

Chapter 5: Transportation, Sanitation and Communication Related Services

This division includes establishments providing to the general public or to other business enterprises, passenger and freight transportation, communications services, or electricity, gas, steam, water or sanitary services.

Chauffeuring Services

SIC: 4119 NAICS: 485320

Businesses classified in this category include limousine and chauffeuring services.

Description of Business

Customers are typically divided into two types: business and special event. The types of clients serviced will often dictate the equipment needed. Corporate clients engaged in business travel and hotel clients normally prefer smaller town car-type vehicles, while special events clients, including weddings, proms, and other social events, usually require more flashy stretch limos in white or other colors.

General Industry Information

Maintaining a steady flow of business is very important, as operational costs can easily spin out of control. The reality for this business is that the loss of even a few billable hours can be difficult, since the few hours of driving time per week are a major source of revenue. As such, a well run operation will have one person dedicated exclusively to marketing and maintaining contacts with potential clients.

Limousine chauffeuring services tend to be more seasonal, with proms and weddings making up a substantial portion of the business. Business customers, on the other hand, generally require services year-round. Maintaining healthy numbers of both types of clients can be beneficial in terms of balancing the cyclical demand.

The U.S. Bureau of Economic Analysis estimates that approximately \$3.5 billion was spent on chauffeuring services during 2002. According to the Eco-

conomic Census of 2002, there were 3,234 businesses of this type in operation, which employed almost 30,000 workers, with average annual sales of \$1,082,251/firm.

Financial Performance Ratios

Margins (%):
Operating expenses: 85-95% of revenues
Manager/owner's Salary: 25-35% of annual revenue for smaller businesses doing less than \$750,000 in sales.



Business Valuation Formulas

Median: +/- 75% of annual revenues
1.75 to 2.75 times ODCF



Equipment Valuation and Real Estate Rental Formulas

Equipment
OLV is typically 15-25% of retail value.
Real Estate
Rent as a % of Sales: should be less than 8%. Typical square footages range from 2,500 to 65,000 sq ft, with a median of 10,000 sq ft. Typical leases are gross expense leases.



Financing

Financing is available for these businesses, with interest rates 1-3% above prime rates. Terms can last up to ten years, with down payments usually falling between 20 and 50% of the purchase price.



Red Flags and Risks

When shopping to purchase a limousine or chauffeuring business, a buyer should carefully consider the background of existing employees. Items of interest should include driving history, reliability, and level of customer service. Increases in operational expenses can slim profit margins. Increases in driver's salaries, vehicle maintenance expenses, fuel, and insurance prices are risks to chauffeuring services.



Resources

National Association of Fleet Administrators, Inc.
125 Village Blvd, #200
Princeton, NJ 08540
(609) 720-0882

National Business Travel Association
www.nbta.org
110 North Royal Street, 4th Floor
Alexandria, VA 22314
(703) 684-0836

National Limousine Association
www.limo.org
49 S. Maple Ave.
Marlton, NJ 08053
(800) 652-7007
