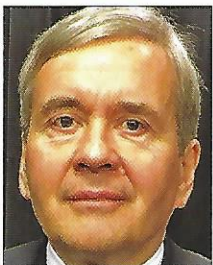


CRASH COURSE

■ 5 things you need to know now, whether or not you run a body shop



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Call it Crashapalooza '17. For the first time, the North American version of Automechanika — the world's largest trade show for the auto service industry — joined forces last month with NACE — the biggest annual get-together for U.S. collision repair professionals.

The results: a massive training venue for high-end collision and service repair, and a magnet attracting top automotive leaders to talk about industry trends.

The four-day event in Chicago's McCormick Place drew more than 6,000 participants, included 400-plus exhibitors and offered 175 training seminars

in advanced technologies, diagnostics and management.

About two of every five franchised new-vehicle dealerships operate on-site body shops, the National Automobile Dealers Association says. These shops' sales rose by a modest 2.2 percent last year from 2015.

But whether or not dealerships run collision centers, efforts to boost overall service revenue are growing in urgency as vehicle sales slump. So all dealers have a stake in these top takeaways from the NACE Automechanika show:

1. *The U.S. auto industry's seven fat years of rising new-vehicle sales are over. That puts even more pressure on dealership service departments, including collision repair centers, to pick up the revenue slack.*

Dan Hearsch, director of the automotive practice at consulting firm AlixPartners, predicts that U.S. sales of new cars and trucks will fall to 16.9 million vehicles this year from 17.55 million in 2016.

He expects sales to continue to decline next year and bottom out at 15.2 million in 2019 before they rise again.

That trend, Hearsch says, will make even clearer dealerships' "reliance on the service bay for revenue profitability."

2. *The complexity of vehicles is growing faster than the capability of service technicians and shops to address it. This not only aggravates the chronic shortage of techs, but also elevates the vital importance of advanced technical training.*

For example, even the most sophisticated scan tool, from automakers or the aftermarket, to evaluate collision damage is "not a silver bullet," says Michael Simon, director of automotive service solutions strategic accounts for Bosch Automotive Aftermarket.

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Chris Evans, a claim consultant for State Farm Insurance, warns: "It's scary how few industry participants embrace the need for training."

3. *The consolidation and contraction trends in the collision repair industry — a \$36 billion annual business — are slowing.*

There are roughly 32,400 collision repair centers, dealership-owned and independent, in the United States — half as many as in 1990.

The "big four" consolidators of independent body shop ownership — Caliber, Service King, Boyd/Gerber and ABRA — still own fewer than 5 percent of collision centers providing 14 percent of industry revenue, says industry consultant Vincent Romans.

That ownership share will increase only slightly next year, he predicts, as the consolidators focus on forming strategic tie-ups with industry partners.

That leaves room for dealership groups, and even individual dealers, to get in the collision repair game. "There's still a lot of industry out there for a lot of people to be successful," says Romans, CEO of Romans Group in Barrington, Ill.

4. *Washington is failing to enact laws important to the service and collision repair industries, encouraging states to fill the vacuum with their own, potentially contradictory measures.*

Partisan gridlock in Congress has stalled progress on legislation affecting such issues as automated vehicles/connected cars, vehicle cybersecurity and the use of nonfactory crash parts by body shops, says Bob Redding, chief Washington lobbyist for the Automotive Service Association.

Meanwhile, the introduction of more than 100 bills on these issues in state legislatures threatens a chaotic patchwork of regulation. "It's a Wild West show," Redding says. "Without federal engagement, you're likely to have more games."

And President Donald Trump isn't helping matters with his delays in filling key auto-related posts in his administration, such as a permanent head for the

National Highway Traffic Safety Administration.

5. *Artificial intelligence may be on the verge of revolutionizing collision repair.*

Adrien Cohen is co-founder of Tractable, a British company that, among other things, applies 300 million images of damaged vehicles to the task of appraising photos of crashed cars and defining needed repairs. Other vendors are developing and rolling out similar technology.

In an interview on the NACE Automechanika show floor, Cohen said computers using his company's algorithms do a better, more consistent job of damage assessment than individual human estimators. That speeds the task of getting the wrecked vehicle to the right repair shop, dealership or aftermarket, he said.

Cohen noted that Tractable has lined up Silicon Valley funding and collision industry clients: "Deep learning is reorganizing the collision ecosystem." ■