

How to Start a Car Repair Business

If you are interested in opening your own car repair shop, now is a great time because the market for mechanics is currently experiencing significant profit gains. Most drivers now have cars that are at least 10 years old, which means that...

Part 1 of 3:

Designing a Business Plan



Define the scope of your business. Opening your business plan with its scope provides a general idea of how many customers you will serve and on what scale you will serve them. How many cars do you plan to service in a day and how many staff members will you take on?

1. Will you only offer a specialized service, such as oil changes and tire repairs, or will you offer a more comprehensive range of repairs?
2. Will you buy a currently operating car repair shop or start a brand new one from scratch? What are the costs and benefits of each of these options?
3. Do you plan to remain an independent repair shop or will you join a franchise like Jiffy Lube or Midas? You will generally need \$30,000-\$200,000 to join a franchise, but the advantage is that they will handle marketing and they often have a nationally trusted brand name for potential customers. If you do not have any existing customers in your current career that you know would follow you to a new business, joining a franchise might be worth the investment.^[2]

2.



Describe potential locations. Your business plan will be shaped by the potential locations for your car repair shop. Leasing a current repair shop might be cheaper than buying one or building one from the ground up.^[3]

1. Look for locations that are convenient to either highway or main road access. If your shop is very isolated, it is unlikely customers will come to you, especially when towing costs are often tallied by the mile.
2. Your location should also be able to accommodate an office for you to take care of your administrative needs and a waiting room area for your customers.

3.



Determine your equipment needs. The price of equipment will most likely be your largest cost after the cost of the location. Will you rent your equipment or will you buy it outright? You will most likely need a specialized set of mechanic's tools (\$15,000), at least one diagnostics machine (\$5,000), and a lift with an installation (\$3,700).

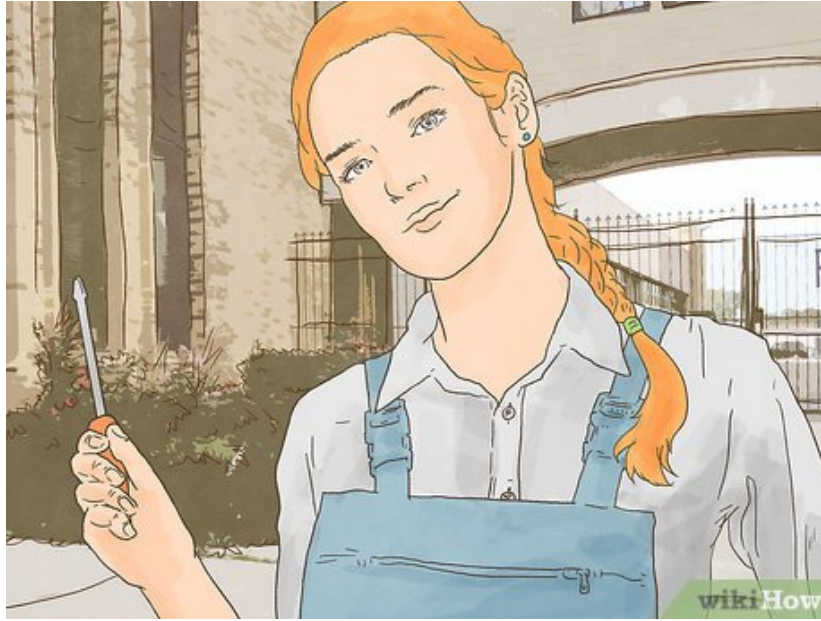
4.



Detail your sources of funding. With the cost of equipment, insurance, rent , and payment for your staff, you will probably need somewhere between \$50,000-\$100,000 to open your business, depending on your location.

1. You should clearly detail any loans your plan to apply for in order to fund your business? Will you apply for a business loan from your bank, from the Small Business Administration, or from another source? To get approved, you must have a healthy financial history (with good credit, no history of bankruptcy) and be able to demonstrate that you have roughly 70% of the funding already raised.^[4]
2. If you are denied a loan from the Small Business Administration or your local bank, then you could consider other lenders like OnDeck and Kabbage if you need cash quickly. These lenders are meant for short-term loans because their interest rates are very high.^[5]
3. If you choose to take a loan from friends or family members, still put the repayment terms of this loan in writing. You do not want to risk losing relationships in the event that you cannot repay the loan in a timely manner.

5.



Define your Unique Selling Point. Most importantly, you should clearly state in your business plan what your shop will provide that no other shop in your area does. Will you provide the lowest prices, the fastest turnaround, or the best customer service? Why should a customer pick your business over your competitors?

1. You can also consider if you will specialize in a niche field, like restoring old cars, or providing environmentally friendly or "green" services to your customers.^[6]
2. Defining your USP will help lay the foundation for your broader marketing plan once you open your store.

Score

0 / 0

Part 1 Quiz

It is ideal to open a franchise if:

You don't have a lot of start-up capital.

Not quite! It's expensive to start a business and franchises are no different. While the costs will be more on the business and administrative side than the equipment and resource side, you should still expect to spend \$30,000-\$200,000 to open your franchise. Choose another answer!

You have a large following of customers.

Try again! If you already have a large following of customers who will go to your new shop or location, you may want to skip the franchise. There are many expenses associated and you don't have as much freedom as you would with your own shop. Guess again!

You're opening a business in an out of the way location.

Nope! If you can, avoid opening your business in an out of the way location. You want to be near a town or highway so that it's easy and convenient for people to get to you and back, regardless of whether you have a franchise or your own shop. Click on another answer to find the right one...

You don't have a huge following in the area.

Correct! If you do have a large following, you may want to steer clear of the franchise. If you're just getting started in the industry and looking to build a customer base, however, a franchise might be right for you! Read on for another quiz question.

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Part 2 of 3:

Opening Your Store



- Obtain a license to operate your business.** States have different licensing requirements for auto repair business. Check your local motor vehicle department for information about the type of license that you will need to operate an auto repair shop in your state. To obtain a license in your state, you will need to:
1. *Fill out an application.* Your motor vehicle department can provide you with an application to apply for your license.
 2. *Meet eligibility requirements.* In most states, you will need to meet certain eligibility requirements to be allowed to apply. These requirements may include things like your age, credit, and criminal record.
 3. *Provide required documents and information.* You may need to include some other documents and information such as proof that the building you plan to use has been zoned for your business, your tax ID number, and color photographs of your facility.
 4. *Pay any fees required to process the application.* The application fee may be as low as \$20, but if approved, you may need to pay \$300 or more to obtain the license.^{[7][8]}

2.



Purchase insurance for your business. Before approving your application, most states require you to have a minimum amount of insurance for liability purposes. This amount may be as low as \$50,000 or as high as \$300,000.^{[9][10]}

1. Check with your state's motor vehicle department to determine how much insurance you will need to obtain for your business.

3.



Fulfill your administrative needs. You will need a clear financial system in place in order to operate as a business and to anticipate potential pitfalls.^[11]

1. Consider hiring an accountant or a financial advisor to help you establish a budget for your expenses as a new business. An accountant can help you manage your taxes, your payroll system, and advise you on the best bookkeeping system to use in your business.
2. You should also consider retaining a lawyer in case you face any suits or claims from your clients. Ask other mechanics in your area which lawyers they use and like.

4.



Implement a marketing strategy. Your success as a business will depend on how you relate to your customers and potential customers

1. *Define your core values as a brand.* What are three words your customers should think of when they think of your business? You might think of words like "honest," "loyal," and "dependable."^[12]
2. *Print eye-catching flyers.* You can place them in places where lots of customers might congregate, such as gyms, civic centers, office parks, and the parking lots at universities and college campuses.
3. *Establish a loyalty program.* You might offer your customers a free oil change after they come to see you for another service (like an engine repair or heating/air conditioning repair). You can also send coupons in the mail to your neighbors or consider offering a digital discount through a service like Groupon.^[13]
4. Consider advertising on TV or on the radio. TV commercials and radio ads may also help you to reach a wider audience and gain new customers.

5.



Make alliances with car dealerships. Some car dealers have their own mechanical shops attached to their businesses, but others don't. You should consider approaching dealers and asking them if they could refer customers to your business. In return, you could also advertise for their business when your customers want to buy a new car.

Score

0 / 0

Part 2 Quiz

Ultimately, the success of your business depends on:

Having a clear financial system.

Try again! It's important for any business to have a clear financial system. This will ensure that works get down, bills get paid and parts get ordered. Still, there's something even more fundamental to consider. Try again...

Teaming up with car dealerships.

Nope! Teaming up with local car dealerships might help you to establish and build your brand. Still, it isn't a necessity and there are more fundamental things to consider. Guess again!

Relating to your customers.

Absolutely! At the end of the day, the work you do and the way you made your customers feel is really what matters! Strive to have a consistent, upbeat and effective business that people can rely on. Read on for another quiz question.

Establishing a niche market.

Almost! Establishing a niche can be effective for building your business. Perhaps you work on classic cars, vans or motorcycles. Still, this isn't the most important step when it comes to the success of your business. Try another answer...

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Part 3 of 3:

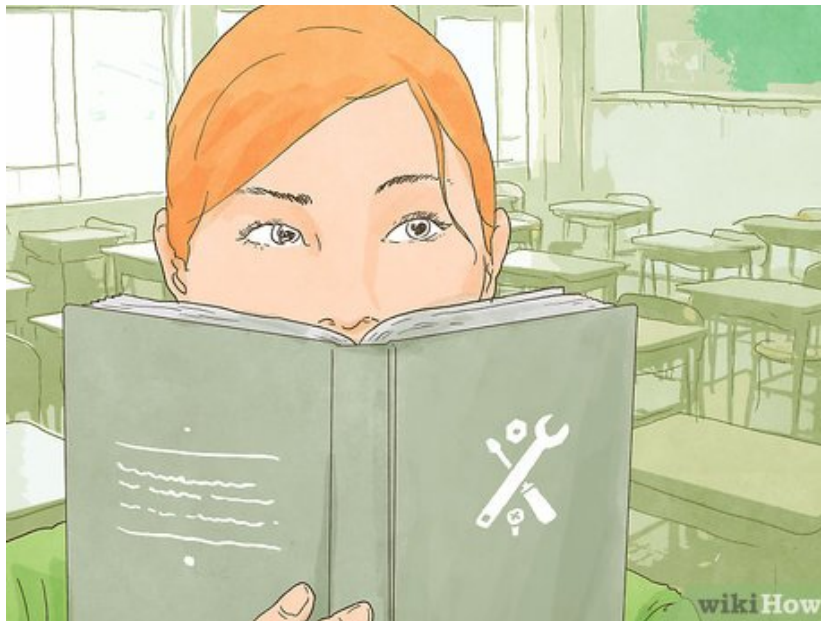
Expanding Your Business

1.



Consider going mobile. For minor repairs -- like tire changes -- you might consider offering roadside assistance or going to customers' homes to help them. This will help your customers associate you with loyalty and convenience.^[14]

2.



Encourage your employees to get certified. Your business can only grow in prestige if your technicians gain certification. Most automotive technicians gain certification from the National Institute for Automotive Service Excellence.

1. Technicians must have a two-year degree and a year of formal experience working as an automotive technician (or mechanic).
2. You can become certified in a number of specializations, ranging from school bus repair, collision repair, trucking equipment, and more.^[15]
3. Gaining certification can help your business gain more credibility in the eyes of your customers.

3.



Open additional branches of your business. If your shop becomes profitable, and you have a surplus of customers, consider opening an additional location in an area that you would be more convenient to other customers.^[16]

1. You should only do this if you get to the point where your first branch runs smoothly on a daily basis. Make sure you have reliable and capable managers to help you. If you still have to run daily demands by yourself, then it might not be the best time to expand.

Score

0 / 0

Part 3 Quiz

True or False: If you're expertly running the day-to-day business of your company all on your own, you should open up another location.

True

Close! If your company is doing well and you have a team of people you know you can rely on, go ahead and consider opening another shop. If you're still the one in charge, however, another shop might not be the right choice. Try another answer...

False

That's right! If you have a great team running the day to day of your shop, then go ahead and start the new location process. Still, if you're still in charge of the daily tasks and responsibilities, now isn't the right time for a new location. Read on for another quiz question.

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