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Vantage Points

The Changing Profile of the Collision Repair Marketplace

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An update on multiple location collision repair organizations that process more than \$20 million in collision repair revenue annually.

There are many collision repair businesses of significant size processing under \$20 million of revenue annually throughout the United States today; however, our focus continues to be on the \$20 million and larger independent and dealership collision repair segment. Over time these organizations have been classified and identified in a variety of ways such as consolidators, multiple shop operators (MSOs), and networks; we will continue to refer to them as multiple location operators or MLOs.

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

Total Facilities in the US

One baseline data point for this analysis is the estimated number of collision repair operators in the US. Our baseline number for this year is 43,000, is lower than our 2006 estimate of 45,000.

We believe that collision repair operator contraction continues in 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.

Based on our research of published third party industry media sources, primary and secondary research, and industry experts, we find that there is no one certain number that is universally recognized or accepted as being the "correct" number of collision repairers in the U.S. today. What we found was a wide array of estimates ranging from a low of 20,000 to a high of just under 52,000.

One of the reasons for this disparity is the different profiles used to define collision repair operators. The definition used for this research includes independent, dealership and insurance company ownership, with single or multiple locations.

35,341 independent repairers.

The following table 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.

U. S. Collision Repair Market			
Dollars in Millions			
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Total Collision Repair Locations	43,000	45,000	-2,000
Total Collision Repair Revenue	\$30,000	\$30,000	-
Total Number of \$20M MLOs	53	57	-4
<u>MLO Locations</u>			
Total \$20M MLO Locations	923	959	-36
Total \$20M MLO Production Locations	890	898	-8
% of \$20M MLO Production Locations to All Locations	2.1%	2.0%	0.1%
<u>MLO Revenue</u>			
Total \$20M MLO Revenue	\$3,048	\$2,728	\$320
\$20M MLO Share of Total Collision Repair Revenue	10.2%	9.1%	1.1%

In today's full service collision repair market there appears to be growing interest by repairers in the conversion franchise model, with CARSTAR and ABRA being the primary franchisors that fall within our collision repair profile definition. Both of these organizations have seen momentum with their growth, location development and impact within the collision repair industry today. Together they represent a total of 291 locations repairing approximately \$493M in vehicle revenue.

Our experience indicates a rising interest on the part of collision repairers to investigate and consider joining a conversion franchise model organization. The local market, independent-brand model, historically 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 through:

- Leveraging the conversion franchise value proposition brand association and affiliation
- Performance analysis, benchmarking and peer ranking
- Personnel and operational training and development
- Standardized processes and procedures
- Utilization and integration of a technology platform
- DRP insurance relationships and business consideration not previously available

Who is an MLO

For this article, our collision repair profile excludes facilities that focus primarily on expedited paint, small dent and glass repair, cosmoltion, and off-lease and auction vehicles. Companies like MAACO, Manheim Auto's auction-only locations, Dent Wizard, and Safelite are examples of these types of companies.

Additionally, our focus does not include the various networks that primarily promote brand or technical programs such as conversion franchise organizations, OEM certification, value-added services, cooperative-buying benefits, or outsourced claims management. Some examples of these networks include FIX Auto, PPG's CertifiedFirst, Assured Performance, LYNX, and CEI.

U. S. Collision Repair Market
Including Franchise Locations and Revenue - 2007
Dollars in Millions

Total Collision Repair Locations	43,000
Total Collision Repair Revenue	\$30,000

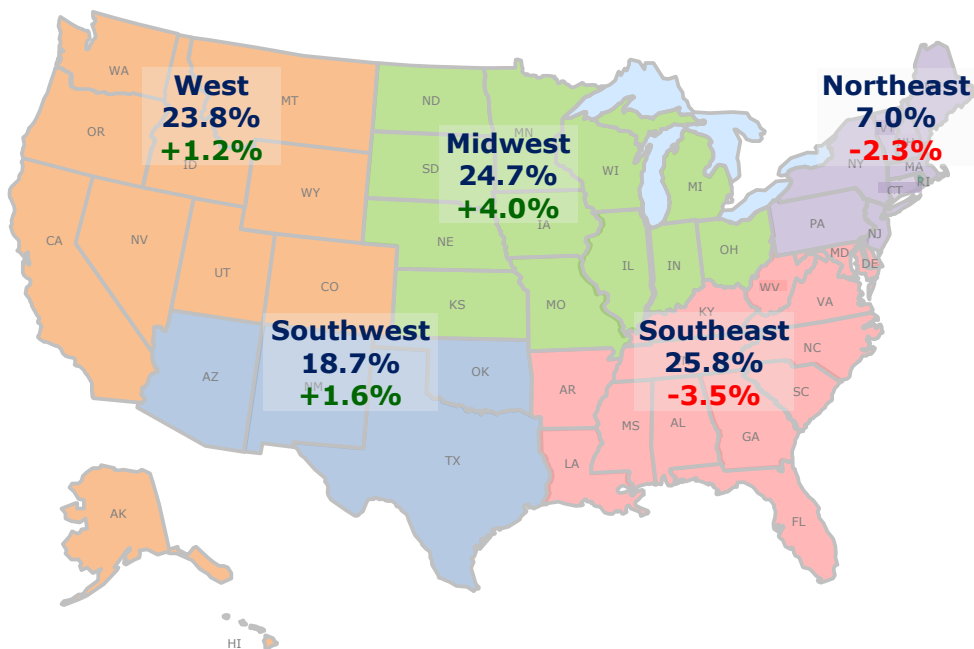
MLO Locations

Total MLO Franchise Locations	291
Total \$20M MLO Production Locations Including Franchise	1181
Share of \$20M MLO Production Locations Including Franchise to All Collision Repair Locations	2.7%

MLO Revenue

Total MLO Franchise Revenue	493
Total \$20M MLO Revenue Including Franchise	\$3,541
Share of \$20M MLO Revenue Including Franchise to All Collision Repair Revenue	11.8%

The regional representation of \$20M MLOs is highest in the Southeast at 25.8 percent with the lowest representation in the Northeast at 7.0 percent which is down 2.3 percent from 2006. The Northeast market's appears to continue to be dominated by smaller, independent repair organizations.



Within the top ten collision repair \$20M MLOs, five are independent and five are dealer groups. These ten organizations account for 48.0 percent of all \$20M MLO locations and 53.0 percent of all \$20M MLO revenue. Geographically, they are most highly represented in the Southeast at 29.6 percent and are least represented in the Northeast at 2.7 percent. These top ten MLOs display trends similar to the total \$20M MLO group; higher revenue produced through fewer production locations.

Top 10 \$20M Multiple Location Operators			
Dollars in Millions			
<u>MLO</u>	<u>2007 Rank</u>	<u>2006 Rank</u>	<u>Type</u>
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

	<u>2007</u>	<u>2006</u>	<u>Change</u>
<u>Production Locations</u>			
Top 10 \$20M MLOs	443	461	-18
% of All Collision Repair Locations	1.0%	1.0%	0.0%
% of all \$20M MLO Locations	49.8%	51.6%	-1.8%
<u>Revenue</u>			
Top 10 \$20M MLOs	\$1,616	\$1,292	\$324
% of All Collision Repair Revenue	5.4%	4.3%	1.1%
% of All \$20M MLO Revenue	53.0%	47.4%	5.7%
<u>Average Revenue per Production Location</u>			
Top 10 \$20M MLOs	\$3.6	\$2.8	\$0.8
All Collision Repair Average	\$0.7	\$0.7	\$0.0
All \$20M MLO Average	\$3.4	\$3.1	\$0.3

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 repair revenue per location significantly surpasses that of their smaller and non-MLO counterparts 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, or over four times more.

Comparing the top ten independent and dealer group \$20M MLOs, the independents have 54% more locations producing 3.7% 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 independent organizations.

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%. Consequently, this group's share of all \$20M MLO revenue has also increased by 2.8%.

Top 10 Independent \$20M MLOs
Dollars in Millions

<u>Rank</u>	<u>2007</u>	<u>2006</u>
1	Caliber Collision	Caliber Collision
2	ABRA	ABRA
3	Sterling Auto Body	Sterling Auto Body
4	Boyd / Gerber (US)	Boyd / Gerber (US)
5	Service King	Service King
6	True2Form	True2Form
7	Cars	Cars
8	Collision Revision	Collision Revision
9	Cook's Collision	Cook's Collision
10	Kadels	Kadels

	<u>2007</u>	<u>2006</u>	<u>Change</u>
<u>Production Locations</u>			
Top 10 \$20M MLOs	380	388	-8
% of All Collision Repair Locations	0.9%	0.9%	0.0%
% of All Independent Locations	1.1%	1.1%	0.0%
% of all \$20M MLO Locations	42.7%	40.5%	2.2%
<u>Revenue</u>			
Top 10 \$20M MLOs	\$1,121	\$927	\$194
% of All Collision Repair Revenue	3.7%	3.1%	0.6%
% of All Independents	5.3%	6.3%	-1.0%
% of All \$20M MLO Revenue	36.8%	34.0%	2.8%
<u>Average Revenue per Location</u>			
Top 10 \$20M MLOs	\$3.0	\$2.4	\$0.6
All Collision Repair	\$0.7	\$0.7	\$0.0
All Independents	\$0.6	\$0.5	\$0.1
All \$20M MLO	\$3.4	\$2.6	\$0.8

Dealership Operators

According to NADA, collision repair work performed by dealerships improved somewhat over the past year but is down from 2005.

2007 revenue was \$9.5 billion, +2.2 percent from 2006

2006 revenue was \$9.3 billion, -5 percent from 2005

2005 revenue was just short of \$10 billion

In 2007, 37 percent of dealerships operated collision repair facilities versus 41 percent in 2006. Both the number of new car dealerships and the number of dealers operating collision repair facilities are declining. Many larger dealers are purchasing smaller, lower-volume dealers to increase their reach as manufacturers continue in their efforts to reduce or freeze their number of dealership points. Using NADA's reported total of 20,700 dealers at the beginning of 2008, this represents an estimated, 7,659 dealers operating collision repair facilities, a decline of 11.9 percent from 2007 when there were 8,692 dealers operating collision repair facilities.

We expect original equipment manufacturers to continue their support of dealership owned and operated collision repair facilities through the further development and expansion of collision repair certification programs such as those implemented by Ford, GM, Toyota, Lexus, BMW, Mercedes, Volvo, and Mazda among others. These certification programs, coupled with initiatives such as State Farm's OE Connection parts program, suggest that OEMs and dealerships with a collision repair presence are committed to expanding their influence and involvement in the collision repair industry.

Within the top 10 dealer group, there has been some shifting as dealers acquire smaller competitors. This consolidation-driven increase is more than offset by a 2.4 percent decline in the total number of new car dealerships over the past year along with an 11.9 percent decline in the number of dealerships offering collision repair services. In contrast to the decline in dealer availability of collision repair services, for those continuing to offer it, the outcome is positive. Within the top 10 dealers, revenue has increased 27 percent over one year ago.

Top 10 Dealer \$20M MLOs
Dollars in Millions

<u>Rank</u>	<u>2007</u>	<u>2006</u>	
1	Auto Nation	Auto Nation	
2	Van Tuyl/ AIG	Van Tuyl/AIG	
3	Sonic	Sonic	
4	Penske	Group 1	
5	Asbury	Penske	
6	Group 1	Asbury	
7	MileOne	Carl Sewell Group	
8	DarCars	Bill Heard	
9	Bill Heard	Lithia	
10	Carl Sewell Group	DarCars	

	<u>2007</u>	<u>2006</u>	<u>Change</u>
<u>Production Locations</u>			
Top 10 \$20M MLOs	246	253	-\$7
% of All Collision Repair Locations	0.5%	0.6%	0.0%
% of All Dealer Locations	2.8%	3.0%	-0.2%
% of all \$20M MLO Locations	27.6%	28.4%	-0.8%
<u>Revenue</u>			
Top 10 \$20M MLOs	\$1,081	\$851	\$230
% of All Collision Repair Revenue	3.6%	2.8%	0.8%
% of All Dealers	12.4%	6.8%	5.6%
% of All \$20M MLO Revenue	35.5%	31.2%	4.3%
<u>Average Revenue per Location</u>			
Top 10 \$20M MLOs	\$4.4	\$3.4	\$1.0
All Collision Repair	\$0.7	\$0.7	\$0.0
All Dealers	\$1.0	\$1.2	-\$0.2
All \$20M MLO	\$3.4	\$3.1	\$0.3

We continue to believe that the collision repair industry will evolve and change at an accelerated pace over the next five years; more so than it did over the last twenty. We expect that the evolving landscape will partially be the result of increased acquisitions, mergers, MLO consolidation, partnerships, and strategic alliances. Additionally, we foresee the implementation of innovative types of business service differentiation, vehicle repair segmentation, production improvement, and claims handling process models as further catalysts for this accelerated change within the industry.

This information will be updated periodically, tracking and trending any changes to repairer organizations and to the collision repair revenue they are processing.

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