

**INTEGRATION HURDLES:  
MOVE QUICKLY AND WITH  
CONFIDENCE TO SUCCEED**

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**LOAD LEVELING  
DRIVES  
SUCCESS AT  
WEST VIRGINIA  
TWO-SHOP  
MSO**

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These customer "extras" provide the most bang for the buck.



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PHOTO: SERVICE KING

**MEMBERS OF THE** inaugural 2016 Dallas Fort-Worth apprentice class were assigned to Service King's Northeast Dallas location and graduated this past summer.

**MSO TRAINING**

## SERVICE KING 2017 APPRENTICE PROGRAM TO DOUBLE IN SIZE

Service King Collision Repair Centers, in continuation of the organization's commitment to investing in and training the next generation of highly-skilled automotive technicians, welcomed 23 new technicians into its ongoing Apprentice Development Program in late August.

The class represents the first of several formal launches slated for this year, which combined will double the Apprentice Development Program by equipping

and graduating nearly 100 fully trained technicians in 2017.

"This is an extremely proud moment in our continued mission to provide unparalleled training opportunities to aspiring automotive repair technicians across the U.S.," says Tyra Bremer, Service King Vice President for Talent Development. "The Service King Apprentice Development Program is a one-of-a-kind environment for motivated technicians to obtain

>> APPRENTICE CONTINUES ON PAGE 10

**BREAKING NEWS**

**ACQUISITIONS & RENOVATIONS**

## G&C AUTO BODY ACQUIRES ONE SHOP, RENOVATES ANOTHER

G&C Auto Body opened its newly renovated facility in San Rafael, Calif., last month, while also purchasing Campbell's Auto Body, also in San Rafael.

After a year of planning and \$1.5 million in renovations, G&C opened the new 11,200-square-foot location on Mill Street, which replaces an older facility on Anderson drive.

The new facility was designed to enhance the guests' experience with a spacious front lobby, beverage station, big screen TV and improved parking. From the tile flooring to the custom oak counters and décor, this shop is all about the customer experience.

The layout includes a parts room and delivery bay, inside detail bays and updated equipment, including a Car-O-Liner in-ground frame rack and laser measuring systems.

G&C also announced the purchase of Campbell's Auto

>> CONTINUES ON PAGE 8

**TRENDING**

### H&V COLLISION CENTER, GEICO DONATE THREE VEHICLES TO MILITARY VETERAN FAMILIES

The three vehicles were donated to the recipient families during a Tri-City Valley Cats game, which is a New York-based minor league baseball team.

[ABRN.COM/HVDONATE](http://ABRN.COM/HVDONATE)

### 3D AUTO BODY & COLLISION CENTERS ACQUIRE PENNSYLVANIA BODY SHOP

Flick Brothers Auto Body, in Drexel Hill, Upper Darby Township, Pa., marks 3D's seventh location serving the Greater Philadelphia market.

[ABRN.COM/3DBUY](http://ABRN.COM/3DBUY)

### MIKE'S AUTO BODY CELEBRATES THE EXPANSION OF ITS NAPA, CALIF. LOCATION

The expansion added 1,950 square feet of new offices, including a new lobby and on-site parking, all of which aim to provide better customer service.

[ABRN.COM/MIKEEXPANDS](http://ABRN.COM/MIKEEXPANDS)

### OKLAHOMA'S COLLISION WORKS EXPANDS TO KANSAS CITY MARKET

Collision Works, which has seven locations across Oklahoma, has acquired three locations and an auto glass company, previously owned by Auto Masters, all in the Kansas market.

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### BASF AUTOMOTIVE REFINISH, CARSTAR CONTINUE 25-YEAR PARTNERSHIP

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## SHOP CERTIFICATION

# NSF CERTIFIES FIRST 70 ABRA AUTO BODY REPAIR CENTERS

➔ NSF International, a global organization with more than 70 years of independent product testing and certification expertise, including automotive supply chain products, has certified 70 ABRA Auto Body & Glass Repair Centers via the NSF Collision Repair Shop Certification program.

Auto Body Repair of America (ABRA), a leading national vehicle repair company, is the first company to earn NSF collision repair shop certification and plans to certify all its Auto Body & Glass Repair Centers.

ABRA's Executive Vice President of Operations, Scott Krohn, said, "We are pleased to have 70 of our repair centers now certified by NSF International. This independent certification is confirmation of our ongoing commitment to providing superior quality repairs and exceptional customer service. We continue to work hard toward a goal of earning NSF certification for every one of our ABRA repair center locations."

The NSF Automotive Collision Repair Shop Certification Program provides independent, third-party oversight of col-



lision repair shops and certifies a shop's ability to consistently conduct high quality repairs. To earn certification, each of ABRA's certified repair centers has met the following requirements:

- Perform high-quality, consistent repairs

- Use and maintain proper equipment for the job
- Have qualified and trained personnel
- Use quality parts for repairs
- Respond promptly to complaints and consumer feedback
- Utilize modern computer estimation systems
- Provide excellent customer service

For meeting these requirements, ABRA certified repair centers are authorized to use the NSF Certified Collision Repair Shop mark. Certified repair centers are also listed on NSF's website and undergo ongoing audits to maintain certification.

"Being the first to earn NSF collision repair shop certification, ABRA Auto Body & Glass is highlighting its leadership in quality and operational excellence. Additionally, consumers now have the benefit of selecting a shop that has earned independent, third-party certification from NSF International to repair their vehicles," said Dave Parzen, Senior Technical Project Manager, NSF International Automotive Certification Programs, which includes the Collision Repair Shop Certification Program. 📄

## >> CONTINUES FROM PAGE 6

Body. In response to the increased business volume in the San Rafael/Marin area, G&C acquired Campbell's, a 4,000-square-foot location just down the street from its newly renovated shop. This additional location gives G&C three shops on the same block, accounting for over half an acre of body shop space.

"The completion of our remodeled facility, combined with the acquisition of Campbell's, uniquely positions us to provide an unsurpassed guest experience while allowing us the space to maintain efficient, high-quality repairs," says Shawn Crozat, G&C Chief Operating Officer. 📄

## GERBER COLLISION OPENS TWO NEW LOCATIONS

The Boyd Group has opened two new collision repair centers under the Gerber Collision & Glass name — one in Slidell, La., and another in La Porte, Ind.

The Louisiana location is about 30 miles northeast of New Orleans. "We are very pleased to add this new location, which strengthens our presence in the New Orleans area," said Tim O'Day, President and COO of the Boyd Group's U.S. operations. "We look forward to introducing our high quality brand to new customers in Slidell while continuing to better assist our insurance partners."

The Indiana location — which previously operated as Blake's Collision

Center — is about 70 miles southeast of Chicago, with the center located between the company's repair centers in Elkhart and Valparaiso, Ind.

"We are very happy to be adding this location, which strengthens our footprint in northwest Indiana and the Chicago metropolitan area," said O'Day. "We also look forward to becoming part of the La Porte community and introducing the Gerber brand of professional and friendly service."

The Boyd Group is continuously looking to add new collision repair locations to its existing network in Canada and the U.S. 📄



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>> CONTINUED FROM PAGE 6


exclusive hands-on training from dedicated supervisors inside a live collision repair center.”

The influx comes as Service King graduates its inaugural Apprentice Development class, a group of 45 technicians all on pace to assume full-time roles within the organization this year.

Incoming technicians were hosted

at official Signing Days at Service King locations across the country before officially commencing the program. Apprenticeships will take place at repair centers in Oklahoma, Texas, Arizona, California, Tennessee and Illinois. Service King is scheduled to finalize the 2017 class this fall.

The Service King Apprentice Development Program officially launched in

June 2015 as a revolutionary approach to training skilled technicians for successful careers in the collision repair industry. The program pairs each class, capped at no more than four apprentices, to a dedicated Apprentice Supervisor. Supervisors are assigned the role of training, mentoring and guiding apprentices through the detailed 52-week curriculum. 

#### INDUSTRY CONSOLIDATION

## AFTERMARKET CONSOLIDATION WILL CONTINUE

**BRAD MEWES //**  
Contributing Editor

I often speak at industry events across the world about the intersection of finance and strategy and how that influences consolidation in the aftermarket. Because finance and strategy are both so future-focused, I'm often asked, “will there be more consolidation in the automotive aftermarket?”

There are a few major themes that are impacting the entire automotive aftermarket: technology, consolidation and monetary policy. Most trends I observe have their roots in one of these three themes.

### A brief history of consolidation

Industries naturally consolidate over time. Consolidation in the automotive aftermarket is everywhere. In the collision industry in North America, and more specifically the U.S., there has been a strong wave of consolidation since 2012, with the largest collision operators growing aggressively through acquisitions. A renewed round of consolidation is taking place in paint distribution, with companies like FinishMaster and NCS recently making high profile acquisitions. LKQ continues to aggressively consolidate the part distribution business, acquiring both used and aftermarket parts distributors in North America and Europe, while also

expanding into new sectors such as glass and mechanical parts. Fenix Auto Parts recently went public with the stated goal to also consolidate the used parts business. There has even been consolidation at the highest levels in the coatings business, with Sherwin-Williams acquiring Valspar in an \$11.3 billion all-cash deal announced earlier this year.

### Why is consolidation such an attractive business model?


Fragmented industries tend to be economically inefficient industries. Fragmentation leads to multiple layers of overhead that increases the overall cost structure of an industry. Consolidators seek to eliminate these costs through economies of scale.

Compare LKQ to a smaller regional aftermarket parts distributor, for example. LKQ can leverage its substantial purchasing power to procure parts for significantly less than a smaller regional distributor can. Part of this is due simply to LKQ's purchasing power — LKQ can simply leverage its massive purchasing power in a way a smaller competitor cannot. But it is not simply purchasing power. Because LKQ has an already established distribution network, there is little additional cost in delivering incremental products to existing customers. The trucks are already in force, the

warehouses already stocked, the sales force already in place.

### What does this mean for your business?

In consolidating environments, pricing pressure will continue to increase. It is an economic maxim — over time price equals marginal cost, and marginal cost tends to decrease over time. In consolidating industries, expect continued pricing pressures as economically efficient organizations leverage their economies of scale and use price as a strategic tool.

To compete in a consolidating environment, scale is important. In a fragmented industry there is opportunity to continue to develop scale, especially in pockets where larger consolidators have not yet directed resources. However, to develop scale requires planning, financial resources and time. If you have a longer timeline, there is great opportunity across the entire automotive aftermarket to grow and develop scale. But if you have a shorter timeline (5 years or less), are not inclined to re-invest the time, energy and financial resources to grow, or simply feel the risk outweighs the potential reward, now is still a great time to sell your business. There are a number of buyers and investors actively seeking opportunities in the industry. But today's environment is unique — one that will not last forever. 

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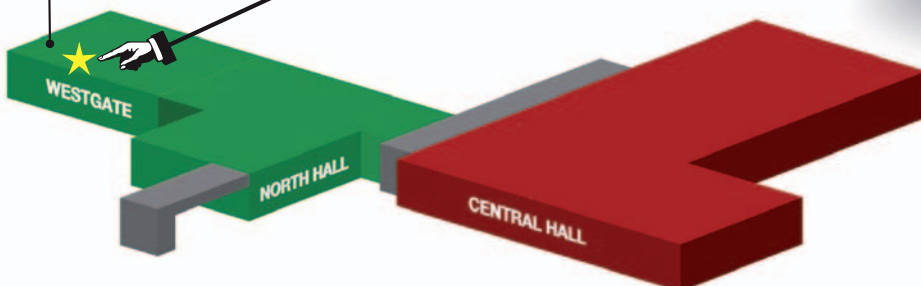


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# Overcoming integration challenges

Move quickly and confidently to help drive success

**C**onsolidation has certainly been the buzzword for the collision industry over the past five years and shows no signs of slowing down. As the number of collision repair shops dwindle from 80,000 to 40,000 to a projected 20,000 over the next decade, consolidated networks will experience pressure to deliver results for their investors and franchisees.

With the speed of our industry's consolidation comes challenges. The collision industry model hasn't changed much in the last 20 years. Because repair companies operate on a very traditional business model, there remains a lot of opportunity to technologically advance our industry. This can present higher hurdles for efficient integration.

At Driven Brands, we've acquired 14 companies in just four years. That fast pace of acquisition has taught us valuable lessons and has helped us develop a smart approach to successfully overcome integration challenges. Here are five key things we've learned:

## **Plan for integration as you are performing due diligence on an acquisition target.**

You have to focus beyond the finish line for the deal to the start line for the new company. Establish a 100-day plan for when the deal is announced and stick to your deadlines. Make your integration plan part of your final evaluation. Determine where and when you can integrate key functions, who will lead the charge and how to avoid potholes. It's also important to have your integration timeline in place when you make the announcement.

**Communicate, communicate, communicate.** Apprehension and resistance can build when information isn't available; share what you can as frequently as possible! Provide a direct connection between leadership, team members, store network employees and vendors. Give them the vision and the steps everyone will take to collectively achieve it. One pitfall to avoid is bombarding them with different messages from too many people. Create a streamlined communication channel everyone can rely on.



**APPREHENSION AND RESISTANCE CAN BUILD WHEN INFORMATION ISN'T AVAILABLE; SHARE WHAT YOU CAN AS FREQUENTLY AS POSSIBLE WITH YOUR TEAM.**

**Move quickly to show results to your corporate team, store network and financial partners.** You've set your integration plan; now it's time to implement. Harvest the low-hanging fruit first where you can share positive outcomes. Discuss the benefits of more challenging tasks to generate buy-in and commitment. Provide talented team members new opportunities to lead, grow and bring fresh thinking to the organization. Motivate team members with your own commitment to driving the integration success.

**Prepare for surprises and speedbumps — but don't let them derail you.** There are always going to be unforeseen situations in a merger or acquisition. Sometimes the financial reporting isn't as optimistic as expected. Occasionally there are unknown business situations not discovered during due diligence. This is where the motivation of your team is critical. You need everyone to rally around finding a solution to the speedbump, maintaining the pace of integration and continuing the positive thinking.

## **Celebrate every milestone and success.**

The pressure of integration is tremendous, but it's critical to mark every milestone when marching toward a goal, no matter how big or small. Look for ways to recognize team members — regardless of their level in the organization — for their contributions. The person in accounting who talks with franchisees every day is just as important as an executive who delivers positive messages about the merger. Identify opportunities for celebrations with your constituents to ensure they continue to see benefits and rewards.

While an acquisition is never easy, with strong leadership; a committed, motivated and informed team; and a strategic, detailed plan for implementation, you can achieve integration success! 🎉

**JOSE COSTA** is Group President of Driven Brands' Paint & Collision Division, which includes CARSTAR, Maaco and Drive N' Style.  
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# LOOKING BEHIND THE CURTAIN

PHOTO: GETTY IMAGES/INDEED

Shops and associations talk in depth about younger workers, autonomous vehicles and the role of insurers

JOHN YOSWICK // Contributing Editor

For a third year, *ABRN* convened an MSO Roundtable, bringing together a panel to discuss some of the key issues facing larger collision repair organizations.

Here are some of the highlights of this year's MSO Roundtable, which included four MSOs and two association executives (see sidebar, "Who Was At The Table?" page 16). Some responses were edited for length or clarity.

**ABRN: Presuming your business has a fair number of employees in the 20-35 age range, what have you found most effective in attracting, moti-**

**vating and retaining these younger workers?**



**Barry Hadlock**

**Barry Hadlock:** The biggest thing is a communicated purpose. Regardless of what position you have within the company, you have a

purpose, and that purpose affects all your teammates and customer service.

**Doug Keller:** We challenge them with training. We have a limited stockholder

opportunity for them. We have a summer party and a Christmas party. We have a competitive benefit plan for employees. And we have expansion opportunities that they can get excited about — an opportunity to move to another shop or up in our organization.



**Doug Keller**

**Paul Gange:** I know it sounds silly, but we put a lot of energy into developing an environment in our break rooms

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**Aaron Schulenburg:** Connectivity and constant engagement are what our members tell me they've had success with for this age range of employees. That's daily conversation and perfor-



**Paul Gange**

mance feedback, not just on an annual basis. I think strategic involvement is another important piece; helping them understand different aspects of the business and involving them in some of the strategy discussion gives them opportunities to feel engaged and part of the team.

**Michael Macaluso:** I'm at the end of that age group, and what we, as a group, look for are options. Opportunities to start at 8:15 or 8:30 a.m. so we can bring our kids to school in the morning, or opportunities to leave at 4 p.m. to go to catch a movie or ballgame or something. It's not necessarily all about money. Pride of ownership is always important. Get them actively engaged in the different segments of the business they may be interested in.

**ABRN: What impact do you see crash avoidance technology and autonomous vehicles having on the industry five years from now or 10 years from now?**

**Keller:** My market is mostly a rural population. I can't picture any farmer letting his pick-up drive itself to the field. So as far as an impact on me in five years, I would say none. But in 10 years, it may have a dramatic impact on our business.

**Dan Risley:** If you look five years out, I agree, I don't think autonomous vehicles are going to have that much of a dynamic impact. But if you look just at the telematics in cars, I think that will have a bigger impact on shops within five years. I think you will see more shops move into electronics and reprogramming and reflashing. It's going to change what your



**Aaron Schulenburg**

technician looks like. You will no longer have just a body tech or a disassembly tech. You're going to have someone who looks more like an engineer, who can go into the computers in the vehicle and reprogram them, reflash them, get it all back to where it needs to be. This isn't in five years; it's happening right now.

**Schulenburg:** You have vehicles today that are essentially making driving decisions for the vehicle operator: adaptive cruise, or assisted steering or parking, things along those lines. I don't think shops are going to be able to avoid conducting pre- and post-repair scans; if for nothing else, it's a big liability concern. If something goes wrong, if you were ever along that chain of touching the vehicle, you have liability associated with that. You want to make sure as a collision repair business you've protected yourself and documented to the consumer that you restored functionality.

**Gange:** The adoption of technology takes longer than the media might make you think. I think autonomous vehicles in the next 5-10 years will be newsworthy and confusing, but not truly impactful. As that technology deploys, I think we will see a decline in frequency. But that decline will occur as vehicle technology is expanding at a rapid pace. So I think the overall volume of claims as measured by repair dollars isn't going to change a lot, even if frequency goes down, because I think the average cost of repairs is going to go up dramatically in the next 5-10 years.

**Hadlock:** I don't have a lot to add, but I will say yesterday I watched a pizza delivery guy jump out of his car to deliver a pizza. His car proceeded to roll about 100 yards downhill and run into the front end of a car with crash avoidance technology all over it. So at the end of the day, we can't fix stupid.



**Dan Risley**



**Michael Macaluso**

## WHO WAS AT THE TABLE?

**Paul Gange** is the president and chief operating officer for Fix Auto USA, a network of shops across the country including more than 100 branded franchise shops.

**Barry Hadlock** is the president of Collision Works, which operates seven shops in Oklahoma.

**Doug Keller** is the owner of Eustis Body Shop, which has five locations in Nebraska.

**Michael Macaluso** is the president of CARSTAR North America, which has about 500 franchise locations, almost equally split between the United States and Canada.

**Dan Risley** is the executive director of the Automotive Service Association (ASA).

**Aaron Schulenburg** is the executive director of the Society of Collision Repair Specialists (SCRS).





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**ABRN: What would you say is the biggest challenge facing your organization in the next 12-24 months (and how do you foresee addressing it)?**

**Schulenburg:** For a lot of collision repair businesses, the biggest challenge I see is just catching up. I think the evolution of the industry is happening even faster, given the technology that we need to be prepared for. I think that's going to be a very big challenge for someone who is built around a general practitioner model. If I'm in that category, I'm looking at the cost of new equipment and training, finding staff and getting in front of the vehicle owner in a market that may be a bit more saturated already — all of this while facing downward pressure from carriers who are going to continue to expect me to offer the same pricing that I've been offering while I wasn't investing in those things. For those who have started the process of investing in their

business and getting OEM certifications, I think the challenge will be how to recoup that money. You have to create a business model that supports that for the foreseeable future, because the technology is going to continue to evolve.

**Keller:** One of our biggest challenges right now is our ability to access repair information. It seems like we're making progress there, but it's still a challenge to get accurate information in a timely way, without a lot of hassle. Another one of our challenges for many years, because we're primarily in a rural area, is to maintain a constant workflow. We're very weather-dependent. If we don't have hail or we don't have a winter, things can get a little sparse. How we address this is by ever-increasing our market area. We do a lot of promoting, and try to be innovative with that.

**Hadlock:** We're looking at how do we take the labor pool we have available and [address] the type of vehicles that we

have today to work on. Just one wrong repair method and you're in trouble. So I think the biggest thing that we're looking at right now is how do we access real-time repair procedures and put that into a modular training piece, or at least have that data available immediately when we're working on a car and deciding at that point what skill sets need to be working on that vehicle.

**ABRN: Lastly, you have a chance to sit down for an hour to talk with the national claims manager at a Top 10 insurer. What is one thing you'd suggest they do differently that would help shops be more efficient and thus reduce the insurer's costs or improve the customer's experience?**

**Macaluso:** The one thing I push for is a continuation of collaboration. I come from an environment north of the [U.S.] border in Canada where it's very collaborative. All the problems we all tend to

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speak about are industry problems. So I've always taken a stance that industry problems need an industry solution. CARSTAR can't solve all the issues. Neither can any other one company.

**ABRN: Do you have an example you've seen of collaboration in Canada?**

**Macaluso:** Absolutely. One project that our Canadian group has worked on

with some carriers is to try to streamline as much as possible the first-notice-of-loss practice. None of that is really proprietary; it doesn't give anyone a competitive advantage on the insurer side or on the consolidator side. We came together to streamline that process so it's one less thing that's different within a collision shop that we have to worry about. We've had some success with that. It just accelerates the start of the claim, which gives us all a chance to get the right result for our mutual customers.

**Gange:** I agree that the more work we can do on the front end [of claims], the better off we're all going to be. I think the model we've deployed in our industry for the past umpteen years, where literally everything is sent to a shop and sorted out there, is nonsensical and isn't practical. I really think we need to start looking at segmentation; things as simple as drivable versus non-drivable cars would be a place to start, segmenting those vehicles either to different [repair] centers or to different kinds of work environments. By doing that, we can establish workflow and production processes in our shops that will allow us to repair vehicles more efficiently, and satisfy customers more effectively.

**Hadlock:** One of the things I would push is for insurers to empower the shops to make the right choices for repair decisions. If you've got a boundary or expectations, that's okay, but let us work within those boundaries, not dictate exactly how that repair is going to be consummated. If I want to schedule cars in on Thursday and Friday, I don't want to be a Monday-Friday shop. Open up the limitations on what I'm able to do. We're going to do the right thing to ensure the best customer experience.

**Risley:** Yeah, I think it was Mike Ditka who said: "Let the managers manage. Let the coaches coach. Let the players, play." For us, it's "Let the repairers repair the car." That doesn't mean you don't do oversight. But a less intrusive approach on the estimating and repair process would go a long way toward reducing overall friction

## WILL AN MSO HIT THE 1,000-SHOP MARK?

How likely do the *ABRN* MSO Roundtable participants think it will be that one MSO will have 1,000 shops within three years? Their confidence level (1 = low, 10 = high) that it will happen varies quite a bit.

The two franchise MSO executives think it's going to happen; CARSTAR's Michael Macaluso rated his confidence level at '8' and Fix Auto's Paul Gange gave it a '9.'

The others were more skeptical. Asked that same question a year ago, Dan Risley seemed confident it would happen, giving it a '9.' This year he scaled back significantly, rating the chances as only a '3.' Barry Haddock concurred, though he hedged his bet by giving it a '9' if two of the top three MSOs merged. Doug Keller gave it only a '2.'

"I think there will be a point of diminishing return as far as number of locations," Keller said.

and, likely, overall costs. I just had a homeowner's claim with Allstate. I had a water pipe break in my basement. The Allstate adjuster called me and said, "Send me photos," then said to get a quote. I submitted a quote, and they said, "Okay, we'll have a check issued out tomorrow." Done. Over. They didn't ask the contractor what sort of glue they were using or whether they were doing exactly what Allstate wanted them to do. They just paid for it and it was done. This was a \$15,000 claim, and it was the best experience I've ever had with any claim. I don't see why the same situation couldn't play out on the collision repair side. 📌

## DRIVING DESTINATIONS

When the *ABRN* MSO Roundtable participants get behind the wheel, where do they like to drive?

"I think the most beautiful stretch of road has to be in the Nebraska sandhills between North Platte and Valentine," Doug Keller said.

Dan Risley said his favorite road trip was a family vacation in the Ozarks in Missouri.

"It was memorable because the kids were old enough to complain yet young enough to still enjoy the moment," Risley said. "We laughed a lot, told many family stories and sang quite a few songs along the way."

Barry Haddock and Paul Gange each cited the Pacific Coast Highway; Gange said he feels lucky he gets to drive a stretch of it three or four times a week.

"The combination of cliffs, amazing hiking trails, miles of sandy beaches, the blue Pacific Ocean and paragliders floating above you is hard to beat anywhere else in the world," Gange said.

Aaron Schulenburg and Michael Macaluso each said their favorite road trips were outside the United States. Macaluso said he enjoyed driving through the Italian island of Sicily.

"The 'Great Ocean Road' in Australia is probably at the top of my list," Schulenburg said. "It was much more about taking it all in along the way than it was about the destination, which I think makes for the quintessential road trip."



**JOHN YOSWICK** is a freelance writer based in Portland, Ore., who has been writing about the automotive industry since 1988. [jjoswick@spiritone.com](mailto:jjoswick@spiritone.com)

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# A SELLER'S MARKET

## Make your MSO an attractive target for acquisition

JOHN YOSWICK // Contributing Editor

**T**here appears to be little debate about the No. 1 thing you should do to position your small- to mid-sized MSO to be acquired by a larger player in the industry. In more than a dozen interviews with current and former MSO operators, as well as consultants who have worked with buyers and sellers of shops, every one of them first cited the need to have clear, accurate financial records for the business.

After that, they each tended to offer different pieces of advice. Combined, they provide a pretty good roadmap for those who want to set themselves up for a successful sale of their business.

### Get your books in order.

Accurate financials benefit both the buyer and seller in an MSO acquisition because they give the buyer an accurate understanding of the business — and give the seller the evidence to negotiate for the best price for the business.

Unfortunately, MSOs and consultants say that business owners often do things that distort their financials, which can hurt them at the time of a sale.

“Some business people take cash out of their business,” says Marcy Tieger of Symphony Advisors, a consulting firm that has been involved with shop and MSO acquisitions. “That makes it very hard later on to reconstruct and estab-

lish the true value of your business based on your real income. And it's an integrity issue. Not only do you not have accurate books, but you're also confessing to a potential buyer that you've lied to the federal government.”

John Walcher of Veritas Advisors, another consultant experienced in mergers and acquisitions in the collision repair industry, agreed.

“If you're running an excessive amount of personal expenses — or not running all of the cash — through the books, don't expect the buyer to adjust for them,” Walcher said. “You've already enjoyed your upside.”

Your financials should effectively “tell



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the story” of your business by detailing each of the profit and cost centers, Walcher said. While this is a vital step to prepare for the sale of any shop, it is particularly important for MSOs, he says.

“The bigger the deal, the greater the number of accountants who will be sent in to test and validate the financials and the tax returns,” he said. “They will want, for example, to be able to match financial statements to tax returns and bank statements.”

Dan Dutra of Sigs Body Shop, a three-shop MSO in Hawaii, said that although his company is currently looking more toward growing than selling, he and his business partner have been scrupulous about keeping “personal” expenses out of the business books.

“It’s probably because as a partnership, we wanted everything to be transparent, above-board and visible to both of us,” Dutra said.

But he also noted that any business has expenses within their financials that a buyer isn’t likely to have after the sale; clean financials can help the seller clearly show these “add-backs” to the bottom line. Dutra, for example, said he regularly attends the Collision Industry Conference (CIC) meetings, a business expense that a future owner of the business may not have. “Add-backs” such as these should be easily pointed to within the company’s financial records.

“So that if there is an opportunity to sell the business, there’s no debate about it,” Dutra said.

Beyond clear and accurate financial records, what else should an MSO do to make themselves more appealing as an acquisition target? Here’s a checklist of suggestions.

### Get your other numbers in line.

Your financials aren’t the only numbers that can help sell your business, one former MSO owner, now on the management team of a Big 4 consolidator, said. Make sure all your key perform-

ance indicators (KPIs) like cycle time and CSI are strong. Whether or not any DRP agreements you have will continue after the sale, a buyer will want to see that your operation is hitting whatever KPIs those agreements entail.

Another important number, he said, is five, as in, “5-S your shops.” Five-S is a “house cleaning” that includes sorting, setting in order, sweeping (or shining) standardizing and sustaining. Essentially, he said, eliminate clutter, personal projects and anything in the shops you’re not using. Establish a place for everything and train employees to keep it all in its place, and set up standardized procedures along with visual or other guides to help employees understand and use them.

While this alone can boost each of your shops’ productivity, the former MSO said, it also helps a buyer see what they’re getting and feel confident in the shop’s ability to perform post-sale.

### Strengthen and lock in your team.

Dutra said while a buyer may really want your capacity and location, it’s your employees that bring them the most value.

“They’re buying the business, but the business is really people,” he said. “They can go buy assets and equipment anywhere. That doesn’t generate much unless you have the people who know how to use it.”

That means they’ll want to see those people stick around, something you can help ensure through a long-term compensation plan, Dutra said.

“The bigger the deal, the stronger the correlation between valuation and the management team,” Walcher agreed. “This includes not only capable operations and marketing managers, but also strong center managers, estimators with good relationships with referral sources and lead technicians who can train the next generation. Consider locking up these key players with employment agreements.”

### Build your sales volume.

Mike Anderson of Collision Advice sold his own MSO before becoming an industry trainer and consultant. He said now perhaps more than ever, sales volume is driving acquisition choices and selling prices. Businesses are generally valued as a multiple of their EBITDA (earnings before interest, taxes, depreciation and amortization). Although many factors can influence what multiplier a buyer may use to calculate your company’s value, Anderson said total sales volume can have a big impact.

Off-the-record interviews with former MSO owners who have sold seem to bear this out. Smaller MSOs generally reported selling prices of three or four times EBITDA; the multiple rose (and sometimes doubled) for those with annual sales above \$25 million.

That means an MSO looking to be acquired may still want to continue to grow.

“The more you’re doing in sales is going to help dictate your sale price,” Anderson says.

But Walcher cautions that performance, not just top-line sales, adds value as well.

“Earn the highest possible profit margin out of the business you have,” he recommends. “This will create more value, because it leaves room for the buyer to grow the top line of the business to make some money.”

### Separate the business from the property.

Anderson said many buyers will want to acquire only the business and just lease the building and property. This can be a great source of revenue for a seller who owns both, but this entails separating the business and property from each other, something that he recommends be done years ahead of a sale.

Keeping the property also gives a seller a fall-back should the buyer fail in running the business, Anderson said, although the large consolidators



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can usually assist in the sale of the property if the seller wants out of both.

### Address any environmental or regulatory issues.

Dutra and Tieger both said environmental issues discovered by a buyer can easily scuttle a potential sale.

“They’re not going to enter into an agreement if you have any issues with the ground,” Dutra said. “So at least get a Phase 1 report to be able to show the ground is clean.” (A Phase 1 environmental site assessment identifies potential or existing environmental contamination liabilities; a buyer may seek a more thorough analysis, but a minimum of a Phase 1 is generally part of any sale.)

Tieger said sellers should also be upfront about any licensing or regulatory issues before they are discovered later in the process.

### Maintain good insurer relations.

Direct repair agreements are not transferable, so they’re not necessarily a key to being acquired, but they generally can’t hurt.

“Consolidators prefer to acquire MSOs that are insurer friendly,” Walcher said. “A well-prepared seller will nurture its DRP relationships and have a DRP-friendly culture.”

“Having good insurer relationships, whether they overlap with the buyer’s relationships or not, will work to your benefit,” Tieger agreed.

### OEM certifications may help, but don’t count on it.

Anderson said automaker certifications, like DRPs, don’t automatically transfer to a new owner of your business.

“So you may feel there’s value in that, but there may not be,” he said.

But Tieger noted that a shop location with the required equipment and trained employs to meet OEM certification requirements likely would still have those things post-sale, so a new owner

may just need to apply to maintain that certification.

“Because larger organizations have the ability to load level, your certified location may be a great tuck-in,” she said. “You may have a Mercedes certification, where the larger entity buying you may not.”

That can bring them a new source of business, and allow them to channel more Mercedes work, for example, to that location in that market.

### Understand your leases.

Anderson recommends that MSOs maintain a detailed list of all property or equipment leases, as well as information on their contracts for such things as estimating systems, uniform service, trash hauling, etc. Know when all such agreements expire, whether they are transferable, or what kind of expense would be entailed in ending them early.

Also be aware of other types of obligations you might have at the time of a sale. Anderson said shutting down his company’s 401(k) at the time of the sale of his MSO cost him nearly \$20,000. Another shop owner who sold, he said, had to pay \$50,000 in vacation pay that had been accrued by his employees — an expense the seller hadn’t planned for at the time of the sale.

### Develop a good team of support.

At a minimum, you’ll need good tax and legal advice as a seller, so don’t put off developing relationships with trusted advisors.

“I’d suggest telling your financial or tax advisor, ‘I’d like to sell my business a year or two or three down the road; what things do you think I should be doing to get things in order?’” Tieger said. “Obviously, you can sell at any time, but if you’re really thinking proactively, it’s good to get some advice earlier rather than just at the time you’re ready to do it.”

Walcher agreed that a tax strategy is a must, and preferably well ahead of the sale.

“The unfortunate truth is that most sellers don’t get to keep as much as they

expected because taxes were not adequately anticipated,” he said. “For example, simply switching from a “C-Corp” to a “sub-S” can eliminate the double taxation, but that conversion needs to occur 10 years before the sale to completely avoid the [tax] double dip.”

Walcher said your pre-sale team of advisors could include a business consultant who can help your business (or a particular location) improve where it is underperforming.

The team of advisors may or may not include a business broker or other business sales consultant, but everyone interviewed for this article agreed that if you use a broker or consultant, choose one familiar with the collision repair industry and the players who are potential buyers. One thing they can do is help you determine a fair value for your business, something sellers aren’t always good at doing themselves. Tieger said disagreements between buyers and sellers on value is the most common thing that scuttles potential sales.

“One good thing I see is that it’s much more common than it used to be for people to talk more readily with others about multiples and their EBITDA, and people aren’t afraid any more to be seen talking with the Big 4 consolidators,” she said.

### Work yourself out of a job.

A business is worth a lot more to a potential buyer if it will run without the current owner. Anderson said MSO owners should consider what doesn’t work well within their business without their involvement and start implementing changes to improve those things. That gives a potential buyer the confidence your locations will continue to perform after the sale — a key step, he said, in boosting the appeal and value of your business. ■



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**G&C AUTO BODY** believes its palatial shops are a key part in differentiating its business and offering customers treatment on par with dealerships and specialty retailers.

## These customer “extras” provide the most bang for the buck

**TIM SRAMCIK** // Contributing Editor

In 2009, Dan Menafee decided it was time to walk away from collision repair after a 40-year career — the last half of it spent managing shops in southern Maryland. Before saying his goodbyes, he picked up the phone and delivered to *ABRN* the best advice he believed he could give anyone wanting to repair vehicles for a living.

“Ask yourself how much you’re willing to pay for your customers,” he said.

Obviously, he was referring to the cost of doing business, but Menafee framed the statement oddly in reference to a challenge he had spent several years

handling. The owner of the shop where he worked was growing increasingly frustrated at the business’s inability to draw in customers after losing several key DRPs. Finally, he turned to a business consultant who put together a reorganization plan that included new layouts for customer marketing and perks. The thinking behind the program was sound — on paper, at least.

Some of the most successful shops in the country pamper customers with a host of extras — everything from extended pickup and delivery hours, lavish waiting areas, complementary gourmet

coffee and snacks, business centers and play areas for children to free automotive services. Menafee remained unconvinced.

“I’m all for making our shop as convenient and nice as possible for customers,” he said. “But this wasn’t working for us. I couldn’t see it helping us turn the corner.” With that, he decided to depart the industry.

Ironically, Menafee may have exited the market at the very moment repairs were changing their position on perks. The shifting terrains of collision repair were being remade by fast-growing MSOs built for speed and looking to grab

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up as much territory as possible.

Customers, too, were changing. Access to online estimates and convenient scheduling allowed them to focus on finding shops that could provide service as soon as possible.

Don't count out the power of perks just yet. Thoughts on what extras work best for shops and motorists have evolved; perks remain an important part of doing business for many shops.

### Definitions matter

What counts as a perk these days? Part of the changing nature of perks is their definition. Some repairers consider conveniences such as pickup and delivery and free WIFI necessary costs of doing business. Others extend the definition even farther to include any extra steps shops take to promote themselves through positive customer experiences.

For the purposes of this article, "perks" refers to any additional niceties beyond a quality repair and standard customer service (scheduling, regular updates and a friendly attitude). While this definition may seem dated, it helps illuminate the changing perception of these bonuses and their many forms.

### Perks with problems

When *ABRN* last spoke with Jimmy Lefler, owner of multi-Top Shop Contest winner Lefler Collision and Glass, he was unveiling his innovative and leading-edge business's newest creation: a valet concierge program for rental cars. That program had Lefler employees delivering rental vehicles, along with the necessary paperwork, to customers at their homes and jobs. The program was designed to allow customers to skip what could be an inconvenient trip to the shop or rental agency.

Setting up the concierge service was no simple task. Lefler's had to invest time and resources investigating the ins and outs of renting and eventually had to work out an agreement with the rental



PHOTO: G&C AUTOBODY

**CUSTOMERS MAY NOT SPEND** a lot of time enjoying plush waiting areas, but these perks deliver additional comforts that can help a service experience stand out.

company that permitted the shop's customer service specialists to assume the roles of agency employees.

The program proved to be popular with the shop's clientele. Its success came with some significant downsides. Namely, the service drew away a large chunk of the business's resources, far more than anticipated.

"When each of our stores are bringing in 5 to 10 cars every day, the logistics and manpower required are greater than the current staff can handle, making the program costly to staff," explains Lefler. "It basically requires a team of its own."

Additional potential costs also weighed on the program. Once Lefler's took control of the rental, it owned any negative portion of the deal. That included cleaning vehicles and handling difficult issues such as pairing customers with a comparable replacement.

After the service was in place, the shop encountered an unexpected revelation. Many customers considered it problematic. "Most would rather stop by our shop for a rental before or after work since they often already have more than they can

handle during the day," says Lefler. "Stopping to meet with our people in the lobby or parking lot turned out to be a bigger pain than just coming by the office."

### Valuable lesson

Currently, Lefler is weighing what to do with the program. For now, he offers his thoughts on what perks deliver the best results, beginning with responsive communication.

"That's the degree that what you say responds clearly and directly to what the other person just said," he explains. "If you are being responsive, the other person knows you are paying attention and care enough about what he or she is talking about to 'stay on that topic.'"

The opposite, non-responsiveness, involves changing the subject — sometimes in a subtle way, other times more obviously. The result is a conversation that quickly becomes disjointed and disconnected, with both shop and customer walking away believing the entire talk was rather pointless or feeling unhappy with the other person. Even if their intentions are truly in the right place and they

want to put the customer's concerns at the forefront, repairers who fall into this bad habit actually send the message that they don't care.

Lefler says shops next need to practice productive communication that, again, demonstrates an interest in the customer's concern. This begins with setting clear and realistic expectations. If the repair calls for 12 hours, don't project seven days just to cover the unknown possibilities, he says.

"Explain the process and control your cycle time. Give updates at a minimum of every other day and contact the customer immediately with any changes," Lefler adds. Be mindful of pickup times and how they can impact a customer's personal schedule. Lefler recommends giving customers at least a four-hour notice. No customer wants to get a 3:45 p.m. call stating a vehicle is ready but must be picked up by the shop's 5 pm closing time.

From there, Lefler says to plan on spending time to go over the repair and "sell it back to the customer." That means presenting the vehicle to the customer personally as opposed to having a front desk rep request the required signatures and payment before turning over the keys and pointing to where the vehicle is parked. Setting aside time to review the work shows customers that any concerns they expressed in the beginning or any promise the shop made has been addressed.

Finally, he suggests looking for ways to wow customers. This can be as simple as changing a turn signal bulb the customer overlooked or reattaching a loose piece of trim, handle, mirror, etc. Lefler says pointing out these relatively small acts upon delivery demonstrates to customers that your shop cared enough to go the extra mile.

Beyond tasks related directly to the repair, Lefler points to recognizing opportunities to reach out to customers personally. For example, recently an employee at his Newburgh, Ind., location



PHOTO: LEFLER COLLISION AND GLASS

**SOME OF THE MOST EFFECTIVE PERKS** often involve day-to-day interactions, listening more closely to customers and looking for ways to help them personally, according to Jimmy Lefler.

was speaking with a customer waiting for a small repair who mentioned needing to go to the grocery store on the way home when the vehicle was finished. The employee contacted the courtesy driver who transported the customer to the store and then waited patiently in the parking lot for the chore to be completed.

Notable in Lefler's take on perks is that many, perhaps most, don't seem like perks at all. They're examples of thoughtful customer courtesy that one could rightly expect to receive at any collision repair business. But they aren't. (The fact that customers actually might be surprised to receive them says a lot about customer expectations in the auto service industry.)

That's exactly Lefler's point. Perks aren't necessarily about going to extreme ends to satisfy customers, and they don't replace real customer service. They're another part of service that must be managed and maintained with ongoing training and feedback. They provide value through their direct, individual — not generalized — appeal. That's the core of the five-star customer service experience many shops aspire to provide.

### Perk payoffs

For the better part of its 44-year history, G&C Auto Body has taken a leading role in creating and offering a host of perks to help keep drawing in customers to its growing 11-shop operation headquartered in Santa Rosa, Calif. In return for affixing a three-inch G&C decal on their rear window, customers received free services for as long as they own their vehicle, including oil changes, tire rotations, front-end alignments and local towing. Rental vehicles were available for \$1 a day along with a Rental Rebates program that returned half of the paid rental bill to customers.

G&C also invested in arguably the most unique shop design anywhere — palatial structures that took their inspiration from founder Gene Crozat's visits to Europe. Crozat wanted his customers to know they were being treated special. The eye-popping architecture is paired with equally striking interiors sporting expansive customer lobbies, large stone fireplaces, chandeliers and plush couches and chairs.

While the business continually reviews all these offerings, Chief Operating Officer Shawn Crozat says the lavish structures are here to stay. They might





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PHOTO: MOODY'S COLLISION CENTERS

**THE VALUE OF ATTRACTIVE GROUNDS** and buildings that tell customers “we care” shouldn’t be overlooked.

just be more important than ever, in fact.

Crozat notes that collision repairers need to find ways to differentiate themselves. He explains, “You can only fix a car right once. You have to do something else to stand out.”

When it comes to setting themselves apart, shops need to recognize who their true competitors are. Crozat says it’s not other shops.

“Customers don’t get in an accident every week. It’s not something they think about,” he notes. “They aren’t going to compare us to a shop down the street or one of the big-name consolidators. They don’t know them.”

Crozat says his real competitors are dealerships and high end retailers such as Apple Stores and upscale restaurants. “Those are the customer service experiences people remember, and that’s what we’re being judged against.”

That explains why the business continues to invest in stylish customer surroundings. G&C is currently renovating two new locations and intends to spend \$35,000-\$40,000 on countertops and wood trimmings alone. Even more important, it will carry over the business’s emphasis (like Lefler’s) on “wowing” customers, providing them with a service experience they’ll enthusiastically recommend to spouses, friends, neighbors and coworkers.

This kind of customer service is so

important to the business that it’s tied to staff pay, including Crozat’s. Employees look for ways to provide a memorable, personable experience. G&C supports their efforts with an environment conducive to a customer-centered focus. The shop sets an employee dress code. Customers are referred to as “guests.” G&C also heavily promotes successful customer interactions, sharing positive Yelp reviews and stories of exceptional customer feedback within its business.

“We’ve had several occasions where customers have been so happy they’ve tipped estimators as much as \$100. They bring in baked goods, pizzas and even a 12-pack of beer to staff members. This happens all the time,” says Crozat.

“We even have had customers drive an extra 40 miles after we moved an employee to a different location because they liked him so well and wanted to do business with him again.”

### Verdict on extras

Once again, no single perk drives these responses or delivers this level of loyalty. Steady, special attentive care pays off. Crozat and other owners say more traditional perks such as complimentary WIFI, snacks and comfortable waiting areas, though not highly used, continue to prove their worth, providing background comforts in a larger effort aimed at an impressive experience.

Shawn Moody, co-owner of Moody’s Collision Centers in Gorham, Maine, says much of what his business does focuses on creating a calm and trusting environment. “We utilize natural wood, a lot of glass and soft pastel colors, all designed to create a soft, calm feeling. Our grounds are always neat and well manicured,” he says.

“This gives customers the feeling when they walk in our front door that I’m in the right place. These people are open, honest and take pride in what they do.”

These benefits often outweigh those gained from more extravagant offerings. A Charlotte, N.C. owner reports his shop once began entering customers in monthly drawings for cruises and resort vacations. He eventually abandoned the strategy after one winner asked if he could exchange a trip for something more valuable: an earlier start date for repairs on his college-bound daughter’s car.

This episode highlights what might be the key takeaway on perks in today’s market. Customers aren’t looking for giveaways. They just want reassurance that their business matters. That’s something every shop can provide — each in its own way. 📌



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# A balancing act

Load leveling drives success at Performance Auto Body

**BRIAN ALBRIGHT** // Contributing Editor

➔ One of the key benefits of being a multi-shop operator (MSO) is the ability to perform load leveling between locations. With locations in different communities, an MSO can take whatever work comes through the door without worrying about overscheduling. If you run out of capacity at one store, you can shift it (within the limits of your customer and insurance agreements) to another store with idle resources.

For Performance Auto Body, with operations in Parsons and Morgantown, W.V., load leveling isn't just a nice benefit, it's a critical part of the company's success. Owner Warren Judy's two shops are a study in contrasts: a very large shop in a very small town, and a smaller shop in a much bigger city. The symbiotic relationship between the two shops has been key to the profitability of both.

Judy's transition from a single shop to an MSO was driven by very practical considerations — his first shop was a very big fish in a very small pond, and relying on local business in Parsons was not going to be sustainable. Fortunately, through a combination of luck and some smart decisions, Judy's two Performance Auto Body locations complement each other through regular load leveling, ensuring a dependable stream of business at both stores.

Judy first started working on cars as a teenager with his father and bought and restored his first car before he even had a driver's license. He began working as a body shop technician as soon as he graduated, in addition to restoring other cars at his father's private shop. For several years, he worked at a car dealership in Morgantown.

In 2005, itching to start his own business, he was able to purchase a massive facility in Parsons that had already been converted to a body shop by a local Chevrolet dealership. The Parsons location is a 36,000-square-foot converted warehouse that includes a body shop, paint shop, sand blasting shop, offices, and 10,000-square-feet of indoor parking.

"The dealership had done a beautiful job of converting it and it had brand new equipment and two big booths," Judy says. "Unfortunately, one of the partners in the dealership passed away and the other partner opted to go in a different direction with the body shop and the business. The owner got ahold of me, and I fell in love with the place. They made me an offer, and the owner helped me work through some of the financing issues to help me purchase the first building." Unfortunately, Judy soon ran up against



## PERFORMANCE AUTO BODY

Parsons, West Virginia

**Warren Judy**  
Owner

**ProSpray**  
Paint supplier

**2**  
No. of shops

**25**  
No. of employees

**1**  
No. of states reached

**36,000**  
Square-footage of headquarters location

**11**  
Years in business

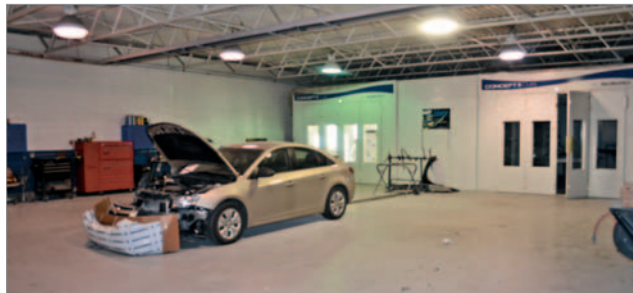
**\$3 million**  
Annual gross revenue

PHOTOS: PERFORMANCE AUTO BODY

a supply and demand problem. Parsons, nestled in the George Washington and Jefferson National Forests, only has a population of around 1,500 people — not enough to sustain a facility with that much capacity. Judy needed a way to bring in more vehicles, so he looked 60 miles to the North to Morgantown.

Morgantown, which sits on the Monongahela River, is the largest city in the North-Central region of the state and is home to West Virginia University. The university and two major health systems located in the city have fueled a significant amount of economic and population growth, and although the population is relatively small (around 30,000), it is growing quickly.

The good news for the handful of local autobody shops is that the population growth has outstripped the infrastructure, so there are more vehicles jostling for space on roads that weren't designed to handle that much traffic. "I'd worked at a dealership



in Morgantown, and I knew how busy it was in terms of body work," Judy says.

In 2007, Judy opened a 3,000 square-foot shop in Morgantown with a cross-draft booth. He handles smaller jobs there, and then directs all of the other work he picks up in the larger city to his big facility in Parsons. He has since expanded that location to a 10,000-square-foot leased facility to accommodate the growth in his business.

"When I bought the first shop, we were doing around \$400,000 to \$500,000 a year," Judy says. "Now we are up to around \$3 million a year between the two locations."

When he opened the second shop, Judy and a partner invested in a truck and trailer to move the cars back and forth between Parsons and Morgantown. When the truck isn't moving vehicles, it brings in additional revenue by doing work for local oil and gas operations.

The location of the shops has actually proven to be financially beneficial. The payment on the much larger Parsons shop only costs about half of what Judy is spending to lease the smaller Morgantown shop. If his bigger building was in the larger city, it would be much more

expensive to operate. "We do have some overhead, and we have to pay to move the cars back and forth, but I don't know that I'd do it differently if I had to do it over again," Judy says.

Performance Auto Body currently has 15 employees between the two locations. There is a shop manager/estimator in Morgantown, while Judy is currently handling estimating at the Parsons shop.

Judy's shops have also benefitted from a friendly competitive landscape. None of the major consolidators or chains have a presence in the region. "The biggest shop here is another independent shop that has a big, beautiful facility," Judy says. "But honestly, you could probably open two or three more shops here and not even notice, because there's that much business from Morgantown. There's a lot of growth, and you can hardly go down a road without seeing a crane putting up a new building. The infrastructure is horrible, and there are just so many cars on these little roads."

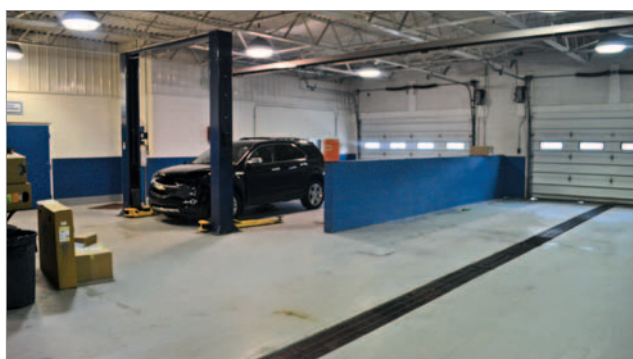
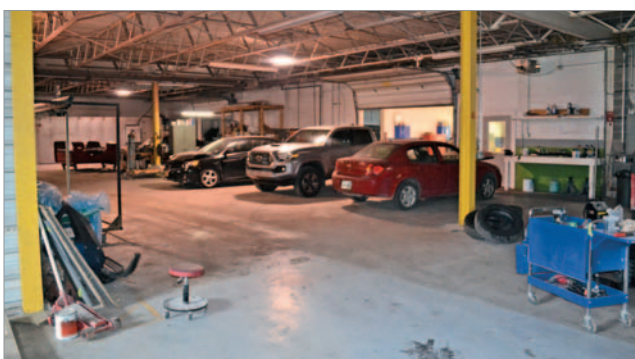
The company has backed off of some of its direct repair program (DRP) relationships, although Judy has maintained a few key insurer relationships. According to Judy, at one point he had nearly 40

employees on the payroll to keep up with the various DRPs. "We've had a lot of insurance companies approach us, but we've really just dropped back to a couple of DRPs that have been at the core of our business for a long time," Judy says. "We're really comfortable with them and we're good and profitable with those groups."

The level of walk-in business has also increased. "Now that I'm estimating at the Parsons shop, I've seen the majority of what we're doing is really walk-in business. The DRP is shrinking a bit on its own," Judy says.

With business booming at the two locations, Judy is eyeing additional expansion into other nearby communities. "I've been approached by a couple of shops that want me to buy them out," Judy says. "If the deal makes sense, I'm not afraid to go in and look. A lot of shop owners are getting frustrated with dealing with the insurance and headaches, and they are looking for a way out."

That expansion will be delayed somewhat because Judy plans to open up an even larger facility in Morgantown. "I'm within a year or two of my lease being up there, and I want to build a new building," Judy says. "I'm shooting



for it to be around 15,000 square feet, because I'd like to add another booth at that location."

One of the biggest challenges Judy says his business faces as an MSO is keeping up with the investment required for new technology. Most recently that has involved a substantial purchase of equipment for working on aluminum vehicles. "I know it's coming, but so far it's mostly collected dust," Judy says. "In order to stay up with the insurance company requirements and I-CAR, you have to have this equipment. We've had it about a year, and I think we've maybe worked on one aluminum vehicle since we've had it. In our small area, it just hasn't caught on yet."

He compares it to the work he did to get the shop ready for waterborne paint a few years ago. "We made an investment and trained my painters, but we usually

use the lower VOC solvents. All of my booths have the equipment to do waterborne, but we don't use it right now. We're ready if and when it comes."

Judy's employees maintain their knowledge and skill paint techniques and new products with help from paint supplier ProSpray. "We have gotten great hands-on training with color techniques such as tinting and blending. They want to know what areas we need help in; it is not just a cookie cutter class," he says.

Employees visit ProSpray's Massillon, Ohio training facility about once a year, in addition to ProSpray's day-to-day service. "They are very personal. When we make a phone call, they are there," Judy says.

Proper training has helped keep business steady across the company. "When things slow down at one shop and are busy at the other, it's easy for us to load level and that's a big advantage to having

two shops," Judy says.

In addition to preparing for aluminum repairs, building a new shop, and searching for an acquisition opportunity, Judy is also starting to put some thought into a transition plan for his eventual retirement. "I'd like to be able to groom some employees to start taking over and maybe offer shares in the company, and then shrink down my involvement as I get toward that age," Judy says. "Eventually I know I want to slow down." ■



**BRIAN ALBRIGHT** is a freelance journalist based in Columbus, Ohio, who has been writing about manufacturing, technology and automotive issues since 1997. He is a regular contributor to *ABRN*, *Motor Age* and *Aftermarket Business World*. [b-albright@sbcglobal.net](mailto:b-albright@sbcglobal.net)

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