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The background features a series of vertical bars of varying heights, each composed of multiple parallel diagonal lines. The bars are colored in a gradient from light green to dark green, creating a sense of depth and movement. The overall effect is reminiscent of a stylized bar chart or a modern architectural facade.

State of the **Industry**

2011-12

State of the Industry



Step Back and See the Forest

By **Greg Benckart**
Vice President
PPG Automotive Refinish

On behalf of everyone at PPG Automotive Refinish, I encourage you to review this special report on collision repair's State of the Industry. No matter how focused we become on the day-to-day details of operating a successful enterprise, it remains vital to step back periodically and evaluate performance in the context of the overall business climate in which we operate. "See the forest for the trees," as the idiom says.

There is no question that today's collision center continues to face challenges brought on by an economy still in recovery mode, as well as increased competitive pressures. Yet we at PPG remain encouraged by the many success stories we are witnessing in the marketplace, like collision centers reaping the benefits of being proactive in improving their business model. It's clear that those who continue to make necessary changes and evolve with the times will be well positioned for even greater success as the future turns brighter. This is also PPG's recipe for success – adapting our strategy to meet the needs of the changing collision environment.



Not much has changed since our last "State of the Industry" report in 2010...except that things continue to change. And more rapidly. Market overcapacity, a smaller pie, increasing vehicle sophistication and a changing consumer are just some of the trends that continue to reshape the collision repair market.

By **Jason Stahl** / Editor

There is excess capacity in the collision industry today, and as shops improve their performance, their capacity increases. This doesn't bode well for those who are not working at continuously improving their operations. It's not good enough to be just passionate. Leading a business today takes more than common sense; it takes uncommon skill. Passion and the right skills is the essential combination.

– **Jim Berkey**, director of PPG MVP Business Solutions, speaking to the 350 attendees of the PPG MVP Conference held March 25-27 in Phoenix, Ariz.

Are you in it to win it? It may sound like an overused catch phrase, but that's exactly what collision repairers should be asking themselves in 2012. As harsh as it sounds, those who cannot answer "Yes" to that question should probably start formulating an exit strategy.

Who will win? Probably not those pining for the good old days. The winners will be those who can offer the best combination of quality, speed and cost-effectiveness. Those who are in constant pursuit of process improvement. Those who invest in the new technology and training necessary to fix modern-day vehicles. Those who are constantly seeking to elevate the customer experience. Those who embrace environmentally friendly business practices and utilize waterborne paint, the same paint that is on the vehicles rolling out of OEM factories today. Those who take advantage of Internet-based marketing strategies and ways to communicate with customers electronically. Those who look at challenges as opportunities and not sources of frustration or even a reason to call it quits.

Challenges Abound

The collision repair industry has had its share of challenges over the past several years. Even though the economy is currently showing signs of recovery, collision repair facilities are still falling victim to drivers who opt to not fix their cars and instead spend their insurance checks on other necessities – just one reason why there is a decreasing repair pool. Other reasons include: more total losses (due in part to higher salvage values); advancements in safety and collision avoidance technology; safer roads; a record-high average vehicle age of 11 years; a high number of uninsured motorists; less miles driven due to high fuel prices; the ability of people to work from home in inclement weather due to being connected via technology; more teenagers putting off getting their driver's licenses because they feel connected enough with their friends through social media; an increasing number of older (and thus safer) drivers, better known as the Baby Boomers. The list goes on and on.

All of this adds up to a shrinking pie, and even with the number of shops continuing to decline, the capacity in the market continues to exceed demand. And there's little doubt the mild 2011-12 winter season did anything to slow down that decline in demand. Some estimate the attrition at 1,000 to 2,000 shops per year, and there appears to be only two distinct kinds of shops emerging: the busy and not-so-busy.

Marketing

Shops never used to have to do much marketing; relationships with the consumer and the insurance companies simply brought the work to them. But with insurers reducing the number of their preferred shops (permanently, it seems), shops need to market themselves like never before, not only via the traditional avenues (radio, TV, etc.) but also online through social media and websites. (On an encourag-

Who will win? Probably not those pining for the good old days.

ing note, the percentage of shops that market their services via the Internet has increased from 34 percent in 2007 to 48 percent in 2011.

Most people are no longer thumbing through a paper directory to find a shop; instead, they're searching the Internet. And when they type in "body

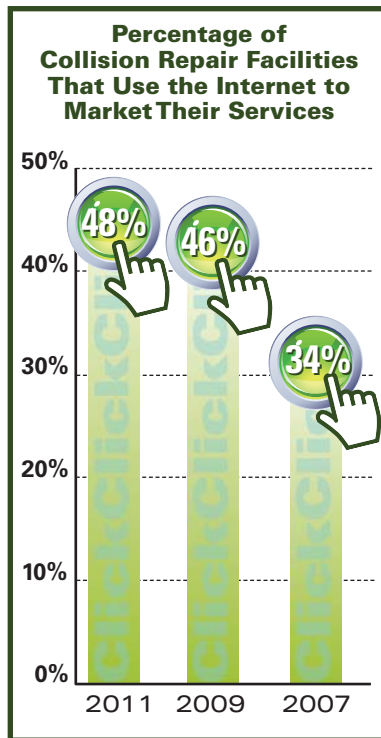
have the ability to easily track and measure their performance and prove that they can be competitive with the rest of the shops in their market. After all, if you can measure it, you can improve it...and improvement is the name of the game. We're seeing those who improve and can show the results get more work. This is the positive opportunity side of the challenges that all shops are faced with today. Key Performance Indicators such as cycle time, touch time and CSI dictate who the leaders are in a given market...and who gets the lion's share of the work available. In a recent survey of nearly 300 repairers, *BodyShop Business* found that the average drivable cycle time is 4.4 days, and non-drivable is 10.3 days.

Insurers appreciate relationships with MSOs because they provide a single point of contact, strong brand, consistency of processes across the board, economies of scale, utilization of a technology platform and the staffing capable of administering direct-repair programs (a task once relegated to the insurers themselves).

Still, as much consolidation as there appears to be in the daily news, 92 percent of the industry is still comprised of independent, single-store, family-owned shops (*BodyShop Business 2011 Industry Profile*). In spite of what can be described as a disadvantaged position versus the MSO, the strong-performing single shops are appreciated and are also gaining business in the market.

New Customer

The customer is changing, too. Thanks to the Internet and social media, they're becoming more savvy. They're becoming more knowledgeable of what truly comprises a quality repair



shop cleveland ohio" in a search engine, what shop's name is appearing at the top of the list? It depends which shop has pursued "search engine optimization" (SEO). Who ever thought that SEO would become something that could keep a collision repair facility owner up at night?

Insurer Preferences

Insurance companies are increasingly preferring to partner with shops that

State-By-State Breakdown of the Collision Market

	Population 2009 (est.)	Light Vehicles (Polk data) 2009	Reported Crashes	Crash Rate Reported Accidents	Total Crashes
Alabama	4,708,708	4,380,791	123,731	0.028	247,462
Alaska	698,473	565,046	11,630	0.021	23,260
Arizona	6,595,778	4,249,298	106,177	0.025	212,354
Arkansas	2,889,450	2,293,691	62,808	0.027	125,616
California	36,961,664	29,869,866	426,228	0.014	852,456
Colorado	5,024,748	3,925,304	90,682	0.023	181,364
Connecticut	3,518,288	3,092,911	83,509	0.027	167,017
Delaware	885,122	741,735	20,017	0.027	40,034
Washington D.C.	599,657	284,311	16,841	0.059	33,682
Florida	18,537,969	14,983,907	235,461	0.016	470,922
Georgia	9,829,211	7,409,922	306,367	0.041	612,734
Hawaii	1,295,178	1,042,119	28,137	0.027	56,274
Idaho	1,545,801	1,103,268	25,002	0.023	50,004
Illinois	12,910,409	10,462,453	289,260	0.028	578,520
Indiana	6,423,113	5,501,570	192,890	0.035	385,780
Iowa	3,007,856	2,751,943	54,346	0.020	108,692
Kansas	2,818,747	2,323,946	60,031	0.026	120,062
Kentucky	4,314,113	3,351,306	127,456	0.038	254,912
Louisiana	4,492,076	3,847,292	144,998	0.038	289,996
Maine	1,318,301	1,096,970	28,692	0.026	57,384
Maryland	5,699,478	4,759,098	128,496	0.027	256,991
Massachusetts	6,593,587	5,561,863	150,170	0.027	300,341
Michigan	9,969,727	9,176,619	282,075	0.031	564,150
Minnesota	5,266,214	4,138,592	74,073	0.018	148,146
Mississippi	2,951,996	1,884,167	70,058	0.037	140,116
Missouri	5,987,580	4,848,572	151,353	0.031	302,706
Montana	974,989	913,895	20,697	0.023	41,394
Nebraska	1,796,619	1,603,465	32,095	0.020	64,190
Nevada	2,643,085	1,636,046	53,151	0.032	106,302
New Hampshire	1,324,575	1,203,880	33,265	0.028	66,530
New Jersey	8,707,739	7,710,932	299,575	0.039	599,150
New Mexico	2,009,671	1,679,926	46,156	0.027	92,312
New York	19,541,453	13,362,608	315,877	0.024	631,754
North Carolina	9,380,884	6,564,599	214,226	0.033	428,452
North Dakota	646,844	660,390	17,076	0.026	34,152
Ohio	11,542,645	10,372,751	300,164	0.029	600,328
Oklahoma	3,687,050	2,962,055	69,807	0.024	139,614
Oregon	3,825,657	3,041,398	44,094	0.014	88,188
Pennsylvania	12,604,767	10,007,949	121,312	0.012	242,624
Rhode Island	1,053,209	896,432	38,644	0.043	77,288
South Carolina	4,561,242	3,052,520	106,864	0.035	213,728
South Dakota	812,383	814,350	17,626	0.022	35,252
Tennessee	6,296,254	4,612,216	150,483	0.033	300,966
Texas	24,782,302	16,872,895	388,177	0.023	776,354
Utah	2,784,572	1,688,761	51,367	0.030	102,734
Vermont	621,760	607,201	12,640	0.021	25,280
Virginia	7,882,590	6,174,077	116,386	0.019	232,772
Washington	6,664,195	4,565,085	101,576	0.022	203,152
West Virginia	1,819,777	1,512,620	40,841	0.027	81,681
Wisconsin	5,654,774	4,826,747	109,991	0.023	219,982
Wyoming	544,270	519,750	14,653	0.028	29,306
U.S. Total	307,006,550	241,509,108	6,007,230	0.027	12,014,461

Methodology

- Population:** The number of people in the state in 2009.
- Light Vehicle Registrations:** The total number of automobiles and light trucks registered in that state as of July 1, 2008.
- Reported Crashes:** The total number of vehicle crashes reported to authorities, which typically refers to the year 2009 or 2010 but, in some cases, might be from an earlier year. The actual number was obtained for 45 states. For some states, data was collected from state websites, the National Highway Traffic Safety Administration's site, or by contacting the appropriate government agency. For the remaining regions, the number of crashes was estimated by using the national average rate. The national average crash rate is 0.0274. The rate varies significantly from state to state and has strong influence on the collision repair potential for that state. The crash totals include accidents involving just one vehicle and those of multiple vehicles, as well as motorcycle crashes. The total includes property damage-only crashes, crashes that resulted in injuries and crashes involving fatalities. Some states may have different thresholds for reporting a vehicle crash. Typically, this is a minimum of \$1,500 property damage. Some states may not express all crash data through a single reporting agency (typically the Bureau of Public Safety or the Highway Patrol). In these instances, the total shown for that state will be less than the actual number of crashes.
- Crash Rate:** The percentage of registered vehicles that are involved in reported crashes during the year. The national average for the 45 states for which actual data was available is 0.0274 (about 3% of all vehicles per year).

Damaged Vehicles	Repaired Vehicles	Repair Dollars per State	Number of Shops	BSB Repair Potential per Shop	Vehicles In Use per Shop	Repaired Vehicles per Shop
371,193	241,275	603,188,625	703	\$858,363	6,234	343
34,890	22,679	56,696,250	92	\$615,194	6,131	246
318,531	207,045	517,612,875	515	\$1,005,933	8,258	402
188,424	122,476	306,189,000	492	\$621,729	4,657	249
1,278,684	831,145	2,077,861,500	3,967	\$523,824	7,530	210
272,046	176,830	442,074,750	595	\$742,733	6,595	297
250,526	162,842	407,104,410	586	\$695,192	5,282	278
60,051	39,033	97,582,875	104	\$941,193	7,154	376
50,523	32,840	82,099,875	20	\$4,104,994	14,216	1,642
706,383	459,149	1,147,872,375	2,100	\$546,481	7,134	219
919,101	597,416	1,493,539,125	1,265	\$1,180,402	5,856	472
84,412	54,868	137,168,913	175	\$785,078	5,965	314
75,006	48,754	121,884,750	261	\$466,777	4,225	187
867,780	564,057	1,410,142,500	2,028	\$695,172	5,158	278
578,670	376,136	940,338,750	1,011	\$930,218	5,442	372
163,038	105,975	264,936,750	884	\$299,648	3,112	120
180,093	117,060	292,651,125	587	\$498,928	3,962	200
382,368	248,539	621,348,000	763	\$814,135	4,391	326
434,994	282,746	706,865,250	685	\$1,031,258	5,613	413
86,076	55,949	139,873,500	300	\$465,500	3,651	186
385,487	250,567	626,416,274	677	\$925,556	7,032	370
450,511	292,832	732,080,217	1,180	\$620,491	4,714	248
846,225	550,046	1,375,115,625	1,704	\$806,993	5,385	323
222,219	144,442	361,105,875	1,094	\$329,958	3,782	132
210,174	136,613	341,532,750	426	\$801,269	4,420	321
454,059	295,138	737,845,875	1,083	\$681,374	4,477	273
62,091	40,359	100,897,875	261	\$386,404	3,500	155
96,285	62,585	156,463,125	510	\$306,935	3,146	123
159,453	103,644	259,111,125	221	\$1,173,511	7,410	469
99,795	64,867	162,166,875	287	\$564,963	4,194	226
898,725	584,171	1,460,428,125	1,157	\$1,262,472	6,666	505
138,468	90,004	225,010,500	254	\$884,475	6,603	354
947,631	615,960	1,539,900,375	2,660	\$578,875	5,023	232
642,678	417,741	1,044,351,750	1,382	\$755,463	4,749	302
51,228	33,298	83,245,500	229	\$362,820	2,878	145
900,492	585,320	1,463,299,500	1,962	\$745,729	5,286	298
209,421	136,124	340,309,125	603	\$564,472	4,913	226
132,282	85,983	214,958,250	515	\$417,752	5,911	167
363,936	236,558	591,396,000	2,809	\$210,539	3,563	84
115,932	75,356	188,389,500	204	\$921,310	4,384	369
320,592	208,385	520,962,000	652	\$799,218	4,683	320
52,878	34,371	85,926,750	249	\$345,587	3,275	138
451,449	293,442	733,604,625	857	\$855,735	5,380	342
1,164,531	756,945	1,892,362,875	2,928	\$646,299	5,763	259
154,101	100,166	250,414,125	314	\$797,700	5,380	319
37,920	24,648	61,620,000	154	\$401,172	3,953	160
349,158	226,953	567,381,750	842	\$673,914	7,333	270
304,728	198,073	495,183,000	755	\$656,254	6,050	263
122,522	79,639	199,098,608	306	\$650,139	4,939	260
329,973	214,482	536,206,125	1,246	\$430,314	3,874	172
43,959	28,573	71,433,375	122	\$585,904	4,263	234
18,021,691	11,714,099	29,285,248,673	44,777	\$677,227.07	6,114	298

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- Total Crashes:** There are nearly 7 million traffic crashes reported each year, but the federal government estimates that at least as many go unreported. What the actual number may be is unknown. Some estimates have the total number of crashes at over 16 million annually – meaning that less than half the accidents are reported to police. This analysis uses the assumption that the actual number of accidents is twice the number of those reported. It may be as high as three times the reported number, and this would have a large effect on our estimates. The total crashes figure is thus the approximate number of crashes in each state (and probably lower than the actual number in many cases).
- Damaged Vehicles:** Though many crashes involve only one vehicle, some can result in 2, 3 or more damaged vehicles. Some involve only a bicycle, motorcycle or trailer, or otherwise result in damage that won't be seen in a collision repair shop. In this analysis, we assume that each crash results in 1.5 damaged vehicles.
- Repaired Crashes:** Not all crashed vehicles are repaired. Some sources report that up to 20% of such vehicles are being totaled, and another fraction, though not totaled, are not being repaired. We estimate that about 65% of damaged vehicles are being repaired. This column represents the total crashes multiplied by 0.65.
- Repair Dollars per State:** Vehicle crashes can vary significantly in severity. For the purposes of this report, we assume that crashes in one state result in the same damage value as those in another area. We're using an average of \$2,400 per repair. The figure for each state does not include non-collision related repairs such as rust repair, repainting, customization, detailing, non-collision glass repair and other vehicle body/interior repairs that are not caused by a crash. Thus, the total for each state and the national total will not equal the estimated total repair/refinish market quoted by other sources.

State of the Industry



minimize their impact on the environment. Two-income families dependent on their cars are in need of faster turnaround times. And their profile is changing, too – some say that 60 percent of collision repair customers walking through the door today are female.

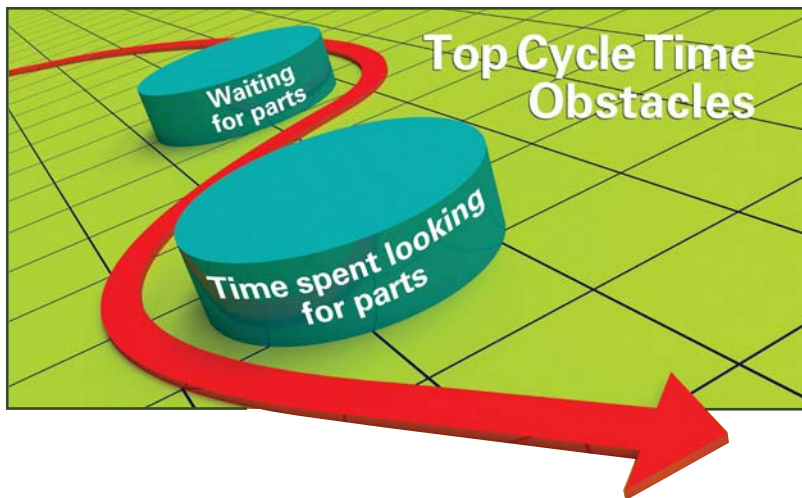
Vehicle Sophistication

As the car manufacturers introduce “rocket ships” that don’t even closely resemble the vehicles of the past, it has become even more important to have the right training and tooling to perform proper and safe repairs. The issue of standards has been raised again but with a much more unified opinion that the OE-recommended repair procedures (when they exist for a specific repair on a certain make/model of vehicle) should be strictly followed. Thus, shops need to gain access to OE repair information – another investment, but one any shop with the long-term goal of thriving and not just surviving must be willing to make.

Conclusion

Are you in it to win it? Have you had your eye on the long-term future or just tomorrow? At the PPG MVP Conference, business consultant Joe Calloway said, “If you’re successful, you know what worked yesterday” – a nod toward how fast things are changing.

Businesses today have to be flexible, light on their feet and open to change. Former Olympic speed skier Vince Poscente, another speaker at the PPG MVP Conference, knows a thing or two about speed. He asked, “The world is going so fast, how do you thrive and not just cope?” It’s a question those collision repair facilities that are in it to win it need to ask themselves, too. ■



and can now do their homework on shops more quickly and efficiently. Thus, shops are now concerned about something that they never had been before: their online reputations.

Customers can even submit photos of their damage to websites and get in-

stant bids for the job. They want to be instantly updated on the status of their vehicles via e-mail or text message. (These are the same people who are increasingly buying car insurance via the Internet). They also want to patronize businesses that are actively trying to

Who ever thought that SEO would become something that could keep a collision repair facility owner up at night?

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Embracing Change

By Greg Benckart

Vice President

PPG Automotive Refinish

Let's begin by getting the negative, "glass half empty" view of our industry out of the way. No matter how you spin it, the state of our industry (slowed economy, fewer accidents, safer vehicles, etc.) is making it more difficult for some collision centers to succeed. Add to that the fact that collision repair has become more competitive than ever. The decision on who gets the business is being driven more and more by performance-based metrics, particularly cycle time numbers that can reduce the total cost of the repair.

That said, there is a very positive story to tell against this backdrop. It centers on those shop owners and businesses who have faced today's realities, embraced the need to change, and have methodically taken the steps for improving their processes and product choices and thus their performance. They are driven to instill a culture of continuous improvement in their workplace. Better yet, these progressive body shops are seeing tangible payoffs in business growth and profitability.

Contrary to what some may think, these successes are not limited to large collision centers or MSOs. If you're a small independent that performs well in the critical categories of speed, quality and cost, you can expect to compete on a level playing field. To illustrate the point, one major insurance company now maintains a national performance ranking for collision shops. When a "first notice of loss" appears in a particular market, a list of collision shops is

generated based on their position in the national ranking. It's one more indication that the best performing shops – not size, goodwill or affiliation – will win the business on a level playing field.

This trend toward performance-based work sourcing is not a fad, and likely will not go away anytime soon. That's why it is encouraging for us at PPG to see the considerable increase in the number of collision centers signing on to our MVP business improvement programs. We are also seeing a greater

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interest in new paint technologies, such as our waterborne finishes that can help improve cycle times.

What's next for collision centers that want to become more viable competitors in today's landscape? The simple answer – get some professional assistance. In today's environment, it is critical to have the best tools, to be on the best path and to be taught by the best mentors.

A good way to begin is to obtain a professional baseline assessment of your current processes and performance – a snapshot of how your collision center measures up and what areas of the business may be underperforming. Since every collision center is different, there is no cookie-cutter solution for taking the right path.

Some collision centers may want to

start with addressing the fundamentals and focusing on any weakness that has been identified. It may be that your estimator needs a refresher on the latest best practices and tools for writing more accurate estimates. At PPG, for example, we offer 15 different courses on the business fundamentals of collision repair, from administration, estimating and production management, to sales, marketing and financial management – all taught by folks who have extensive collision repair experience.

Or perhaps your paint operation has become a bottleneck. Are your technicians up-to-date and trained on the latest products, color-matching tools and techniques? We believe the upswing in shops open to new ideas and better processes is the reason why our

waterborne basecoat technology is catching on so quickly in areas not yet under any compliance mandate.

As cycle time performance increasingly becomes the key factor in acquiring business, every shop wishing to thrive in this environment will need continuous improvement processes in place to compete effectively.

As evidenced by the increasing enrollment in our MVP Lean for Collision program, there is strong indication that collision centers are heeding this need. They are well on the way to forming a business culture passionately committed to continuous, measurable and market-driven improvement. They are embracing change. At PPG, we also must embrace change and continue to develop our products and processes so that we facilitate the collision shop's success. ■



COLLISION CENTER EFFICIENCY THROUGH PROCESS OPTIMIZATION

Success in today's results-driven business climate demands there be no weak link in a collision center's drive to gain the competitive edge in repair process efficiency.

That's why the time is right for making the move to the Aquabase Plus wireless repair system. With features such as portable, high-capacity tanks at fast, air-dry, on-call speed service, the engine has repair process and operations efficiency in matching OF colors. Aquabase Plus represents the next advance for improving process optimization.

Mexa Autocolor: Leaders in repair process efficiency.

PPG Automotive Refinish
Bringing innovation to the surface.[®]

Aquabase
PLUS