

# Changing Profile

Conditions will alter more in the next five years than in the last 20.

By Vincent Romans

*Similar cultures, language and history mean that Canada and the United States share many parallels. With that said, we present the following article by Vincent Romans of The Romans Group. Although Romans' research has been conducted with U.S. numbers, it can be of use to facility owners and managers who want to predict the way the industry will trend. - Ed.*

## U. S. Collision Repair Market (Dollars in Millions)

	2007	2006	Change
<b>Total Collision Repair Locations</b>	43,000	45,000	-2000
<b>Total Collision Repair Revenue</b>	\$30,000	\$30,000	-
<b>Total Number of \$20 MLOs</b>	53	57	-4
<b>Total \$20M MLO Locations</b>	923	959	-36
<b>Total \$20M MLO Locations</b>	890	898	-8
<b>% of \$20M MLO Locations</b>	2.1 %	2.0%	+0.1%
<b>Total \$20M MLO Revenue</b>	\$3,048	\$2,728	+\$320
<b>\$20M MLO Share of Total Revenue</b>	10.2%	9.1%	1.1%

This is our first update to tracking collision repair organizations in the United States that process \$20 million or more in vehicle collision repair revenue annually. There are many businesses of significant size processing under \$20 million of revenue annually. However, our focus continues to be on the \$20 million and larger independent and dealership collision repair

segment. These organizations have been classified in a variety of ways such as consolidators, multiple shop operators, and networks. We refer to them as multiple location operators or MLOs.

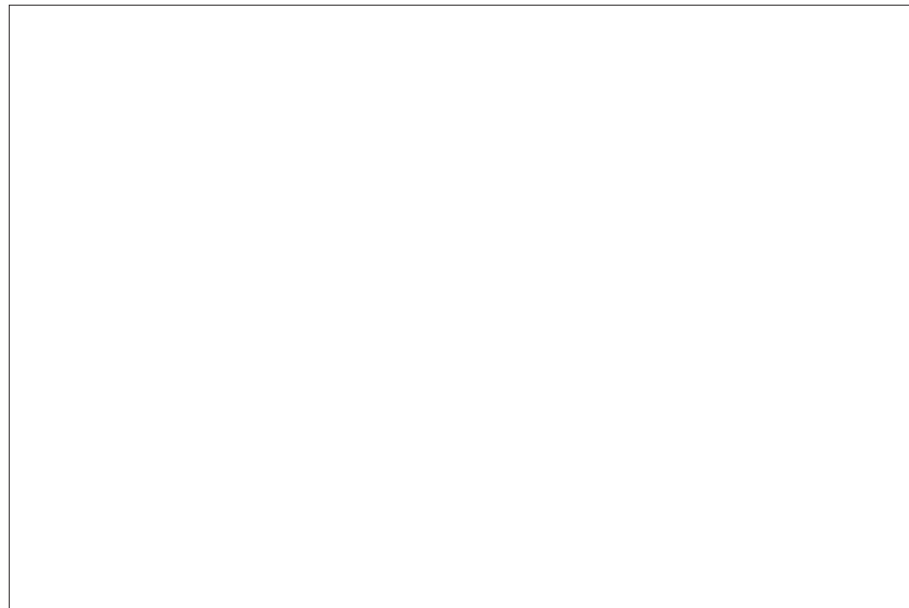
Our baseline number of collision repairers for this year's analysis is 43,000 which is lower than our 2006 estimate of 45,000. We believe that contraction continues in what is viewed by many as an over-capacity and fragmented industry. However, we do see the industry moving toward a less fragmented and capacity-normalized profile over the next decade.

Our profile excludes repair facilities that focus exclusively or primarily on expedited paint, small dent and glass repair, cosmoltion, and collision repair related to off-lease and auction vehicles.

Our focus doesn't include networks that promote brand, banner and tech programs such as conversion franchise organizations, OEM certification, value-added services, cooperative-buying benefits, or outsourced claims management and repair services. We recognize that these networks provide important solutions and services for members, providers and customers.

Our research results focus on \$20M multiple location operator repair revenue, number of locations, and markets served nationally and regionally for both dealership and independent collision repairers. Based on the minimum of \$20 million in revenue from vehicles processed and repaired annually, our findings concluded that there are 53 independent and dealership collision repair \$20M MLOs processing \$3.05 billion of collision repair dollars spent annually through 923 locations.

We used our best efforts to exclude satellite estimating and drop-off locations. These \$20M MLOs represent 2.1% of the estimated 43,000 collision repair facilities nationally, and they process 10.2% of the \$30 billion in insurance and customer-pay collision repair revenue. The National Automobile Dealers Association, NADA,



estimates that dealers processed \$9.5 billion in repair revenue in 2007; the balance of \$20.5 billion is being processed by approximately 35,341 independent repairers.

The table above is a top-line look at this changing environment. On average, the \$20M MLOs clearly have an advantage in terms of average revenue generated by location. Smaller MLO and non-MLO repairers average \$640,540 in repairs processed per location while \$20M MLOs average \$3.3 million per location, over five times more. In today's full service collision repair market there appears to be growing interest by repairers in the conversion franchise model. The heretofore previously preferred collision repair local market, independent-brand model, believed by many repairers to be the most desirable way to successfully maintain and grow their business, may now be seen by a growing number of collision repair providers as possibly more risky than being associated with a network franchise model. Repairers see the opportunity to leverage franchise member benefits as a way of potentially better sustaining and growing their business.

Within the top ten collision repair \$20M MLOs (see table on next page), five are independent and five are dealer groups. These ten organizations account for 48.0% of all \$20M MLO locations and 53.0% of all

### Franchise Locations and Revenue (Dollars in Millions)

<b>Total Collision Repair Locations</b>	43,000
<b>Total Collision Repair Revenue</b>	\$30,000
<b>Total MLO Franchise Locations</b>	291
<b>Total \$20M MLO Locations Including Franchise</b>	1181
<b>Share of \$20M MLO Production Locations Including Franchise to All Locations</b>	2.7%
<b>Total MLO Franchise Revenue</b>	493
<b>Total \$20M MLO Revenue Including Franchise</b>	\$3,541
<b>Share of \$20M MLO Revenue Including Franchise to All Collision Repair Revenue</b>	11.8%

## Top 10 U.S \$20M Multiple Location Operators

MLO	2007 Rank	2006 Rank	Type
AutoNation	1	3	Dealer
Caliber Collision	2	1	Independent
ABRA	3	2	Independent
Sterling Auto Body	4	4	Independent/Insurance
Van Tuyl/AIG	5	5	Dealer
Boyd/Gerber U.S.	6	8	Independent
Sonic	7	6	Dealer
Penske	8	9	Dealer
Asbury	9	10	Dealer
Service King	10	11	Independent

\$20M MLO revenue. Geographically, they are most highly represented in the Southeast at 29.6% and are least represented in the Northeast at 2.7%. These top ten MLOs display trends similar to the total \$20M MLO group; higher revenue produced through fewer production locations.

Smaller and non-MLO repairers, those with total collision repair revenue below \$20 million annually, vary widely in claims processed per location. Independent \$20M MLO average revenue per location surpasses that of the smaller and non-MLOs at \$3.0 million versus \$583,000, over five times more average revenue per location. \$20M MLO dealer repairer performance also exceeds their smaller and non-MLO counterparts at a repairs-processed average of \$4.0 million per location versus \$872,000 average per location for smaller and non-MLO dealer repairers.

Comparing the top ten independent and dealer group \$20M MLOs, the independents have 54 per cent more locations producing 3.7 per cent more revenue than dealer repair organizations. However, the top 10 dealer

repairers manage \$4.4 million in average revenue per location versus \$3.0 million per location for independents.

Within the Top 10 Independent \$20M MLO group, the ranking has remained unchanged from last year. While the total number of production locations has declined slightly, their representative share of all \$20M MLO locations has increased 2.2 per cent. Consequently, this group's share of all \$20M MLO revenue has also increased by 2.8 per cent.

In 2007, 37 per cent of dealerships operated collision repair facilities versus 41 per cent in 2006.

We expect original equipment manufacturers to continue support of dealership owned and operated collision repair facilities through the further development and expansion of certification programs. These certification programs, coupled with initiatives such as State Farm's parts program, suggest that OEMs and dealerships

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Vincent Romans is a founding partner of The Romans Group, providing consulting to assist management teams. The firm produces the Collision Repair Executive Webcast. For more information please visit [romans-group.com](http://romans-group.com).