

PAINT MATERIAL STUDY

Tech- Cor Research

RCAR Conference

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TECH-COR



Paint and Material Study

The study results are intended for informational purposes only.

While we believe the results and findings are accurate and representative, this study was conducted in a controlled environment involving one shop and two painters. There may be local factors which would impact similar studies from market to market.

Executive Summary

- **Project Objectives**
 - **Identify materials included in paint and material calculation**
 - **Determine cost of materials used in refinishing**
 - **Determine drivers that impact shop profitability**
- **Project Scope**
 - **Comprehensive measurement of 75 vehicles**
 - **Measure all liquid and consumable materials utilized during the refinishing process**
 - **All material costs in the study were calculated based on retail list prices using premium level suppliers:**
 - **Liquids: Akzo Nobel: Sikkens**
 - **Consumables: 3M Brand**
 - **Industry average paint and material rate- \$22.00 per refinish hour**

Executive Summary

- **Project Findings**

- **Shop average gross profit on paint and materials- 32%**

- **An analysis of gross profit by job size-**

- **Small (0-4.0 hrs) (3%)**
- **Medium (4.1-8.0 hrs) 29%**
- **Large (8.1 + hrs) 38%**

- **Shop average paint and material cost per refinish hour- \$15.00**

- **An analysis of P&M cost per refinish hour by job size-**

- **Small (0-4.0 hrs) \$23**
- **Medium (4.1-8.0 hrs) \$16**
- **Large (8.1 + hrs) \$14**

- **Shop average paint and material cost per vehicle panel- \$43.00**

- **An analysis of P&M cost per vehicle panel by job size-**

- **Small (0-4.0 hrs) \$64**
- **Medium (4.1-8.0 hrs) \$45**
- **Large (8.1 + hrs) \$39**

Executive Summary

- **Additional Project Findings**
 - **Shop material waste represented 15% of total refinishing cost**
 - **Consumable materials represent 26% of total refinishing cost**
 - **Vendor discounts to the shop on Paint and Material can reach up to 35% off list price for liquids and 40% for consumables**

Study Results

Average Repair Order

– Severity	\$2028
– Paint Material Rate	\$22
– Refinish Hours	8 hrs
– Paint Material Allowance	\$175
– Paint Material Cost	\$119
– Gross Margin	\$56
– Gross Profit	32%
– Paint Material Cost/Refinish Hour	\$15
– Paint Material Cost/Vehicle Panel	\$43

Impact Of Discount On Shop Profitability

Average Repair Order

– Severity	\$2,028			
– Paint Material Rate	\$22			
– Refinish Hours	8 hrs			
– Refinish Allowance	\$175			
– Discount Range	0%	10%	20%	30%
– Refinish Cost	\$119	\$107	\$95	\$83
– Gross Margin	\$56	\$69	\$81	\$93
– Gross Profit	32%	39%	46%	53%
– Cost/Ref. Hour	\$15	\$13	\$12	\$10

Profitability Drivers

- **Discounts**
 - **Up to 40% depending on the following factors:**
 - ✓ **Market competition**
 - ✓ **Business volume**
 - ✓ **Service levels**
 - ✓ **Payment terms**
- **Waste**
 - **Study average – 15%**
 - **Cost is \$75 gallon or over \$4000 drum**
 - **Factors that impact waste include:**
 - ✓ **Management systems**
 - ✓ **Equipment**
 - ✓ **Oversight/Measurement**

Profitability Drivers

- **Repair Quality**
 - **Technician skill level**
 - **Rework**
 - **Equipment maintenance**

- **Vendor and Shop Programs**
 - **Cost Guarantee**
 - **Equipment Consignment**
 - **Technician Profit Bonus**
 - **Paint and Material Costing Software**

APPENDIX

Summary Results by Job Size and Operation

<u>Repair Operation</u>	<u>Repair Jobs</u>	<u>Avg Severity</u>	<u>P/M Allow</u>	<u>P/M Cost</u>	<u>Gross Margin</u>	<u>Gross Profit</u>
Sm Repair	11	\$ 532	\$ 70	\$ 76	\$ (6)	(9%)
Sm Repl	4	\$ 491	\$ 82	\$ 62	\$ 20	24%
Sm Avg	15	\$ 521	\$ 72	\$ 74	\$ (2)	(3%)
Md Repr	20	\$1,201	\$130	\$ 92	\$ 38	29%
Md Repl	12	\$1,541	\$142	\$ 98	\$ 44	31%
Md Avg	32	\$1,341	\$134	\$ 95	\$ 39	29%
Lg Rpr Rpl	16	\$2,569	\$249	\$153	\$ 96	39%
Lg Repl	12	\$5,022	\$314	\$198	\$ 116	37%
Lg Avg	28	\$3,620	\$277	\$172	\$ 105	38%
Comb	75	\$2,028	\$175	\$119	\$ 56	32%

Paint & Material List

- **Liquids include:**
 - **Base Coat**
 - **Clear Coat**
 - **Self-etching Primer**
 - **Primer-Surfacer**
 - **Primer-Sealer**
 - **Adhesion Promoter**
 - **Wash Thinner**
- **Consumables include:**
 - **Sandpaper dry- 220, 320 grit**
 - **Sandpaper wet- 400, 600, 1500, 2000 grit**

Paint & Material List

- **Consumables include:**
 - **Scuff pads- red, gray and gold**
 - **Wax and grease remover, Paper towels**
 - **Blend prep agent, Tack rags**
 - **Liquid mask, Masking paper, Wheel bags**
 - **Masking tape, Fine line tape**
 - **Razor blades, Gloves, Dust filter masks**
 - **Mixing cans, Spot putty**
 - **Compound, Glazes, Buff pads**