
# BLACK CLOUDS AND SILVER LININGS

## MSO Symposium offers look at slowing consolidation, industry stats, social media

**JOHN YOSWICK** // Contributing Editor

If it feels like you're seeing fewer headlines about the "Big 4" consolidators gobbling up other multi-shop operations and single-location shops, that's not your imagination.

Kicking off the seventh annual MSO Symposium during NACE Automechanika in Atlanta this summer, consultant Vince Romans said consolidation of the industry is "slowing" but "has not stopped."

"Back in 2014, we had almost $1 billion of acquired revenue, business that changed hands in the United States, transferred from smaller operators to the four top MSOs," Romans said of acquisitions by ABRA Auto Body & Glass, Service King, Caliber Collision and the Boyd Group (which operates in the U.S. under the Gerber Collision & Glass tradename). "You can see the trend downward in 2016, to $210 million, and year-to-date as of the beginning of August, it was about $132 million."

Romans said those figures include only "platform" acquisitions by the Big 4 of other MSOs, not purchases of single-location shops nor brownfield or greenfield expansions by the largest consolidators.

"Still, these numbers do indicate there's a slowdown," Romans said.

The level of acquisition activity isn't consistent across the Big 4. The two largest chains, Caliber and Gerber, have continued to acquire more businesses than the other two over the last couple of years.

"ABRA, which took some time off, about 15 months to reassess their acquisitions and constructively transform their business, is now back in action," Romans said. "They're acquiring single shops, and looking at platform acquisition. On the other hand, Service King has taken a hiatus now. Since the third quarter of last year, Service King had not made any multi-location platform acquisitions. But they are doing some single-location acquisitions, so they're not completely off the grid."

Having recently added its 600th location, Caliber is the largest chain, with al-

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most one-third of the 1,813 locations Romans said the Big 4 had as of early August. He estimates that, combined, the four companies had 2017 U.S. sales of about $5.3 billion, or nearly 15 percent of total U.S. collision repair market. That averages out to about $2.93 million in revenue per location.

By Romans' count, there are now nearly 100 collision repair businesses in the United States that have annual sales topping $20 million. Combined, those 96 businesses have nearly 2,800 shop locations, he said. They have captured more than one-fourth of the industry's total revenue; that's up from less than 10 percent in 2006.

While scale has its benefits, having a large collision repair organization has its challenges as well. Romans said unfilled production positions are common at many MSOs.

"In some markets, there's a war going on," Romans said. "People are buying technicians from the competition. People are putting out new incentive programs that never existed before. There are some MSOs, the larger ones, that are anywhere from 100 to 150 technicians short. At $50,000 of production [per technician] a month, do the numbers, and you can see the throughput that's being lost because they don't have the technicians that they need."

## Silver lining to most dark clouds

While Susanna Gotsch, director of industry analysis for CCC Information Services, didn't characterize her presentation at the MSO Symposium as a compendium of "good news, bad news," there were certainly elements of that in the data and trends she shared.

The insurance industry, for example, has typically measured frequency – the rate of claims — by calculating for every 100 insured vehicles, how many of them actually have a claim on an annual basis. The bad news for collision repairers?

"If you go back to 1980, that number has been trending down for decades," Gotsch said.

But shops don't fix percentages; they fix cars. And Gotsch said the National Safety Council estimates that the raw number of vehicles involved in accidents is growing. That number stood at 20 million in 2003, but had fallen to 17.3 million in recession-ravaged 2008. It's grown every year since, getting back close to the 20 million mark again by 2012, hitting 22 million in 2014, and nearing an estimated 23.8 million last year.

The tapering off of the average number of miles driven per vehicle is another trend that could look like bad news for shops.

"But in large part it's because the number of vehicles per household is starting to grow again," Gotsch said. "So if you have three vehicles in your household, and you're driving 'x' number of miles, you're going to drive fewer miles per vehicle than you had previously."

Gotsch said the increasing accident avoidance technology in vehicles as the automakers strive toward autonomous vehicles will have an impact on crash rates.

"But accident counts will not fall off a cliff," she said.

CCC is predicting that these systems will begin having "a meaningful impact" on claims frequency starting with a 5 percent reduction in claims by 2022, a 10 percent reduction by 2024, and a 35 percent reduction by 2050.

She said average costs per claim have risen, largely because of an increase in the number parts per claim; more often than in the past, she said, those are not low-cost rivets or bolts, but rather more expensive cameras, sensors and wiring harnesses. Overall, she said, repair costs are rising between 2 percent and 3 percent.

"Which is on the higher end of the spectrum, when you look at the trend over the past 15-20 years, but I will say after having worked with the data a lot over 26 years, I will say that this is not an out-of-bounds number from what we've seen before," she said.

## Using social media wisely

The MSO Symposium also included several panel discussions in which representatives of both smaller and larger MSOs shared advice and viewpoints on everything from employee recruiting to growing your business.

DJ Mitchell participated in one of those panels, less than a month after his family's 13-shop Car Guys collision repair business in Florida was acquired by another regional MSO, Joe Hudson's Collision Centers. When asked about social media marketing, Mitchell said he thinks "it's important to have a presence."

"You can post stuff on Instagram, Facebook and Twitter, but you have to pay attention to what you're posting," Mitchell cautioned, nothing that it's important to make sure there's nothing in any photos that will offend or cause privacy issues for customers.

"Look at the entire photo before you post it, even the background," Mitchell said.

He said services that will post your company's customer reviews on social media can be a good way to go.

Ron Nagy, a second-generation owner of Nagy's Collision Centers, which operates 13 locations in Northeast Ohio, said he appreciates the branding opportunities that social media offers, but has seen the dark side of it as well.

"We've had a few people say, 'If you don't do this and that, I'm slamming you on social media,'" Nagy said.

Mitchell said that's where responding quickly to any negative online comments or reviews becomes critical. Consumers rarely expect a company to have nothing but rave reviews, he said, and a professional response can show them how your business acts when things don't go well.

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