businesses **2,112** |

**Market Share**

Jiffy Lube 8.0%

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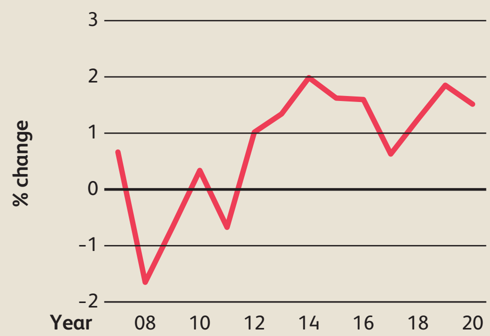
**Revenue vs. employment growth**


**Total vehicle miles**



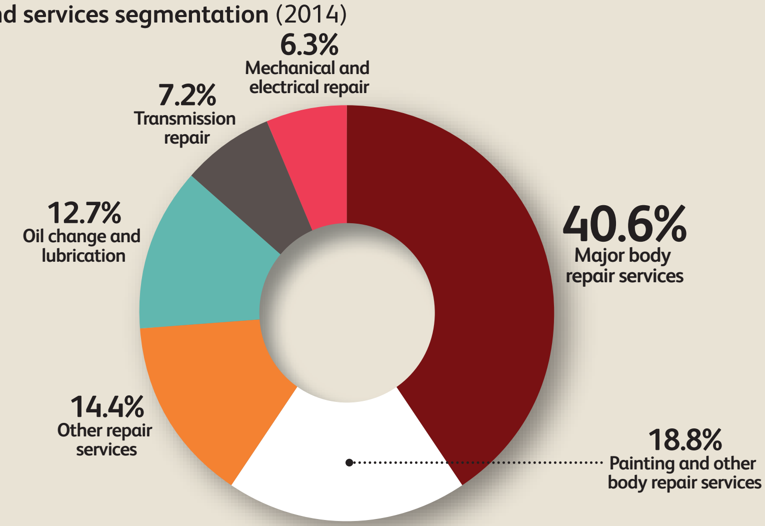

SOURCE: WWW.IBISWORLD.COM

**Key External Drivers**

- Total vehicle miles
- Number of motor vehicle registrations
- Per capita disposable income
- Demand from car and automobile manufacturing
- World price of crude oil
- National unemployment rate

p. 5

**Products and services segmentation** (2014)




SOURCE: WWW.IBISWORLD.COM

### Industry Structure

| | | | |
|---|---|---|---|
| Life Cycle Stage | Mature | Regulation Level | Light |
| Revenue Volatility | Low | Technology Change | Medium |
| Capital Intensity | Low | Barriers to Entry | Low |
| Industry Assistance | Low | Industry Globalization | Low |
| Concentration Level | Low | Competition Level | High |

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 28

# Industry Performance

Executive Summary | Key External Drivers | Current Performance
Industry Outlook | Life Cycle Stage

## Executive Summary

The Auto Maintenance and Repair Franchises industry hit a bump in 2009 as a result of the recession. In 2009, the national unemployment rate suffered a steep increase of 60.3%. As a result of a higher national unemployment, many consumers stopped commuting to work, which ultimately reduced the number of vehicles on the road. In addition, many consumers substituted their vehicles for public transportation, carpooling and cycling, which resulted in less need for maintenance and repair services. This factor, coupled with lower disposable incomes, caused many consumers to opt for self-repairs through purchases from auto parts retailers. Together, these factors caused industry revenue to slip 6.8% over 2009.

**Consumers who previously performed self-repairs will return to industry operators**

Although the five-year period began roughly, industry revenue is expected to increase at an average annual rate of 2.4% to about $18.0 billion during the five years to 2014. On one hand, the restructuring of major US auto manufacturers led to a large amount of dealerships going out of business. Consequently, consumers who previously went to dealerships for maintenance and repairs had to choose a different service provider, which led new customers to industry franchises. In addition, slow growth in disposable income did not prevent vehicle operators from continuing to use their cars; consequently, the need for more repairs created steady demand for industry services. As a result, industry revenue is expected to rise 2.1% in 2014.

Over the next five years, industry revenue is expected to continue growing in line with the overall economy, increasing at an average annual rate of 2.3% to $20.1 billion in 2019. Improving economic factors, including disposable income growth, are expected to accelerate during the five years to 2019, resulting in solid growth opportunities for the industry. The national unemployment rate is projected to decline at an average annual rate of 1.1%, leading to an increase in the number of workers who commute by car. Over the same period, per capita disposable income is forecast to increase at an average annual rate of 2.2%, bringing more car owners back to industry establishments instead of performing self-repairs. Also, the growing technological complexity of cars will drive more individuals to seek expertise from industry establishments.

## 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 during 2014.

### 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. Although the number of motor vehicle registrations is expected to grow during 2014, thereby enhancing the pool of cars that will ultimately require maintenance, it represents a potential threat to the industry as people with improving incomes may opt to buy new cars instead of repairing their old ones.

# Industry Performance

## Key External Drivers continued

### 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 during 2014, representing a potential opportunity for the industry.

### Demand from car and automobile manufacturing

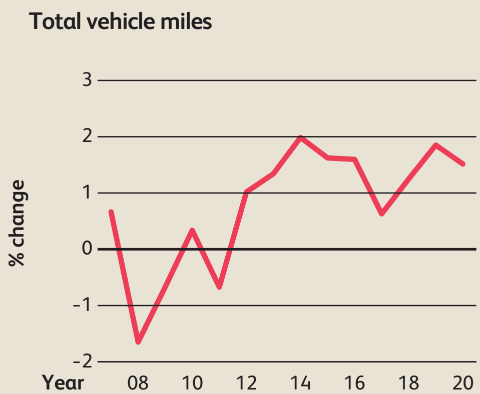
An increase in demand from car and automobile manufacturers indicates a rise in the number of vehicles hitting the road. As the number of vehicles grows, demand for auto repairs will climb, generating demand for mechanics, especially those that can perform increasingly complicated repairs. Demand from car and automobile manufacturing is expected to increase in 2014.

### World price of crude oil

As the price of crude oil rises, more consumers will likely reduce the frequency of driving to lower their daily expenses. More consumers will opt for public transportation, reducing demand for auto maintenance and repair services. The world price of crude oil is expected to decline in 2014.

### National unemployment rate

Growth in the unemployment rate results in fewer cars on the road because less people commute to work. As the number of commuters decreases, demand for industry services declines. But as the economy improves and people return to work, the number of commuters will increase. The national unemployment rate is expected to fall during 2014.





SOURCE: WWW.IBISWORLD.COM

# Industry Performance

## Current Performance

During the past five years, the Auto Maintenance and Repair Franchises industry has rebounded from its 2009 lows, with total industry revenue anticipate to rise at an average annual rate of 2.4% to about $18.0 billion in the five years to 2014. The recession led to a steep decline in revenue during 2009 as a high national unemployment rate resulted in fewer driven vehicles. At the same time, declines in per capita disposable income encouraged car owners to conduct self-repairs. With the national unemployment rate rising 60.3% in 2009 and per capita disposable income declining 1.3% during the same year, industry revenue declined 6.8% during the year as well. At the same time, the world price of crude oil increased at an average annual rate of 10.3% during the past five years, making it more expensive to drive and pushing many consumers to use public transportation, which thereby lowers the amount of cars that require industry services. Together, these factors caused industry revenue to hit historic lows in 2009 and caused many industry operators to restructure their operations. As a result, total industry employment is expected to decrease at an average annual rate of 0.1% in the five years to 2014, reaching 137,049 workers.

### Volatility on the rise

The industry generally follows trends of the broader economy, but is traditionally more stable than other industries, such as the automobile industry. Automobile dealerships felt a greater impact from the recession as fewer consumers purchased new cars; however, declines in the economy pushed up repairs slightly as more people opted to maintain their current vehicles as opposed to purchasing new automobiles. Because driving is a nondiscretionary activity for most people, over the five years to 2014, total vehicle miles driven has increased slowly at an average annual rate of 0.8%. Over the five-year period, the number of motor vehicle registrations also grew at an average annual rate of 1.0%, bolstering demand for industry services since 2011. As the economy expanded, consumers opted for auto maintenance and repair franchises over auto parts retailers or purchasing new cars. Due to an increase in demand for used cars, many industry franchises were able to stay afloat during the worst of the recession. The average age of vehicles on the road has also risen over the past five years, increasing the demand for maintenance and repair services exhaust systems, shocks, brakes, engine repairs, oil changes and other related services. This increase in spending is expected to cause industry revenue to expand 2.1% in 2014.

> People opted to purchase used cars during the recession, bolstering demand

Businesses also increased their use of auto maintenance and repair services over the past five years as corporate profit rebounded. With the economy widening, demand for consumer and business goods grew, boosting the need for freight services. As more trucks were required for transporting goods and materials, demand for auto maintenance and repair services increased. Unlike consumers, who can choose to fix vehicles themselves, businesses tend to seek professional repairs for heavy trucks and freight vehicles. As a result, the industry has benefited from this increase in demand from the commercial sector, which has encouraged new firms to enter the industry. In the five years to 2014, the number of industry enterprises is anticipated to increase an annualized 0.7% to 2,112 firms.

# Industry Performance

## Changing landscape

With lower external competition from auto dealers during the five-year period, coupled with a strong rebound in demand, the average industry profit margin has widened over the past five years. During the recession, the decline in personal disposable income led to a significant dip in new car purchases, pushing used car owners to keep their current vehicles and opt to maintain them for longer periods of time. As a result, many auto dealerships were forced to exit as car owners opted to prolong the life of their current vehicles by visiting auto maintenance and repair franchises, thereby bolstering demand for industry services.

**Repair franchises grew as people opted to repair existing vehicles over purchasing new ones**

As demand grows for more complex and technical repairs, operators will require specialized workers who are able to fix new types of vehicles. As a result, the average industry wage rose from $31,615.9 in 2009 to $34,118.4 in 2014. The average industry wage is expected to continue rising as more technologically complex cars hit the lots.

## Profit trends

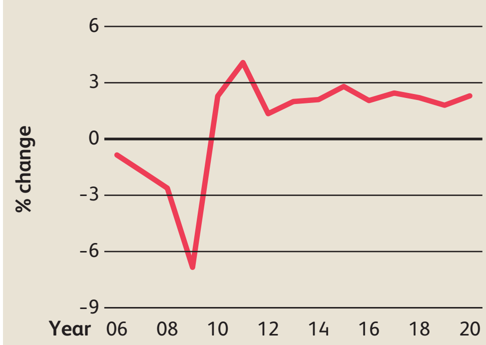
As a result of growth in revenue, the average industry profit margin has continued to widen since 2009, owing to the rebound in demand. In addition, as more complex auto vehicles are bought, auto maintenance and repair shops have been able to set higher prices for services performed on these new cars. As a result, the average industry profit margin increased from 5.5% in 2009 to 8.1% in 2014.

# Industry Performance

## Industry Outlook

During the five years to 2019, industry revenue is forecast to increase at an average annual rate of 2.3% to $20.1 billion as the economy continues to grow. 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. These factors will help propel industry revenue growth of 2.1% in 2014.

Industry revenue




SOURCE: WWW.IBISWORLD.COM

### Conflicting effects from the economy

The national unemployment rate is expected to decline over the next five years at an average annual rate of 1.1%. 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. Over the same period, per capita disposable income is expected to increase at an average annual rate of 2.2%, allowing a greater amount 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 now choosing to visit industry establishments to save time. During the next five years, total vehicle miles driven is also forecast to increase at an average annual rate of 1.4% as corporate profit continues to improve and more consumers demand freight services for the shipment of goods. These positive factors are expected to cause the total number of industry establishments to expand at an average annual rate of 2.0% to 19,555 during the five years to 2019.

During the same period, the world price of crude oil is expected to rise at an average annual rate of 0.2%. A rise in oil prices could have multiple effects on the industry. More consumers could opt for public transportation, carpooling or cycling to work instead of driving, reducing the demand for industry services. At the same time, mounting 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. These conflicting effects may hinder in industry revenue growth during the five-year period.

### New cars

Over the next five years, consumers are anticipated to buy more new cars. New-car sales are forecast to rise an average annual 0.8% during the five-year period, propelled by a jump in personal disposable income and better major automakers' better financing options. Additionally, the average age of the vehicle fleet is expected to decline at an average annual rate of 1.2% over the five-year period, further indicating an increase in demand for new cars. These vehicles will

# Industry Performance

## New cars continued

increasingly be difficult to fix without professional expertise and specialized machinery. 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 average annual rate of 2.1% to 151,849 workers during the five years to 2019. Moreover, 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, the average industry profit margin is expected to rise to about 8.6% in 2019, up from 8.1% in 2014.

However, the rise in new-car sales may also serve as a detriment to industry operators. Because new cars require less repair services in the early stage of their lives, the effect of new-car sales growth may potentially offset the positive effect of an increased number of vehicles that may require maintenance. Over the next five years, the number of motor vehicle registrations is expected to increase at an average annual rate of 1.2%, providing a small boost to the pool of potential industry consumers in future.

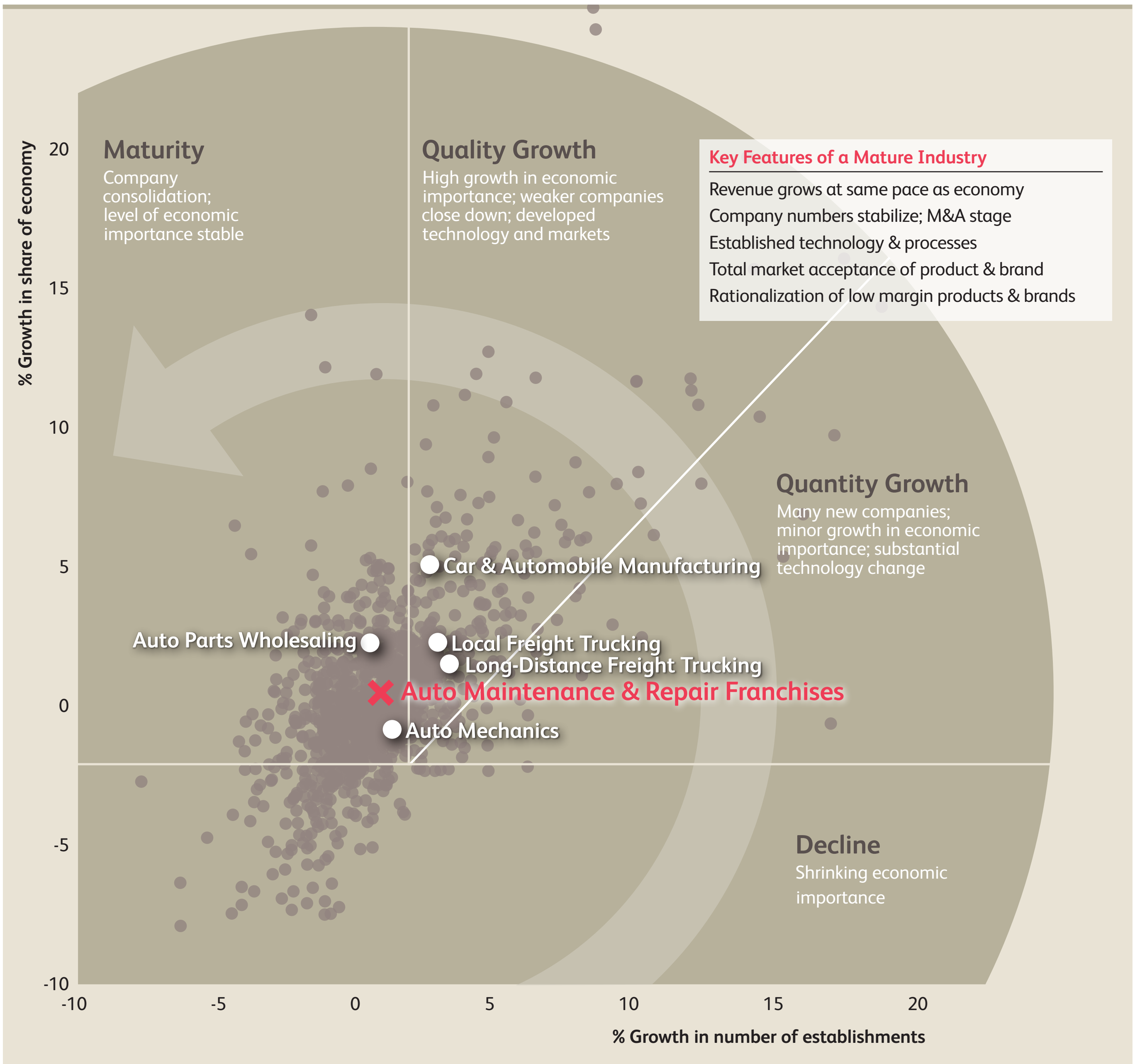
# Industry Performance

## Life Cycle Stage

The industry is growing at a rate close to the overall economy

Services in the industry stable and clearly segmented

There is some level of technological change in the industry




SOURCE: WWW.IBISWORLD.COM

# Industry Performance

## Industry Life Cycle

This industry is **Mature**

The Auto Maintenance and Repair Franchises industry is in the mature phase of its life cycle. Over the 10 years to 2019, industry value added (IVA), the industry's contribution to the overall economy, is expected to increase at an average annual rate of 3.0%, compared with average annual GDP growth of 2.5% over the same period. Growing at a rate close to the overall US economy is a characteristic of a mature industry.

The industry's service segments are clearly segmented and have not seen many significant changes in the past five years. The largest service segments, body and paint, oil changes and transmission repair have remained the largest segments over the past five years. Having clear and established product segments is also characteristic of a mature industry.

The auto manufacturing industry largely determines technological change in this industry. The increasing technological complexity of motor vehicles has resulted in the need for higher-skilled workers and more complicated machinery. For example, computers now control the braking, transmission and steering systems in many vehicles and more sophisticated repair techniques must be used.

# Products & Markets

Supply Chain | Products & Services | Demand Determinants
Major Markets | International Trade | Business Locations

## Supply Chain

### KEY BUYING INDUSTRIES

| | |
|---|---|
| **48411** | **Local Freight Trucking in the US**<br>The Local Freight Trucking industry is a key user of auto repair and maintenance services. |
| **48412** | **Long-Distance Freight Trucking in the US**<br>The Long-Distance Freight Trucking industry is a key user of auto repair and maintenance services. |
| **48533** | **Taxi & Limousine Services in the US**<br>The Taxi and Limousine Services industry is a key user of vehicle repair and maintenance services. |
| **52412** | **Property, Casualty and Direct Insurance in the US**<br>Insurance companies generally seek the services of auto repairers on the behalf of claimants. |
| **81112** | **Car Body Shops in the US**<br>The Car Body Shops industry uses industry operators for repair services on vehicles involved in collisions or that are seriously damaged. |
| **99** | **Consumers in the US**<br>Private vehicle owners require a range of auto maintenance and repairs services for their cars. |

### KEY SELLING INDUSTRIES

| | |
|---|---|
| **42312** | **Auto Parts Wholesaling in the US**<br>Auto repairers often purchase parts from wholesalers. |
| **42495** | **Paint Wholesaling in the US**<br>Auto paint and body repairers often purchase special-purpose coatings for automotive refinishing services. |
| **44131** | **Auto Parts Stores in the US**<br>The Auto Parts Stores industry supplies automotive parts and equipment like hand tools, hoists, automotive mirrors, electrical motor vehicle instruments, seat covers, radiators and generators. |

## Products & Services

Many auto maintenance and repair franchises offer full range services. However, this trend has only been recent, in the past decade or so, as many franchises started out offering specialty services. For instance, Midas originally only serviced exhaust systems. A shift toward more durable exhaust systems during the 1980s caused the company to expand its range of services and the trend was started. Many other auto repair franchises began expanding their range of services and now the industry includes transmission, electrical, body, paint and oil change services to its menu.

### Body and paint

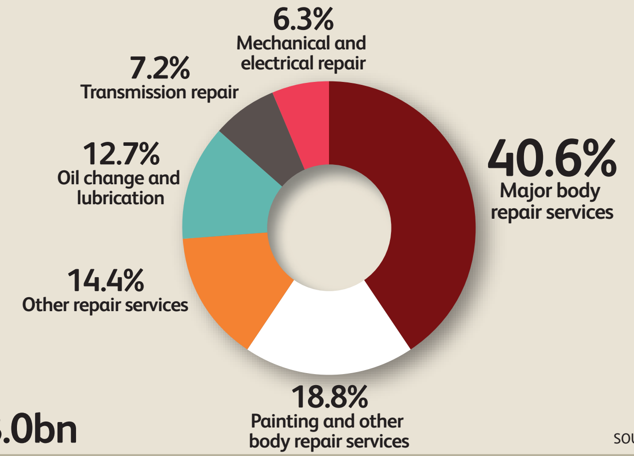
The industry's largest product segment is major body repair services. The need for major body repair services often comes as the result of a collision. To this end, major body repairs are often more expensive as a range of repairs need to be made in order to get the vehicle operational. Maaco is one of the largest body collision repair franchises operating in the US; however, the network consists of an estimated 450 outlets indicating a highly fragmented segment of the industry. Over the past five years to 2014, IBISWorld expects this segment's share of industry revenue remained flat as the number of motor vehicle accidents contracted marginally.

Painting and other body repair services also command a significant proportion of industry revenue, as painting services are often required as the finishing touch for

# Products & Markets

## Products & Services continued

Products and services segmentation (2014)




major body repair. Alternatively, consumers may purchase painting services without needing body repair; however, due to the global financial crisis consumers scaled back discretionary spending considerably, as a new paint job for an operational vehicle is unnecessary. As a result, IBISWorld expects this segment's share of revenue contracted marginally over the period.

### Changing the oil

Oil change and lubrication services also command a significant proportion of industry revenue. These services are deemed preventative maintenance and are essential to ensure a vehicle's engine is operating properly. Over time, dirt and metal filings build up in a vehicle's oil making it unable to lubricate the engine. Should the oil in a vehicle go unchanged, the integrity of the oil will degrade causing viscosity to increase, further limiting the oil's ability to lubricate the engine. Of all the services provided by the Auto Maintenance and Repair Franchises industry, an oil change is perhaps the most essential service to maintain the life of any vehicle. To this end, IBISWorld expects this segment's share of revenue increased moderately over the past five years. While consumers may have declined major services, the essential nature of an oil change indicates its nondiscretionary nature.

### Shifting gears

A vehicle's transmission refers to its gearbox, which provides adapts the output of the internal combustion engine to the drive wheels. Transmissions often use pre-determined gear ratios to switch between as the vehicle's speed varies. In manual transmissions, drivers are required to manually switch the gears. IBISWorld research indicates this segment's share of revenue fell considerably over the past decade as transmissions have become more technologically advanced. Transmissions have experienced considerable improvement over the past 40 years or so. While this has caused the cost to diagnose and repair transmissions to increase, it has also increased the durability and lifespan of transmission. This indicates that the need to repair transmissions, especially in newer vehicles, has reduced while the cost has increased. In other words, consumers are paying more to repair their transmissions, but need to do so on a less frequent basis.

# Products & Markets

## Products & Services continued

### Other repair services

The industry provides a range of other services including exhaust, brakes, wheel and alignment, and electrically systems repair. These services are all important aspects of a vehicle and also require regular maintenance and repair. Over the past five years, IBISWorld expects this segment's share of industry revenue increased marginally as the cost to repair some of these systems can be significant. During touch economic conditions, consumers will often repair the most urgent item on a vehicle, such as a transmission, and forego repairing less urgent items such as replacing a muffler. However, with increased regulation regarding the exhaust systems of vehicles, such as in California, IBISWorld expects the exhaust segment of the industry will experience a rise in revenue over the next five-year period.

## Demand Determinants

Demand for auto maintenance and repair services relies on a number of factors, such as broader economic conditions, access to sophisticated public transport systems and the age of the vehicle.

Over the past five years, the US economy experienced significant troughs most notably in 2009. While the economy rebounded strongly starting in 2011, the effects of such drastic lows still echoes in the minds of many consumers due to the sharp downturn that occurred during the recession. For instance, in 2009 the unemployment rate rose a staggering 60.3%. With unemployment high, disposable incomes were strained and ultimately fell by 1.3%. These forces combined caused industry revenue to fall by 6.8% in 2009. As economic conditions picked up and the US economy gained traction, the unemployment rate fell and disposable incomes grew facilitating a rebound in industry revenue.

Areas with sophisticated public transport systems often indicate an underrepresented area of the industry, and rightfully so as many consumers opt to use public transport as a way to forego the liability of owning a car. In areas with little to no public transport infrastructure, the proportion of industry revenue to population is higher such as in Missouri. While the state accounts for 2.2% of industry establishments, its share of population is even lower at 1.9%, indicating a higher proportion of consumers requiring repair services.

Over the past five years, used-car sales grew over the period, albeit it a slow rate. To this end, the average age of the vehicle fleet rose at an annualized 2.4%. As a car ages the need for maintenance and repair services increase substantially; therefore, demand for industry services is also likely to increase. As such, industry revenue is expected to increase at an annualized rate of 2.4% in the five years to 2014.

## Major Markets

Auto maintenance and repair franchises offer their services to a range of clients, from businesses to consumers.

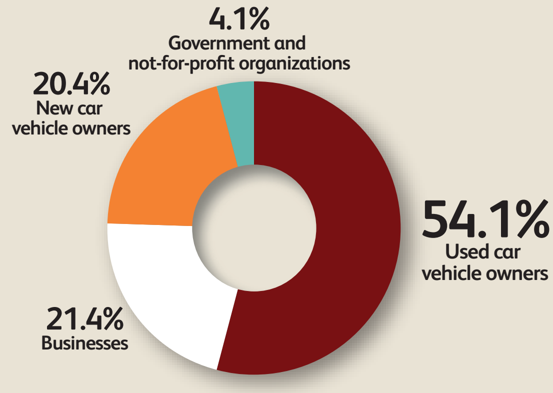
### Private vehicle owners

The industry's largest market is private vehicle owners, which command about 74.5% of industry revenue. Used-car owners account for a larger proportion of this market as older cars typically require more repair services. Moreover, these cars are often sold with shorter warranty periods, indicating that consumers often arrive at auto repair franchises sooner than new vehicle owners. Over the past five years to 2014, IBISWorld expects this

# Products & Markets

## Major Markets continued

**Major market segmentation** (2014)




Total $18.0bn

SOURCE: WWW.IBISWORLD.COM

market's share of industry revenue grew. Due to depressed economic activity caused by the recession, many consumers shied away from large ticket purchases such as vehicles and held onto their older vehicles. This is evidenced by the 2.4% annualized growth in the average age of the vehicle fleet over the five years to 2014.

New-vehicle owners account for a smaller share of the private vehicle market as newer vehicles require less repair services. Moreover, new vehicles are typically under warranty for five to 10 years and consumers often take the car to dealership service centers for repair and maintenance services. However, these new vehicles eventually will require industry services as the vehicles age, increasing demand for industry services. New car sales increased at an annualized 8.7% rate, which will benefit industry operators in the medium and long term. As a result of this strong demand pipeline, this market is expected to account for a larger share of revenue in 2019.

### Businesses

The business market includes a range of businesses such as car dealers and insurance companies. Over the past five years, the car dealer market has increased as a share of industry revenue. As the economic conditions hit a low over 2009 and 2010, many car dealerships closed service center operations. As a result, consumers requiring maintenance and repair services were redirected to industry establishments. Insurance companies require services on behalf of claimants. IBISWorld expects insurance companies share of industry revenue declined over the past five years, as consumers were more likely to have their car written off than pay high deductibles for repair services. However, those businesses with vehicle fleets increased as a share of industry revenue. As the economy faltered, businesses retained their vehicle fleets as opposed to purchasing or leasing newer vehicles. This ultimately translated into increased demand for industry services.

### Government

Federal and state governments require maintenance and repair services for their vehicle fleets. This market's share of industry revenue fared well over the past five years as government budgets were constrained over most of the period. Instead of purchasing new vehicles, government agencies sought to repair and maintain their existing vehicle fleets to reduce costs.

# Products & Markets

## International Trade

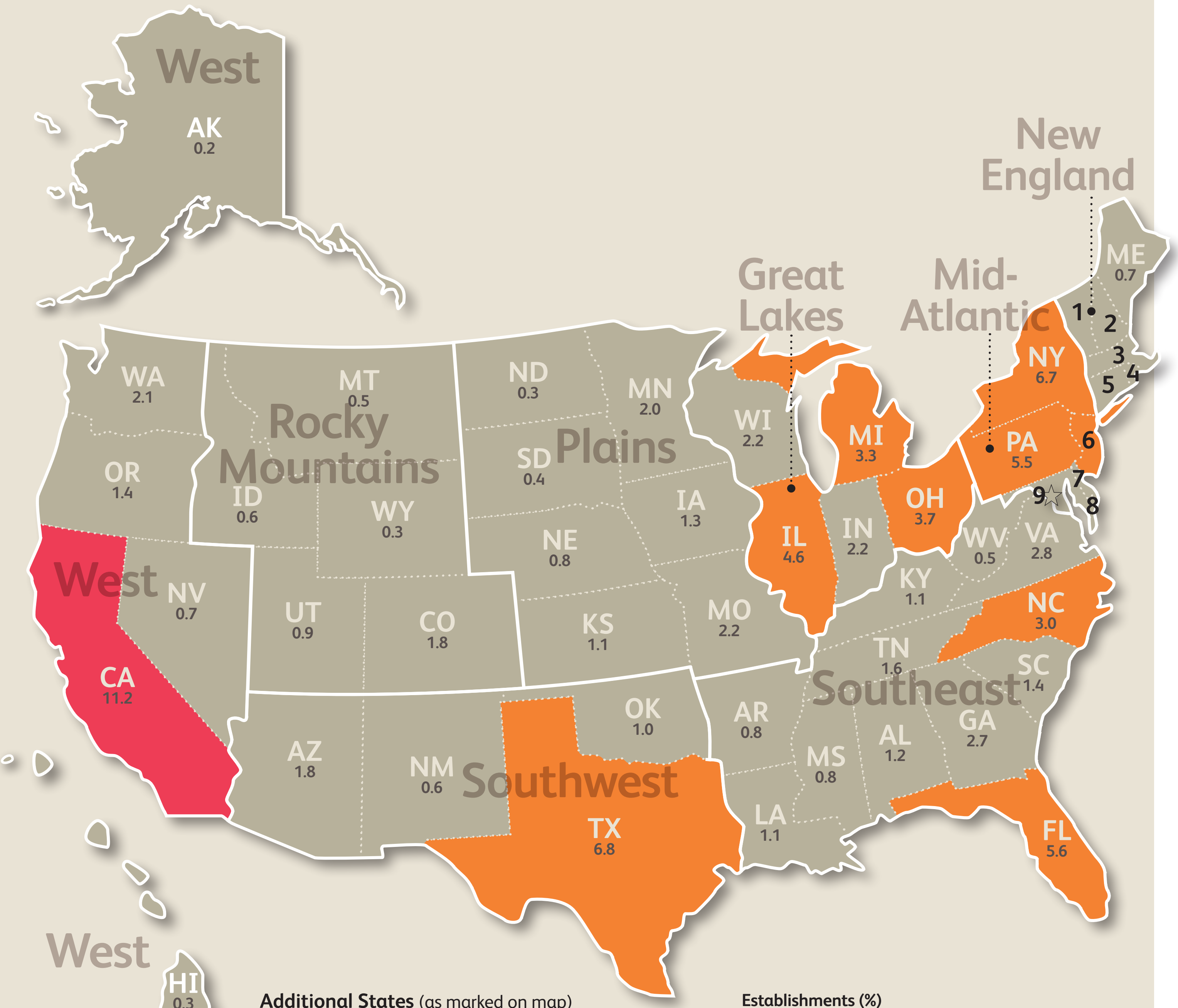
The Automotive Maintenance and Repair Franchises industry operates domestically, indicating little international trade activity. Although, many industry players do have operations abroad, in countries such as Canada, revenue derived from abroad is excluded from the industry. Instead, international trade occurs upstream in the Automotive Parts Manufacturing industry (IBISWorld report 33639).

International trade in upstream automotive manufacturing industries is high. The majority of auto parts are imported from Mexico, which accounted for about 29.6% of imports in 2014. Chinese imports, which account for 18.2% of imports, are estimated to have grown rapidly over the past five years as Chinese manufacturers have lower wage costs and less government regulation. For instance brakes manufactured in China are far less expensive than those made in the US, due to lower wage costs.

Exports grew over the past five years, primarily supported by the depreciating dollar. When the dollar becomes weaker against other currencies, foreign auto parts manufacturers will have more purchasing power buying US goods. The majority of US manufactured auto parts will be destined for the Canadian and Mexican markets, due to tariff-elimination resulting from the 1993 North American Free Trade Agreement.

# Products & Markets

## Business Locations 2014




**Additional States** (as marked on map)

| | | | | |
|---|---|---|---|---|
| 1 VT 0.4 | 2 NH 0.7 | 3 MA 2.3 | 4 RI 0.4 | |
| 5 CT 1.2 | 6 NJ 3.1 | 7 DE 0.3 | 8 MD 1.9 | 9 DC 0.1 |

**Establishments (%)**

- Less than 3%
- 3% to less than 10%
- 10% to less than 20%
- 20% or more

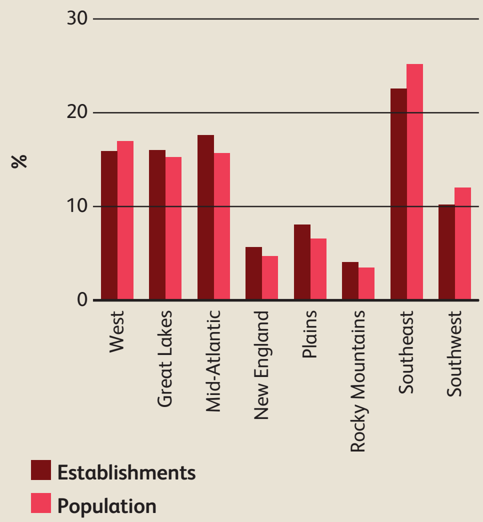
SOURCE: WWW.IBISWORLD.COM

# Products & Markets

## Business Locations

The geographic spread of auto repair franchises closely follows that of population. The Southeast, West, Great Lakes and Mid-Atlantic regions combined account for 71.9% of establishments. Interestingly, a region's share of industry revenue is lesser than its share of population would suggest. For instance, the Southeast accounts for about 22.6% of industry revenue; although its share of the population (25.4%). The industry is under-represented in the Southeast region most likely due to the lower socio-economic status of many of these states, such as Mississippi and Alabama.

**Distribution of establishments vs. population**




SOURCE: WWW.IBISWORLD.COM

### Mid-Atlantic and Great Lakes

The Mid-Atlantic region has a high share of industry activity, accounting for about 17.5% of industry establishments. IBISWorld estimates that this high share reflects the concentration of population and economic activity resulting in a larger number of vehicles driven in this region. In addition, this region includes New York, which has the third-highest concentration of establishments (6.7% of its national total) due to its high population share and its high economic activity.

The Great Lakes region commands a higher proportion of industry establishment (15.9%) than its population (14.9%), likely due to the region's climate. Cars in colder weather are more likely to need repair and maintenance services on a more regular basis. Consumers that rely on their vehicle are often at the mercy of its needs and cannot forego repairs as often as consumers living in other regions. Moreover, this region is home to the US car industry, which indicates consumers in this region are more likely to take pride in their vehicles and service them on a more regular basis.

### West

Surprisingly, the West even with is vast expanses of land and insufficient public transport systems, is under represented in the industry commanding 15.9% of industry establishments compared with 17.1% of its population. This is likely due higher average per capita disposable incomes in the region, especially in states such as California. IBISWorld expects consumers in this region are more likely to purchase new vehicles than to maintain older vehicles.

# Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks
Basis of Competition | Barriers to Entry | Industry Globalization

## Market Share Concentration

**Level**
Concentration in this industry is **Low**

The Auto Maintenance and Repair Franchises industry is highly fragmented with more than 2,000 enterprises commanding a network of more than 17,000 franchises. The industry's top four players are expected to account for less than 40.0% of industry revenue, with only one player accounting for more than 5.0% of industry revenue. With the number of enterprises increasing at an annualized 0.7% over the five years to 2014, IBISWorld expects the level of concentration to remain very low.

## Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

**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.

**Provision of superior after sales service**
Industry players must have exceptional customer service skills to retain customers.

**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.

## Cost Structure Benchmarks

Firms active in this industry are service oriented and include operators that repair and maintain vehicles. Like most service industries, it requires a low level of capital investment, and most costs pertain to purchases.

**Profit**
Industry profit (defined as earnings before interest and taxes) is expected to average 8.1% of revenue for the Auto Maintenance and Repair Franchises industry, up from about 5.5% in 2009, when economic activity and per capita income decreased sharply. Over the past five years, industry profit margin has increased due to a rebound in demand alongside an increase in the potential pool of customers. This rebound in demand is evident by examining the number of motor vehicles registered. In the five years to 2014, the number of motor vehicles registered is expected to increase at an annualized 1.0% rate. Industry profit is projected to rise to about 8.6% in 2019, as improved general economic conditions increase demand for industry services.

**Purchases**
Purchases make up the industry's largest expense, averaging about 47.4% of total revenue for industry firms. Purchases include repair tools and equipment, repair information from auto manufacturers and automotive parts. Tools include pneumatic wrenches, machine tools (e.g. lathes), welding and flame cutting equipment, jacks and hoists. Over the past five years, many industry operators have reported increases in the cost of machinery due to the increasing complexity of the automobiles they maintain and repair.

**Wages**
Wages have increased over the past five years and account for an estimated 26.0% of revenue in 2014. As vehicles become more technologically advanced,

# Competitive Landscape

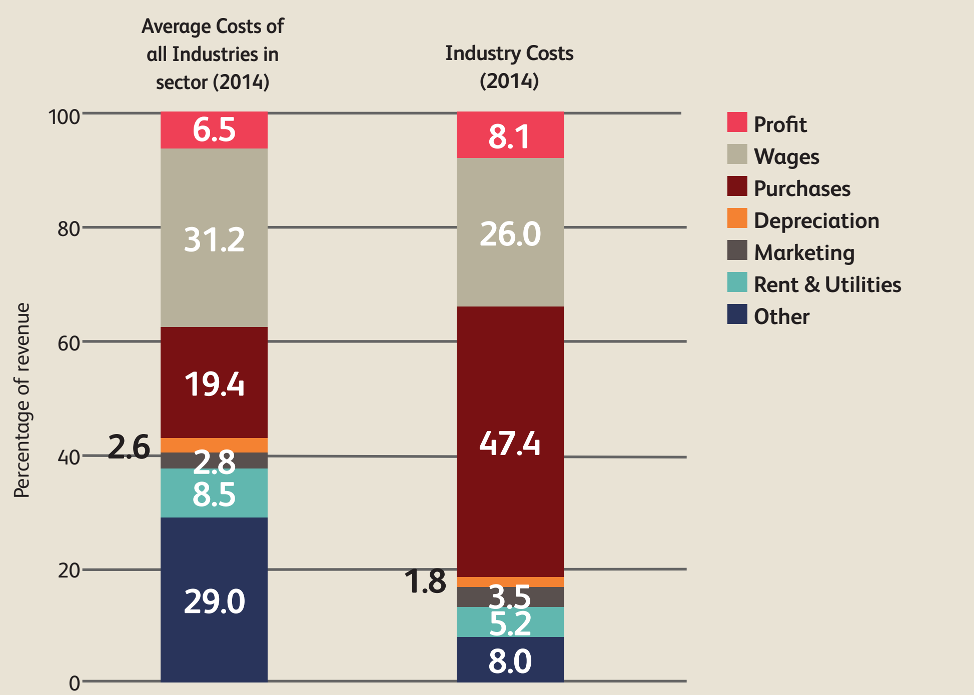
## Cost Structure Benchmarks continued

companies are hiring more highly skilled staff and using more complicated machinery to maintain and repair increasingly computerized automobiles. Wage costs are expected to increase in the next five years as industry operators will need technicians with a background in the repair of complex automobile systems.

### Other expenses

The largest other cost is rent and utility outlays, accounting for about 5.2% of revenue. Marketing is estimated to represent 3.5% of revenue and is especially important for franchises as independently owned establishments seek to benefit from the promotion of the brand name. Industry firms continued to focus on marketing during the recession in an effort to attract customers with offers and discounts. As an industry with a low level of capital intensity, depreciation is expected only to reach 1.8%.

### Sector vs. Industry Costs




SOURCE: WWW.IBISWORLD.COM

## Basis of Competition

**Level & Trend**
Competition in this industry is **High** and the trend is **Steady**

Competition is high as franchises within the same network often rely on the same advertising and marketing campaigns provided by the franchisor to generate business. Moreover, establishments tend to operate on a local basis, as consumers often have a number of auto repair franchises operating within a 10-mile radius. Prices within the same franchise network is hardly a basis of competition as these are generally set by the franchisor; however, prices between the different franchise networks do vary and is a basis of competition. To this end, IBISWorld expects internal competition is largely based on location and quality of

# Competitive Landscape

## Basis of Competition continued

services provided, while external competition is largely based on price.

Establishments located in high-density areas will often incur a large share of consumers in need of auto repair services based on location alone. However, with so many auto repairers to choose from, industry participants must maintain a high standard of customer service and quality repairs in order to remain competitive in the industry.

Prices vary according to the services offered and among the different franchise networks. As a result, many franchises employ a range of discount and coupon offers to remain competitive. During the economic downturn industry firms employed discount promotional activity in order to attract customers. These discounts gradually were reduced as the US economy rebounded starting in 2011.

## Barriers to Entry

**Level & Trend**
Barriers to Entry in this industry are **Low** and **Steady**

There are few barriers to entering the Auto Maintenance and Repair Franchises industry. The largest hurdle potential franchisees face is the initial start up cost, which can range from $20,000 to more than $450,000. The largest factor determining the amount of the initial cost is the service segment in which a potential franchisor wishes to operate. For instance, the start up for a painting service is typically lower than the fee for a collision repair franchise. Ongoing fees associated with owning an auto repair franchise are typically on a monthly basis and range from 5.0% to 10.0% of monthly earnings.

Potential franchisees would also benefit from some knowledge and experience in the auto maintenance and repair industry. There are some franchisors that do not allow absentee ownership of franchises, indicating the need to know the basics of the industry. While many franchisors offer training services, the ability to adequately and confidently explain car repair and maintenance services to consumers is essential in operating a successful business.

| Barriers to Entry checklist | Level |
|---|---|
| Competition | High |
| Concentration | Low |
| Life Cycle Stage | Mature |
| Capital Intensity | Low |
| Technology Change | Medium |
| Regulation & Policy | Light |
| Industry Assistance | Low |

SOURCE: WWW.IBISWORLD.COM

## Industry Globalization

**Level & Trend**
Globalization in this industry is **Low** and the trend is **Steady**

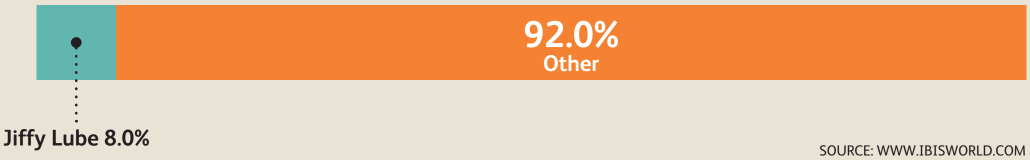
While many of the companies operating in the industry have operations throughout North America and further abroad, the vast majority of industry firms are domestically owned and operated. Furthermore, auto repair franchises tend to operate locally as it is highly unlikely a consumer will seek repair services in another state or country. To this end, IBISWorld expects the industry's level of globalization to be low.

# Major Companies

Jiffy Lube | Other Companies

## Major players

(Market share)




SOURCE: WWW.IBISWORLD.COM

## Player Performance

**Jiffy Lube**
Market share: 8.0 %

According to the company's website, Jiffy Lube International Inc. has more 2,000 franchised service centers in North America, including about 100 outlets in Canada. The company began in Utah in 1971. By 1979, there were seven franchises, and the company was established as Jiffy Lube International and moved to Maryland. In 1987, the company went public and had over 1,000 franchised and company stores by 1989. At the time, the company filed bankruptcy and was acquired by Pennzoil Quaker State in 1991, which, in turn, Shell Oil later acquired in 2002. The company is currently headquartered in Houston and is an indirect subsidiary of the Shell Oil Company. Jiffy Lube service centers are franchise-owned, with more than 250 entity groups operating these establishments.

Jiffy Lube provides a range of preventative maintenance services, including oil changes, filter and belt replacements and fuel and cooling-system services. The network employs over 20,000 certified technicians across North America. IBISWorld research indicates that more than 90.0% of Jiffy Lube franchises are located in the United States.

### Financial performance

IBISWorld estimates that industry-relevant revenue will increase at an annualized rate of 0.4% over the five years to 2014, reaching $1.4 billion. Although the company outperformed the industry average, it did fall victim to the economic downturn between 2009 and 2011. However, the company returned to positive growth in 2013 as the economy picked up.

### Jiffy Lube International Inc. (industry-specific revenue)

| Year | Revenue ($ million) | (% change) | Assets (units) | (% change) |
|---|---|---|---|---|
| 2009 | 1,410.9 | 0.4 | 1,980 | -0.5 |
| 2010 | 1,396.7 | -1.0 | 1,948 | -1.6 |
| 2011 | 1,382.3 | -1.0 | 1,935 | -0.7 |
| 2012 | 1,350.4 | -2.3 | 1,958 | 1.2 |
| 2013* | 1,390.7 | 3.0 | 1,963 | 0.3 |
| 2014* | 1,437.8 | 3.4 | 1,967 | 0.2 |

*Estimates

SOURCE: IBISWORLD

# Major Companies

## Other Companies

The Auto Maintenance and Repair Franchises industry is highly fragmented, with more than 2,000 enterprises spread across more than 17,500 establishments. To this end, IBISWorld has highlighted two franchise networks with more than 500 establishments.

### Driven Brands Inc.

Estimated market share: Less than 5.0 %

Driven Brands Inc. is headquartered in Charlotte, NC and is the parent company of several businesses, including Maaco, Meinek and Econo Lube N'Tune. All of the company's subsidiaries are franchised businesses operating in the automotive aftermarket industry. The company also operates a variety of mobile services that were acquired from 2005 to 2008. These brands service new car dealers and include AutoQual, Aero Colours and Drive N Style. In 2012, these three brands were combined and franchised as a multiservice mobile provider servicing car dealerships, fleet operators, rental car agencies and retail consumers.

Maaco, a collision-repair and auto-painting franchise, was established in 1972 and has 450 franchises. Meineke, also established in 1972, has operations domestically and abroad, in countries such as Canada, Mexico, China and South Korea. The franchise now has over 900 outlets, with another 100 licenses sold or under development. Econo Lube N' Tune was established in 1973 and acquired by Driven Brands in 2006. The franchise has 160 outlets located throughout the Southwest and West, with an additional 106 outlets cobranded with Meineke. In 2014, IBISWorld expects Driven Brands' industry-specific revenue to represent less than 5.0% of total industry revenue.

### TBC Corporation Inc.

Estimated market share: Less than 5.0 %

TBC Corporation Inc. dates back to 1956, when a group of tire retailers formed the company that became known as Cordovan Associates. By 1972, the group changed its name to the Tire and Battery Corporation (TBC) and, by 1983, was established as a publicly traded company. In 1996, the company acquired Big O Tires, a retail tire and auto service company. Subsequently, TBC acquired Carroll Tires Company in 1998, Tire Kingdom in 2000 and the National Tire and Battery (NTB) in 2003. Thereafter, the company's acquisition activity slowed, as it became the target of Sumitomo Corporation, a Japanese trading and investment business company. Sumitomo acquired TBC in 2005.

As a privately owned company, TBC's franchised brands include Midas, SpeeDee Oil Change and Tune-Up, and National Tire and Battery. TBC is headquartered in Florida and employs over 10,000 staff across its network. The company predominantly sells tires, yet has operations in the auto repair and maintenance industry. TBC's share of the Auto Maintenance and Repair industry was boosted with its 2012 acquisition of Midas Inc. (MDS), valued at about $310.0 million. MDS was one of the largest automotive repair and maintenance franchises in the United States. Despite closing 30 locations in 2011, IBISWorld estimates that there are about 1500 franchised outlets under the Midas and SpeeDee banner located throughout the United States and Canada. Although TBC's revenue accounts for less than 5.0% of total industry revenue in 2014, IBISWorld expects the company to remain an important industry operator during the outlook period.

# Operating Conditions

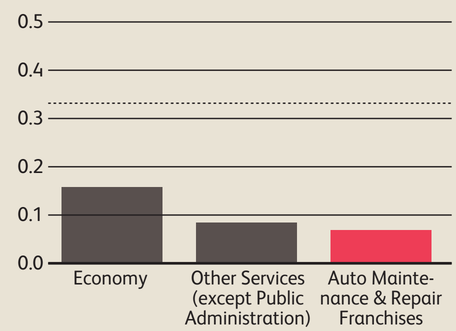
Capital Intensity | Technology & Systems | Revenue Volatility
Regulation & Policy | Industry Assistance

## Capital Intensity

**Level**
The level of capital intensity is **Low**

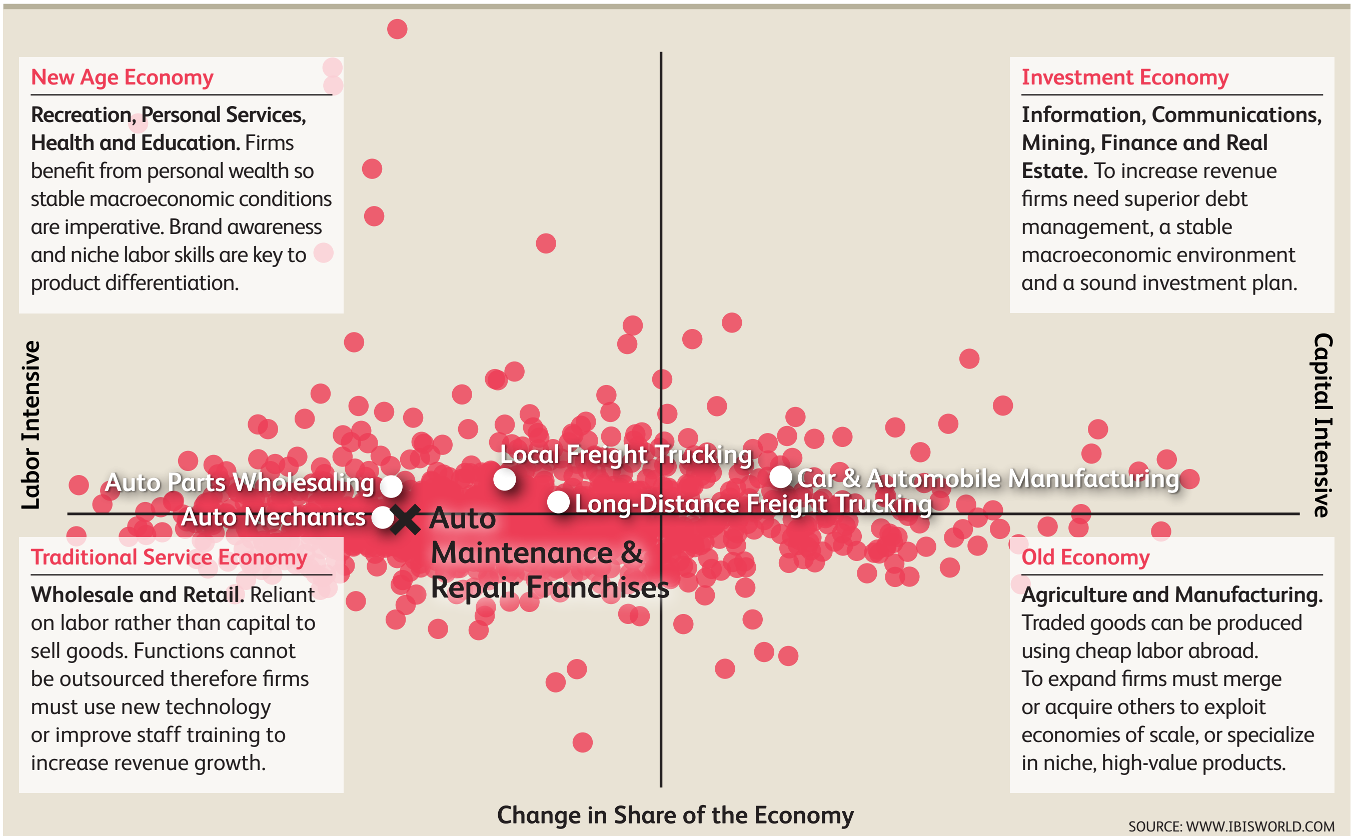
The Auto Maintenance and Repair Franchises industry is service oriented and relies on the technical skills of its workers more than the capabilities of heavy equipment. As such, wages comprise a large cost segment for the industry at 26.0% of revenue, and depreciation accounts for a very small portion of revenue (1.8%). A high level of manual labor is necessary for most of the services offered by industry establishments. Body repair, paint jobs and oil changes require a significant amount of labor. However, capital intensity is projected to increase over the next five years due to the increasing technological complexity of automobiles. As more automobiles become computerized, industry establishments will have to purchase more costly

**Capital intensity**
Capital units per labor unit




Dotted line shows a high level of capital intensity
SOURCE: WWW.IBISWORLD.COM

## Tools of the Trade: Growth Strategies for Success




SOURCE: WWW.IBISWORLD.COM

# Operating Conditions

## Capital Intensity continued

machinery to conduct repairs. IBISWorld estimates that the average industry enterprise spends $0.06 in capital investment for every $1.00 spent in wages, giving the industry a low level of capital intensity.

## Technology & Systems

**Level**
The level of Technology Change is **Medium**

The industry has little to do with automotive technology, as most technological change occurs further upstream in the automobile manufacturing industries. With this is mind, it is imperative for industry players to stay informed on any technological changes occurring upstream. For instance, in the Auto Parts Manufacturing industry (IBISWorld report 33639) air conditioning units, exhaust systems and airbags are most subject to innovation. Reduced weight and emissions, along with increased fuel economy and safety are factors encouraging innovation in automotive parts. Technological change in the Automobile Brakes Manufacturing industry (IBISWorld report 33634) has increased over the past five years, and is included in the repair services provided by this industry. Due to the rapid advancement in automobile technology, industry employees are now required to repair electronic technology in addition to purely mechanic repairs.

To this end, technology within the Auto Maintenance and Repair Franchises industry largely consists of the equipment used to conduct repair and maintenance services. While most repairs are mechanical by nature and require the use of tools, industry players also use diagnostic computers in order to diagnose and repair the vehicle.

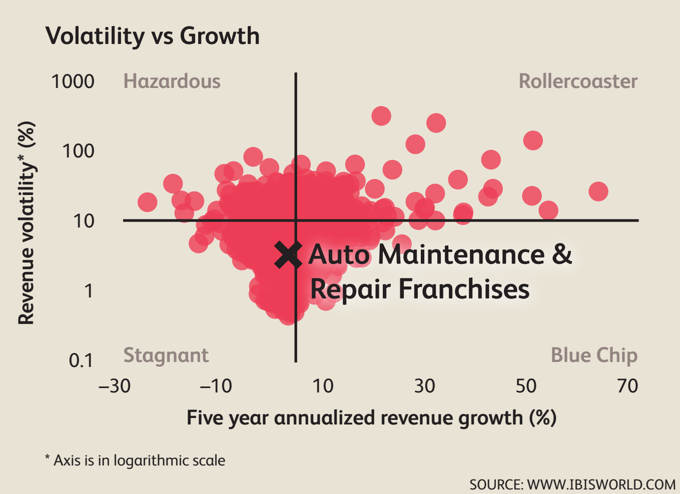
## Revenue Volatility

**Level**
The level of Volatility is **Low**

The Auto Maintenance and Repair Franchises industry has faced a low to moderate level of revenue volatility over the past five years, with year-on-year revenue changes averaging 2.9% annually. During this period, industry revenue declined by as much as 6.8% during 2009 and increased by as much as 4.1% during 2011. The low to moderate revenue volatility level is largely due to the certain services being essential for consumers. However, certain higher margin services

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.



# Operating Conditions

## Revenue Volatility continued

are more heavily affected by conditions in the overall economy contributing to a degree of volatility for industry operators. The steep decline in 2009 was a result of the high unemployment rate and the low per capita disposable income level. Other conflicting factors over the past five years have also pushed industry revenue up, such as the increasing technological complexity of automobiles and a recovering level of corporate profit. Revenue is expected to stabilize over the next five years as the economy accelerates and consumers return to industry establishments for higher margin auto maintenance and repair services.

## Regulation & Policy

**Level & Trend**
The level of Regulation is **Light** and the trend is **Steady**

The automotive repair industry is lightly regulated, with regulatory requirements varying between states. For instance, the California Bureau of Automotive Repair enforces the Automotive Repair Act and its associated regulations. The act largely enforces and administers the California Smog Check Program, which industry establishments are not required to adhere to. However, the act does enforce some regulation regarding a range of services such as brake repair. Moreover, auto repair companies are required to register with the bureau for a fee of $200 and comply with equipment requirements.

At the federal level, industry operators are affected by the Magnuson-Moss Warranty Act which prohibits manufacturers from voiding a vehicle's warranty if a consumer takes their car somewhere other than an authorized dealer for service. According to the legislation, if consumers do not buy parts or services from a particular dealer, manufacturers are not allowed to void the vehicle's warranty. If the manufacturer does suggest the use of a particular dealer under the terms of warranty, then they must provide the parts free of charge.

In practice, many consumers are unaware of their rights under the Magnuson-Moss Warranty Act. Industry participants aim to inform consumers that they have the right to choose where their cars get serviced without voiding their warranties.

## Industry Assistance

**Level & Trend**
The level of Industry Assistance is **Low** and the trend is **Steady**

The industry does not receive any direct government assistance from tariffs, grants or subsidies. Instead industry players receive support from their respective franchisors. Franchisor support includes training, marketing and advertising and ongoing support systems. Ongoing support tends to take the form of monthly meetings, field operations and evaluations, and security and safety procedures. Industry operators also benefit from industry associations like the Automotive Service Association (ASA). ASA is a nonprofit international trade association, serving about 14,000 businesses from the mechanical and collision repair segments. Established in 1951, the organization provides members with lobbyist and education services, including offering coursework and hosting conventions.

# Key Statistics

## Industry Data

| | Revenue ($m) | Industry Value Added ($m) | Establish-ments | Enterprises | Employment | Exports | Imports | Wages ($m) | Domestic Demand | Average age of vehicle fleet (Years) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2005 | 18,134.5 | 5,459.7 | 18,566 | 2,155 | 147,742 | -- | -- | 4,172.1 | N/A | 9.8 |
| 2006 | 17,979.9 | 5,559.4 | 18,378 | 2,130 | 149,081 | -- | -- | 4,336.8 | N/A | 9.9 |
| 2007 | 17,668.6 | 5,829.2 | 18,608 | 2,153 | 149,907 | -- | -- | 4,504.1 | N/A | 10.0 |
| 2008 | 17,205.6 | 5,583.8 | 18,087 | 2,087 | 148,034 | -- | -- | 4,585.9 | N/A | 10.1 |
| 2009 | 16,028.4 | 5,505.8 | 17,659 | 2,037 | 137,646 | -- | -- | 4,351.8 | N/A | 10.3 |
| 2010 | 16,395.4 | 5,717.3 | 17,618 | 2,032 | 135,228 | -- | -- | 4,405.6 | N/A | 10.6 |
| 2011 | 17,063.6 | 6,044.3 | 17,486 | 2,085 | 136,816 | -- | -- | 4,593.9 | N/A | 10.9 |
| 2012 | 17,293.9 | 6,203.0 | 17,329 | 2,070 | 134,217 | -- | -- | 4,542.8 | N/A | 11.2 |
| 2013 | 17,639.3 | 6,324.1 | 17,520 | 2,093 | 135,156 | -- | -- | 4,595.4 | N/A | 11.4 |
| **2014** | **18,009.8** | **6,458.8** | **17,695** | **2,112** | **137,049** | **--** | **--** | **4,675.9** | **N/A** | **11.6** |
| 2015 | 18,514.1 | 6,760.1 | 18,084 | 2,156 | 140,749 | -- | -- | 4,816.1 | N/A | 11.5 |
| 2016 | 18,893.6 | 6,944.4 | 18,319 | 2,184 | 143,564 | -- | -- | 4,922.8 | N/A | 11.6 |
| 2017 | 19,356.5 | 7,090.9 | 18,741 | 2,232 | 145,071 | -- | -- | 5,000.3 | N/A | 11.4 |
| 2018 | 19,782.4 | 7,293.9 | 19,115 | 2,274 | 149,568 | -- | -- | 5,157.4 | N/A | 11.1 |
| 2019 | 20,138.5 | 7,402.9 | 19,555 | 2,324 | 151,849 | -- | -- | 5,248.1 | N/A | 10.9 |

## Annual Change

| | Revenue (%) | Industry Value Added (%) | Establish-ments (%) | Enterprises (%) | Employment (%) | Exports (%) | Imports (%) | Wages (%) | Domestic Demand (%) | Average age of vehicle fleet (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2006 | -0.9 | 1.8 | -1.0 | -1.2 | 0.9 | N/A | N/A | 3.9 | N/A | 1.0 |
| 2007 | -1.7 | 4.9 | 1.3 | 1.1 | 0.6 | N/A | N/A | 3.9 | N/A | 1.0 |
| 2008 | -2.6 | -4.2 | -2.8 | -3.1 | -1.2 | N/A | N/A | 1.8 | N/A | 1.0 |
| 2009 | -6.8 | -1.4 | -2.4 | -2.4 | -7.0 | N/A | N/A | -5.1 | N/A | 2.0 |
| 2010 | 2.3 | 3.8 | -0.2 | -0.2 | -1.8 | N/A | N/A | 1.2 | N/A | 2.9 |
| 2011 | 4.1 | 5.7 | -0.7 | 2.6 | 1.2 | N/A | N/A | 4.3 | N/A | 2.8 |
| 2012 | 1.3 | 2.6 | -0.9 | -0.7 | -1.9 | N/A | N/A | -1.1 | N/A | 2.8 |
| 2013 | 2.0 | 2.0 | 1.1 | 1.1 | 0.7 | N/A | N/A | 1.2 | N/A | 1.8 |
| **2014** | **2.1** | **2.1** | **1.0** | **0.9** | **1.4** | **N/A** | **N/A** | **1.8** | **N/A** | **1.8** |
| 2015 | 2.8 | 4.7 | 2.2 | 2.1 | 2.7 | N/A | N/A | 3.0 | N/A | -0.9 |
| 2016 | 2.0 | 2.7 | 1.3 | 1.3 | 2.0 | N/A | N/A | 2.2 | N/A | 0.9 |
| 2017 | 2.5 | 2.1 | 2.3 | 2.2 | 1.0 | N/A | N/A | 1.6 | N/A | -1.7 |
| 2018 | 2.2 | 2.9 | 2.0 | 1.9 | 3.1 | N/A | N/A | 3.1 | N/A | -2.6 |
| 2019 | 1.8 | 1.5 | 2.3 | 2.2 | 1.5 | N/A | N/A | 1.8 | N/A | -1.8 |

## Key Ratios

| | IVA/Revenue (%) | Imports/ Demand (%) | Exports/ Revenue (%) | Revenue per Employee ($'000) | Wages/Revenue (%) | Employees per Est. | Average Wage ($) | Share of the Economy (%) |
|---|---|---|---|---|---|---|---|---|
| 2005 | 30.11 | N/A | N/A | 122.74 | 23.01 | 7.96 | 28,239.09 | 0.04 |
| 2006 | 30.92 | N/A | N/A | 120.60 | 24.12 | 8.11 | 29,090.23 | 0.04 |
| 2007 | 32.99 | N/A | N/A | 117.86 | 25.49 | 8.06 | 30,045.96 | 0.04 |
| 2008 | 32.45 | N/A | N/A | 116.23 | 26.65 | 8.18 | 30,978.69 | 0.04 |
| 2009 | 34.35 | N/A | N/A | 116.45 | 27.15 | 7.79 | 31,615.88 | 0.04 |
| 2010 | 34.87 | N/A | N/A | 121.24 | 26.87 | 7.68 | 32,579.05 | 0.04 |
| 2011 | 35.42 | N/A | N/A | 124.72 | 26.92 | 7.82 | 33,577.21 | 0.04 |
| 2012 | 35.87 | N/A | N/A | 128.85 | 26.27 | 7.75 | 33,846.68 | 0.04 |
| 2013 | 35.85 | N/A | N/A | 130.51 | 26.05 | 7.71 | 34,000.71 | 0.04 |
| **2014** | **35.86** | **N/A** | **N/A** | **131.41** | **25.96** | **7.75** | **34,118.45** | **0.04** |
| 2015 | 36.51 | N/A | N/A | 131.54 | 26.01 | 7.78 | 34,217.65 | 0.04 |
| 2016 | 36.76 | N/A | N/A | 131.60 | 26.06 | 7.84 | 34,289.93 | 0.04 |
| 2017 | 36.63 | N/A | N/A | 133.43 | 25.83 | 7.74 | 34,467.95 | 0.04 |
| 2018 | 36.87 | N/A | N/A | 132.26 | 26.07 | 7.82 | 34,481.97 | 0.04 |
| 2019 | 36.76 | N/A | N/A | 132.62 | 26.06 | 7.77 | 34,561.31 | 0.04 |

Figures are inflation-adjusted 2014 dollars.

SOURCE: WWW.IBISWORLD.COM

# Jargon & Glossary

## Industry Jargon

**AUTO DEALER** A retailer that sells automobiles to the public and often is associated with an auto manufacturer.

**COMPUTER DIAGNOSTICS** Software programs designed to scan computer hardware components to identify problems.

**DO-IT-YOURSELF (DIY)** A category of customers who complete tasks and projects on their own that would generally be outsourced to a business or service provider.

## IBISWorld Glossary

**BARRIERS TO ENTRY** High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

**CAPITAL INTENSITY** Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labor; medium is $0.125 to $0.333 of capital to $1 of labor; low is less than $0.125 of capital for every $1 of labor.

**CONSTANT PRICES** The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

**DOMESTIC DEMAND** Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

**EMPLOYMENT** The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

**ENTERPRISE** A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

**ESTABLISHMENT** The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

**EXPORTS** Total value of industry goods and services sold by US companies to customers abroad.

**IMPORTS** Total value of industry goods and services brought in from foreign countries to be sold in the United States.

**INDUSTRY CONCENTRATION** An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

**INDUSTRY REVENUE** The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

**INDUSTRY VALUE ADDED (IVA)** The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

**INTERNATIONAL TRADE** The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

**LIFE CYCLE** All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

**NONEMPLOYING ESTABLISHMENT** Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

**PROFIT** IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

# Jargon & Glossary

## IBISWorld Glossary continued

**VOLATILITY** The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20%; high volatility is ±10% to ±20%; moderate volatility is ±3% to ±10%; and low volatility is less than ±3%.

**WAGES** The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.

**Disclaimer**