

MSO SYMPOSIUM TAKEAWAYS

**FIGHTING BACK AGAINST
THE CASE-BY-CASE BASIS DEFENSE**



Annual event fosters industry education, collaboration

SUCCESS STRATEGIES

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WALKING AWAY WITH KNOWLEDGE

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A LOOK AT THE ADAS IMPACT AND WHAT IT MEANS FOR THE AFTERMARKET

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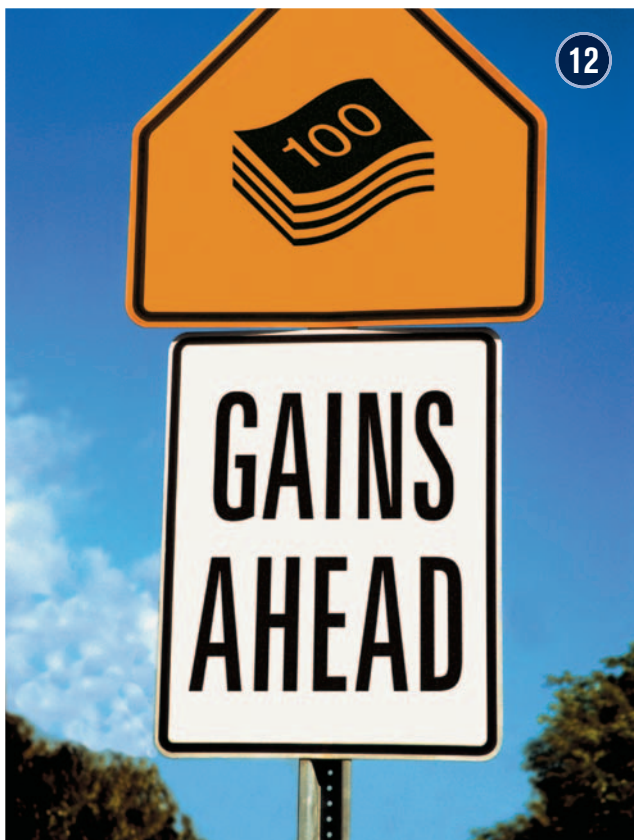
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Creating and implementing SOPs are the best ways to ensure each employee knows the proper method of performing various jobs throughout the shop.

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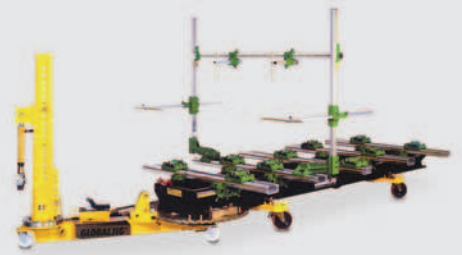
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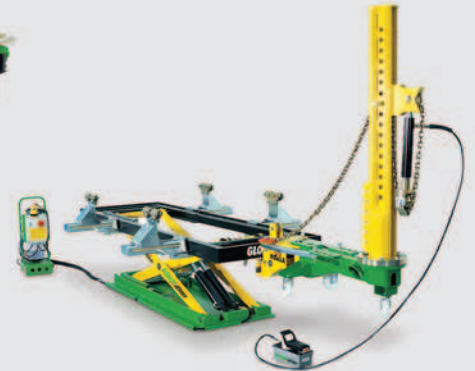
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PHOTO: SERVICE KING

BUILDING CAREERS

SERVICE KINGS WELCOMES 34 TECHS TO APPRENTICE PROGRAM

Service King Collision Repair Centers continues to add to its quickly growing Apprentice Development Program as the organization welcomed 34 technicians this summer at seven elaborate signing-day events held across the country. The events signaled the start of a hands-on 52-week paid training program designed to prepare aspiring technicians for a successful career at Service King and in the collision repair field.

Service King's popular apprentice program has now more than doubled in size since its unveiling in 2015 with more than 40 programs underway in 16 states across the country. The latest

signing day came shortly after the White House and President Trump signed an executive order aimed at expanding apprenticeships and vocational training programs in the U.S.

"The entire Service King family is thrilled to welcome our latest signing class to the Apprentice Development Program," said Tyra Bremer, Service King Vice President of Talent Development. "This is an exciting step in their careers, and we look forward to providing a challenging, hands-on path towards rewarding careers at Service King."

The official signing day events took place this summer in Fort Worth, Texas;

>> PROGRAM CONTINUES ON PAGE 7

BREAKING NEWS

INDUSTRY OUTREACH

SOLDIERS BEGIN CIVILIAN CAREERS IN COLLISION REPAIR

After 26 years in the U.S. Army, Master Sergeant Michael Sadler had been stressed about his upcoming retirement from service.

"Transitioning into civilian life is hard for someone like me. All I've known is the military. So there was a lot of worry about what am I going to do. I know I want and need to work and keep busy, but my biggest fear was finding a job that I would like," Sadler said.

Sadler is one of 13 Ft. Hood soldiers nearing completion of their military service who graduated in late August from Caliber Collision's Changing Lanes program, an innovative training program designed to provide skills and tools for a successful new career in the fast-growing collision repair industry.

These soldiers comprise Ft. Hood's first graduating cohort of Changing Lanes, which provides active-duty service members with free training, certification and

>> JOB CONTINUES ON PAGE 8

TRENDING

NEW GERBER LOCATION OPENS IN GEORGIA

The Boyd Group Inc. announced the opening of a collision repair center in Greensboro, Ga., about 75 miles east of Atlanta. The center previously operated as Rodfathers Collision Center & Sales.

ABRN.COM/GREENSBORO

CARSTAR EVENT RAISES MONEY FOR HOSPITAL

The CARSTAR Puget Sound Business Group hosted the 12th annual CARSTAR Charity Golf Tournament in Newcastle, Wash., raising more than \$37,000 for the Seattle Children's Hospital.

ABRN.COM/PUGET

AUTOMOTIVE GROUP ACQUIRES MAACO SHOPS

Cambridge Automotive Group has acquired two Maaco locations surrounding Houston, Texas. The group now owns nearly 40 Maaco shops across the country.

ABRN.COM/CAG

JOSE COSTA LEAVES DRIVEN BRANDS

Jose Costa, president of Driven Brands Paint & Collision Group, has left the company to pursue other opportunities. At the time of publishing, a successor had yet to be named to fill his position.

ABRN.COM/COSTA

NAGY'S BRAND UPDATES LOOK, EXPANDS

Nagy's Collision centers revealed updated branding for all of its Collision Centers, Pro Touch and Power Sports locations, which coincide with continued growth and expansion of the business.

ABRN.COM/BRANDING

MSO CONFERENCE

CARSTAR GOALS REFLECT THE FUTURE OF THE INDUSTRY

BRAD MEWES // Contributing Editor

In mid-August I attended the CARSTAR North American Conference. While CARSTAR has been active in both the US and Canada for decades, this is the first time that CARSTAR organized a unified North American conference.

I was invited to the conference to work with some of CARSTAR's top MSOs to review growth opportunities in a consolidating industry. One of my clients was also awarded CARSTAR's top honor at the event (along with a full expense-paid trip to Bermuda for him and his family).

I left quite impressed with the quality and professionalism of the conference. The conference was in Charlotte, home of Driven Brands, CARSTAR's parent company and owner of Maaco, Meineke, 1-800 Radiator, Take 5, and a host of other automotive franchises. Charlotte is also the home of NASCAR, and the opportunity to have happy hour in the NASCAR Hall of Fame, visit the Charlotte Motor Speedway and listen to Jeff Gordon talk firsthand about what it takes to compete and win at 185 mph was priceless!

But numerous headwinds face the industry. Many wonder what the future holds. The industry has consolidated rapidly at the hands of larger consolidators. ADAS and autonomous driving technology threatens significant industry disruption. Access to capital remains challenging

for smaller organizations. Attracting and retaining talent is a scourge facing businesses both large and small. Margins continue to deteriorate for many.

These challenges beg the question — why invest in the collision repair segment of the automotive aftermarket? Why does private equity continue to invest into collision repair, paint distribution and parts distribution? Why do investment funds continue to invest in public companies such as Boyd (parent company of Gerber in the US), Uni-Select (parent company of FinishMaster in the US), LKQ, Co-Part and others in the supply chain?

When I was in Charlotte, we talked about what investors see in the industry. We talked about why we should expect additional investment into the industry, but also more consolidation. But more importantly, we talked about where the opportunities are for small and regional MSO businesses.

I recently had dinner with the manager of a small equity portfolio on the East Coast. We discussed some of these industry headwinds. He is a shareholder of The Boyd Group Income Fund. I asked him why he continues to invest in Boyd given these headwinds. His answer was simple: "As long as management grows the company at a faster pace than the industry shrinks, it is an attractive value proposition."

At the CARSTAR North American conference, CEO Michael Macaluso

expanded on this strategy. In his presentation to the 1,000 attendees, he said CARSTAR has a responsibility to ensure profitability, to become the biggest collision repair group by number of locations, and drive sustainable growth.

Michael set out aggressive goals for the franchise. CARSTAR will double in size, increasing network revenues to \$3 billion and double the number of network stores to 1,000. CARSTAR is leveraging its base to drive the success of its franchisees as well as vendors and other stakeholders that partner with the company to drive its growth.

He's not the only one projecting rapid growth in the industry. Brock Bulbuck, CEO of Boyd, announced in early 2016 that he intends double the size of the business over 5 years, and he is well on his way to meeting that target. In mid-2016 Caliber announced a \$5 billion revenue target.

The race for market share continues. The industry will continue to change. It will continue to become more competitive. The big will continue to get bigger. Margins will likely continue to face pressure for many. But in a consolidating industry, the winners grow at a faster pace than the industry shrinks.

Ultimately, whether you grow by billions or thousands, increasing the value of your business in a consolidating industry is as much about growth as it is profitability. 

>> PROGRAM CONTINUED FROM PAGE 6

Chicago; Denver; Pasadena, Calif.; Santa Clara, Calif.; Columbus, Ohio; and Charlotte, N.C.

The program officially launched in 2015 featuring a 52-week paid training program for aspiring auto body technicians across the US. Today, it continues to grow as demand for experienced, skilled technicians increases across the industry.

Service King's unique program provides personalized instruction and training to technicians by capping individual programs at less than five apprentices per supervisor. Each class is immersed in a detailed, progressive curriculum that fosters a focused learning environment, allowing apprentice technicians to master each element of the collision repair process. Furthermore, all learning takes place in the live setting of a Service King

Collision Repair Center.

The Apprentice Development Program has been widely heralded across the collision repair industry and featured in the media, including recent stories by Dallas CBS affiliate KTVT. Aspiring technicians interested in joining the Apprentice Development Program are encouraged to visit ServiceKing.com/careers to connect with a representative from the Service King recruiting team. 

>> **JOB CONTINUED FROM PAGE 6**

employment opportunities prior to transitioning out of the U.S. Armed Forces.

"I have been amazed at the abundance of information and training we have received in a short period of time," said Nate McGuire, another Changing Lanes participant with 11 years in the service. "I feel that we have been set up for success, that we are just not going out there on our own. We have the skills and training to earn income right away."

The 18-week hands-on-training course is offered free to transitioning soldiers at Caliber's dedicated Changing Lanes Training Academy in Killeen, Texas. Participants earn industry-accredited I-CAR points through a combination of class instruction and hands-on training experience. All 13 soldiers in this first Ft. Hood cohort have received employment offers at Caliber locations, primarily in Central Texas, and will start their careers armed with a \$12,000 toolbox.

"Transitioning into civilian life is one of the most stressful times for soldiers and their families. Changing Lanes is so

powerful because it gives back to our soldiers what they want and deserve the most — the ability to continue to take care of their families and maintain their quality of life. We can't thank Caliber enough for showing our soldiers how much we appreciate their sacrifices," said Charles Green, Director of Human Resources at Ft. Hood.

"Changing Lanes is an absolute win-win for our military heroes and Caliber," said Steve Grimshaw, Caliber Collision Chief Executive Officer. "Transitioning soldiers gain valuable skills to jumpstart a rewarding collision repair career. Caliber Collision benefits from bringing on board teammates whose military training and background mirrors our core values and commitment to provide complete satisfaction as we restore the rhythm of lives."


Caliber's Changing Lanes program first launched earlier this year at Ft. Bragg in Fayetteville, North Carolina. The company anticipates enrollment of 200 additional soldiers by the end of this year at Ft. Hood, Ft. Bragg and other mil-

itary installations throughout the country and an overall goal to train 500 soldiers per year beginning in 2018.

Soldiers refurbish, donate car for veteran family

A highlight of the graduation ceremonies was the presentation of a 2016 Honda Civic, which the Changing Lanes cohort refurbished for Killeen veterans Antoinette and Patrick Dombroski, who together have 16 years of service.

Antoinette was medically retired two years ago, and has been unable to work, resulting in financial strain for the family. Recently their only car broke down, leaving Patrick, Antoinette and their children, ages 7 and 9, to rely on bus, foot or rides from family and friends.

The vehicle donation is part of Caliber's Recycled Rides program in partnership with the National Auto Body Council where collision repair industry businesses team up to donate and repair vehicles to individuals in need of reliable transportation. 

NAGY'S KICKS OFF ANNUAL DEER HIT CONTEST TO PROVIDE AID TO LOCAL CHARITIES

Nagy's Collision Centers launched its annual Deer Hit contest to benefit local charities.

The contest kicked off Sept. 1 and will run through Dec. 30, 2017. For every vehicle that has hit a deer and is repaired at any of Nagy's 10 collision center locations in Ohio during this time, they will donate \$10 to a local charity.

Participants will also receive a free T-shirt.

"A collision with a deer can be a very stressful experience for a driver," said Nagy's President Ron Nagy. "We saw this as an opportunity to provide


our customers with the outstanding repair service they deserve while giving back to our local communities."

Nagy's, family owned since 1973, has held the annual Deer Hit contest since 2010, introducing the charitable giving element in 2015. Over the past three years, Nagy's has donated more than \$5,000 to various local charities through the Deer Hit campaign.

According to research, there are approximately 1.5 million deer-related car accidents each year. The majority of these accidents occur between October and December, but they can happen year-round.

Nagy's Collision Centers, which offers auto and power sports collision repairs, as well as auto detailing, is a Gold Class collision repair center. Technicians are trained in the proper repair techniques and procedures that contribute to the complete and safe repair of all vehicles.

"We appreciate all of our customers," said Vice President Dan Nagy. "This is a great way for us to show our appreciation and give back to the communities in which our customers live."

For more information on Nagy's Collision Centers and the Deer Hit campaign, visit www.nagys.com. 

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MSO SYMPOSIUM ESTABLISHES A NEW RECORD FOR INDUSTRY ATTENDANCE AT CHICAGO EVENT

More than 300 collision industry executives attended the annual MSO Symposium, representing approximately \$6.3 billion in annual revenue from more than 2,400 collision repair locations, as reported by The Roman's Group.

This year's symposium, which was held in July in conjunction with NACE Automechanika 2017 in downtown Chicago, featured a robust program and strong attendance from multiple industry facets. There was increased participation from the car manufacturers. Insurance industry attendance exceeded expectations, with representation from numerous companies, including 8 out of the top 10 largest insurers.


Susanna Gotsch, CCC Information Services Inc., and Vincent Romans, The

Romans Group, kicked off the event with important outlooks and business forecasts. The Advisory Board, led by this year's Chairman, Paul Gange, president and CEO of FIX Auto USA, did a fantastic job of bringing top speakers and subject matter to Chicago.

"Our focus for the MSO Symposium is to bring together the leaders and influencers from the insurance and collision repair industry. Executives and owners in the collision repair industry are treated to a day of education, collaboration and networking," stated Dan Risley, ASA president and executive director. "The MSO Symposium is the one event that brings repairers and insurers together to the benefit of the industry and, ultimately, the consumer."

"The ASA board and management was pleased to see the great turnout and positive response to the 2017 MSO Symposium. Although we will continue to make improvements with more networking and presentations, we are very pleased with the results and appreciate the support of sponsors who make all of this possible," said Roy Schnepfer, Chairman of ASA.

It was announced that the 2018 MSO Symposium will be in Atlanta, Ga., at the Georgia World Congress Center, in conjunction with NACE Automechanika.

For those interested in limited sponsorship opportunities, please contact Brian Nessen, (713) 705-1512. Information about the 2018 event will be available at msosymposium.com. 

CARSTAR, 1COLLISION NETWORK EXPAND IN MAJOR METROPOLITAN MARKETS

CARSTAR Auto Body Repair Experts and 1Collision Network have both announced expansion into major U.S. markets — New York City and Chicago, respectively.

On Long Island, CARSTAR Celebrity Chase is owned by Mike Manning and his son, Mike Manning, Jr. Manning is also opening a satellite location in Oceanside, New York, for convenient estimates and drop-offs.

"After being in business for some 30 years on my own, it's great to now be part of a team of like-minded owners across the country who are all looking at the same opportunities and addressing the same challenges," said Manning. "Together, we can all build our businesses in our local communities."

CARSTAR Celebrity Chase is a fam-

ily-owned and operated business that has been serving the Long Island and Queens communities since 1982. CARSTAR Celebrity Chase will work with its customers and their insurance companies through the entire process to make sure their vehicle is repaired correctly and efficiently by their expert body shop technicians.


"Opening two locations to serve New York City is a significant milestone for our CARSTAR network," said Michael Macaluso, president, CARSTAR North America. "With the addition of New York, CARSTAR now serves almost every major metro area in North America."

Meanwhile, 1Collision Network expanded in the Chicago market with the addition of Law Auto Bodywerks in Bensenville, Ill., which specializes in col-

lision and mechanical repair of luxury brand vehicles.

"We are excited to begin working with 1Collision and integrate their programs and benefits into our culture," said Johnny Ding, Law Auto Bodywerks manager.

"We welcome Johnny and the ownership team and employees at Law Auto Bodywerks to the 1Collision Network family of collision repair centers," said 1Collision Network President Jim Keller.

The 1Collision Network is an independent and dealer owned and operated collision repair businesses committed to delivering high quality collision repair services, developing trusting insurance relationships and ensuring a positive, predictable and seamless repair experience for both the consumer and the insurer. 



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SUCCESS STRATEGIES

Former MSO executives share insight into growing, selling a collision repair business

JOHN YOSWICK // Contributing Editor

Who could better offer advice to MSO leaders that those with successful histories building — and selling — MSO collision repair businesses?

At this summer's MSO Symposium, held in Chicago in conjunction with NACE Automechanika, three former MSO executives talked about the growth and sale of their businesses, sharing advice for those still in the trenches.

Pat James, the retired CEO of AutoBody America, said he used an insurance settlement after his wife's car accident in 1981



Pat James

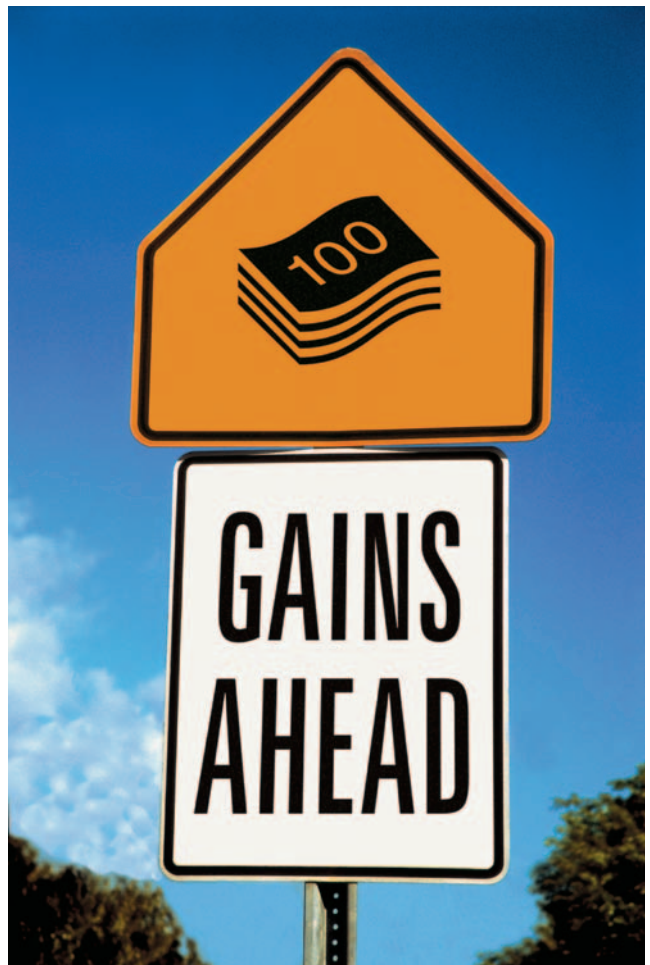
as seed money to launch the business in Tennessee. Over the decades that followed, he sold the company twice, later buying it back, before finally selling what had grown to a 20-shop chain to Service King at the end of 2012.

"So I have a little background in both buying and selling," James said.

During the company's first real stint of growth, between 1998 and 2006, James' financial partners at that time believed in locations with "the shiniest building with the highest retail traffic per day."

"The problem is when you do that, you end up having so much money invested in real estate...that you just can't make the numbers work," he said. "Our rent factors were always in the 10 percent to 11 percent range. You just couldn't outrun the debt."

So from 2009 to 2012, during which the company added more than a dozen shops, James worked to ensure the company's locations each had EBITDAR (earnings before interest, taxes, depreciation, amortization and rent) of 18 percent, including rents that were not more than 5 percent of sales.



The company used brownfields to grow in the markets where it had existing staff and business relationships and acquisitions as it entered new markets (including in Mississippi and Arkansas) to take advantage of those companies' employees and relationships. New shops were always within a three-hour drive of either James or his business partner.

"So if something blew up on us, one of us could be there within three hours to make sure the wheels didn't completely fall off," he said.

James said starting in business at age 21 led him to learn quickly that he needed a lot of help. One mentor taught him, "Know what you know, and know what you don't know." That's why within the business he focused on his passion as a former technician — namely, improving the production process

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Pro Spot is constantly striving to improve. Whether that means designing innovative equipment, implementing cutting edge technical support or further improving their already extensive training programs, Pro Spot is always looking for ways to better our customer's experiences.

while bringing in others to focus on the financial end.

“You should not feel threatened by finding people who are smarter than you are,” James recommended. “Find people who have complimentary skills that kind of cover up your soft spots. I had a lot of soft spots. We surrounded ourselves with very energetic, passionate high-performers.”

He said the company also worked to reward and retain those people.

“Once a location hit the 18 percent EBITDAR, we gave back to the store manager 7 percent of everything above that number,” James said, noting the managers could share that bonus among the locations’ staff how they best saw fit. “We knew we would be sustainable if we hit our 18 percent. We knew we could open the next store and the next store and we’d be putting cash back. So we



AJ Leone

wanted everybody within the organization to feel like owners.”

As a real estate developer, AJ Leone didn’t ever expect to enter the collision repair industry, but over a dozen years acquired three brownfield locations for Charleston Collision in South Carolina, selling the business in 2015 to Caliber Collision. Always thinking about what future real estate investors would be looking for, Leone chose convenient, accessible locations on busy stretches of road.

His key piece of advice for MSO leaders: Have an exit plan.

“As entrepreneurs, you spend a lot of time putting your blood, sweat and tears into the business, and in my opinion, that’s only half of the equation,” he said. “Anyone who is in a for-profit entity needs at some point in time to think about the next step — the exit.”

Not doing so, he said, can lead you to

get over-extended when you should be trying to shed debt. It also keeps your focus on maintaining “clean financials” that aren’t “muddied or clouded with some other hobbies, shall we say.” Those records will not only help you make good financial decisions as you run the business, he said, but will be what bankers or any potential buyers will want to see as well.

That paid off for him in terms of a sale that went “quickly and smoothly,” he said. Over 18 months, he talked to three potential buyers and an investor group, but the final process with Caliber took less than three months, start to finish.

“It was not painful, and was very enjoyable, actually,” Leone said of the business sales process.

“I’ve been doing this for 20 years. I don’t think I’ve ever heard anybody say it was enjoyable to sell an MSO,” panel moderator John Walcher of Veritas Advisors, joked.

Leone said his only regret was not growing the business more to improve its value. He said he recommends that companies always look for growth.

“Sometimes staying static in your market, just sticking with your four locations or your 10 or 20, can lead to irrelevance in your market,” he said. “Other competitors, be they big or small, are moving all the time.”

After the sale, Leone returned to a focus on real estate investing and development, while James is enjoying a retirement of non-profit work and traveling with his family. Aaron Clark, on the other hand, remained in the collision repair business — as a vice president of Assured Performance — after selling his Indiana-based Collision Solutions company to ABRA Auto Body & Glass in 2012.

“I’m very happy not to be in your guys’ shoes today,” Clark said, drawing laughter from MSO executives at the symposium.

Clark and his brother were partners in a two-shop company in 2001, and their objective was to “grow the business stra-

tegetically, looking for shops that filled out a footprint” in the Indianapolis, Ind., market.

“Having two stores was the worst spot I was ever in,” Clark said. “Having two was twice as bad as having one. I would never recommend for anybody to be in a two-store scenario. There’s just all kinds of challenges.”

A merger with another local shop owner and the purchase of one shop gave the company five shops at the time Clark sold.

Like James, Clark said he got stung at the time of sale by contracts his company had with vendors that had “problematic renewal clauses,” that can require some of the sales proceeds to go toward contract buy-outs.

“And that’s just not one contract,” James said. “For us, it’s one contract times 20 shops. It was a big number.”

Clark said there were “some bumps in the road” during his sale, which was an 8-month process with several “suitors.”

“I think that’s to be expected,” he said. “I didn’t expect it to be a simple process and easy to do. I poured my life into the business, so it was difficult to let go. I think that was one of the biggest pains, actually letting go when it was done.”

Looking back, Clark said he thinks he may have been able to get some more money out of the deal — though he recognizes there can be “opportunity costs” there — but otherwise he has no sellers’ remorse.

“I moved on in my life and don’t have any regrets,” he said. ☞



Aaron Clark



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WALKING AWAY WITH KNOWLEDGE

What I learned by attending the MSO Symposium at NACE Automechanika Chicago

BRAD MEWES // Contributing Editor

In late July, I was in Chicago for NACE Automechanika. NACE is one of the largest trade shows dedicated to the collision, mechanical and automotive service industries in North America. It is a great show to connect with leaders in the industry, and as is normally the case, my day was filled to the brim with early mornings, late nights and meetings and events throughout the day. By the time I got home at the end of the week, I was exhausted and glad to be home but already missing the energy from Chicago.

The primary reason I go to NACE every year is to attend the MSO Symposium. I attend on behalf of clients, but I also attend because there is no better place to get a “boots on the ground” perspective from other successful business owners and executives.

The topic on everyone’s mind at NACE

Automechanika was pre- and post-repair scanning of vehicles. In the mechanical and service space, scanning has generally been a standard business practice for a number of years and is a key component of diagnosing a vehicle. On the collision side, however, scanning has been a largely ignored procedure until recently.

At the MSO Symposium there were two panels on scanning — one made up of OEMs and the other comprised of insurers. It was fascinating to watch the dichotomy between the two groups. The role of scanning will continue to impact the industry, and there are a number of companies providing innovative solutions to meet this need. Equipment manufacturers like Bosch and Car-O-Liner are looking at the connected workshop and working feverishly to create a real-time network leveraging the internet of things. Companies like asTech and AirPro are focused on providing remote solutions to the industry, leveraging both centralized and decentral-

ized work forces to drive down costs and increase access to OEM-level scanning technology at the shop level.

But these companies face challenges as OEMs move further into the space. A representative from OnStar gave an interesting presentation on the company’s go-to-market strategy. OnStar’s vision is to report codes at the time of an accident, going as far as to imply they will develop technology that will provide predictive analytics to insurers and repairers alike, speeding the claims cycle and reducing claim cost. Information providers have also entered the fray, with companies like Mitchell, CCC and Alldata all discussing ways to provide OEM-level information to the end user and creating new technologies that will write estimates based on photographs alone with no need for human intervention. Fascinating times indeed for companies with innovative business models. From my perspective, there is a lot of work still left to do and no

MSOS CONTINUE TO GROW, BUT INDUSTRY OPPORTUNITIES REMAIN



KRISTA MCNAMARA //

Content Channel Director

MSOs will continue to gain market share over the next four years, but a lot of the collision repair industry still remains for smaller MSOs and independents to be successful.

Vincent Romans with The Romans Group presented his industry outlook at the 2017 MSO Symposium during NACE Automechanika in Chicago this summer.

By 2021, Romans predicts the top four MSOs and those with revenue of \$10 million or higher will grow to encompass nearly 45 percent of the collision repair market, or \$16.7 billion of what will be an estimated \$37.6 billion industry.

But this leaves 55 percent of the industry for other repairers. "There is still a lot of industry out there for many companies to be successful," Romans said.

Seven years ago, Romans introduced four pillars impacting the industry: consolidation, contraction, convergence and constructive transformation. These pillars remain relevant but have changed with the industry.

Consolidation continues but is slowing. Instead of continuing to buy smaller MSOs, MSOs are instead looking at strategic cluster purchases. In terms of contraction, the market is currently in a temporary equilibrium. "However, in another two to three years, we will see another aggressive contraction," Romans said.

Convergence remains omnipresent. "It is everywhere, and it is lightning speed. Innovation and disruptive technology are driving this," Romans said.

Constructive transformation continues long-term, is multifaceted and has led to both simple and complex partnerships and alliances and segment and market integration, he said.

The industry today — Romans estimated in 2016 14.8 million accidents leading to \$35.7 billion in revenue — continues to change based on these four pillars, but other influences are leaving an impact.

Romans cited a host of market conditions that affect the industry: increased DRPs; Advanced Driver Assistance Systems and autonomous vehicles; private equity; telematics; supply chain consolidation; margin pressure; alternative appraising mod-

els; predictive analysis; photo estimating; OEMs; technology's warp speed; demographics, urbanization and changing lifestyles, among others.

Private equity has also entered the PBE supply chain, with Romans referencing PNC RiverArch Capital acquiring Painter's Supply, with 21 locations in Michigan, Ohio and Indiana, and Driven Brands working with numerous private equity groups to build out MSO groups within its broader Maaco and CARSTAR franchisee networks.

"Individually, these don't have that much of an impact, but taken together they can be very powerful," Romans said. He suggested owners ask themselves: "Am I looking at these proactively? Am I reacting? Am I giving up? And if so what does that mean for my business?"

Despite so many influencers driving change, there is good news, Romans said. The collision repair industry market size is growing; consolidation/contraction is slowing; accident frequency is increasing, along with claims, repairs and severity; new vehicle repairs remain strong; and OEMs are having a positive influence on certification and repair standards.

one company has yet to develop a truly disruptive approach to solving this challenge. The "killer app" is still yet to come.

My favorite part of the MSO Symposium, however, was hearing from business owners directly. In a highly informative panel, three former collision repair owners discussed their growth and their exit from the business. It was fascinating to hear from individuals who built world-class organizations discuss how they grew as well as their experiences in selling a business. The importance of using debt as a tool to grow, but also the importance of managing the capital structure of the business, were discussed. "Shed debt. Grow cash." "Grow

at the right pace and place." "Remember your taxes." These were all pearls of wisdom from the panelists.

I also enjoyed hearing from these panelists about how they had previously managed their business, and the importance of financial and operational KPIs in their business. Each panelist was intensely focused on their business and utilized a number of financial and operational KPIs to manage their business on a daily basis. There are a lot of different financial metrics used to evaluate a business, and I found it interesting to hear how different owners used different ratios to manage theirs.

All in all, the entire week at NACE Au-

tomechanika was a great use of my time. Ultimately, these events are about networking, and I spent most my days doing as much. I find I can accomplish more in four days of face-to-face meetings than I able to accomplish in three months. The next big industry event that I'll be attending is SEMA in Las Vegas, and I hope to see you there! 📷



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TURN OF A PHRASE

Disregarding manufacturer repair procedures on a case-by-case basis

DARRELL AMBERSON // Contributing Editor



In the collision repair industry, a few phrases have been abused to the point of becoming a standing joke. The most classic is, “you’re the only one.” It’s been typically used by insurance representatives when negotiating with repairers indicating that they are the only ones charging for a given procedure, typically implying that all other repairers do the operation for free as a cost of doing business or consider it included in something else, even though the estimating pages indicate that it is a non-included item. Repairers have come to realize that in many cases they are NOT the only one charging for it and that the insurer is using the phrase to avoid paying for the operation. In fact, the phrase became such

a common point of discussion that some years ago at a major trade event many repairers were wearing buttons that said, “I’m the only one!”

I fear we may have a similar phrase coming into prominence that may too be lacking in credibility in its recent use. The phrase is “case-by-case basis.” Many articles have been written about the adherence to OEM repair procedures, including their position statements, and there have been many recent panel discussions on the topic at industry events like NACE Automechanika Chicago and CIC. There is an echo chamber effect of insurers stating that they are looking at approving the procedures, especially pre- and post-repair scans, on a “case-

by-case basis.” Of course the approval of the procedure typically includes approval of payment for it. Before you think this is an insurer-only issue, it must be acknowledged that some repairers are taking a similar approach regarding the procedures as well. Let’s take a closer look at the issue.

Application

When using the phrase “case-by-case basis” regarding whether or not to consider the viability of an OEM procedure, there is a clear implication of questioning the necessity of the procedure, which can also imply there is a questioning of the motives of the OEM. It can even call into question the integrity of the OEM.



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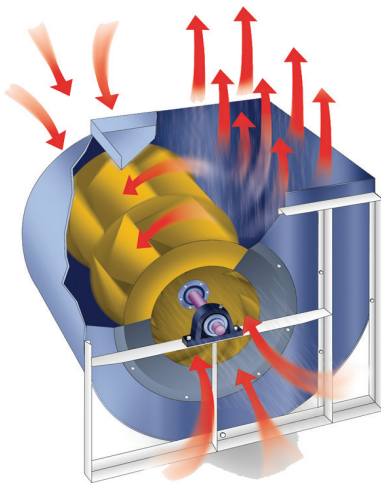
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Let's consider some common examples. One major manufacturer directs our industry to not repair aluminum wheels, but instead to only replace damaged ones with new OE replacement wheels. Another has stated we shouldn't perform paintless dent repairs. Many OEMs say that we should only use new parts. If anyone in a position of determining repair methodology were to consider questioning these OEM directives on a "case-by-case basis," how would one do it? Presumably one could look at wheels, perhaps including measurement of how much straightening and welding and machining would be required to consider the structural difference in the wheel. One could look at past history of similar repairs and consider information from professional wheel repairers. There are methods to check for cracks and run out. In terms of PDR work, one could inspect the backside of panels to consider corrosion protection issues and look for exterior paint damage. Alternative parts decisions include consideration of used part condition or certification of aftermarket parts or past experience or perhaps even a fit test. At the very least, a casual inspection of alternative parts allows one to assist in making judgments before installing the part.

You cannot deny that in these common examples use of the OEM procedure offers a dependable and predictable solution, though it may be more costly. Using information as I described, one could also argue that the alternative methods may offer a reasonable repair solution that could offer similar appearance and function as the OEM procedure for less expense. We all know these alternatives are used commonly with presumably good success. We can use our knowledge of the alternative repair methodology, our knowledge of similar situations, and the specific circumstances to make a "case-by-case basis" decision on how to proceed. This decision will necessarily be the best one, but if noth-

ing else we have information to base our decision on.

Now let's approach the case of deviating from an OEM scan procedure. Many OEMs mandate a pre- and post-repair scan for ALL collision repairs. Some give a date range, such as 2004 or newer. Some don't, implying that all vehicles of their brand should be scanned regardless of age. However, we know that OBDII was mandated in 1996, so our ability to scan those older than that is limited, and we see very few collision repairs on vehicles that old, so let's consider newer vehicles. (In 2016, according to CCC, 65.8 percent of collision estimates were written on vehicles 6 years old or newer.) So, can we look at an age exception to deviate from the OEM procedure? If so, at what age? On a 2007 or 2010 or 2013, can you look at it and say with certainty that neither the collision nor the repair process will without doubt NOT cause a diagnostic trouble code (DTC) to be triggered? Do you have some history or experience or other resource for your judgment to allow you to know that there is no need to scan even though the OEM says you should? How about severity? On a light hit, do you know for certain there will be no DTCs? Many of us in the field are finding circumstances where a simple door trim panel R&I or a bumper R&I will trip fault codes, some indicating a need to re-initiate modules to restart their communication with each other. Some issues from a door trim removal can include sound-system issues, lack of heated steering wheel function, or lack of sun roof function. None of us would have expected such issues in years past. What past experience can we rely on to make exceptions?

There is little or nothing available in terms of tools and logic to determine when to make exceptions. Most experts in the industry continue to promote the idea of pre- and post-repair scans. The only way to look into the advanced technology systems is through a scan tool.

Another example

There is currently a prominent news story regarding deviating from OEM repair procedures. A shop in Texas replaced a roof on a Honda Fit using an adhesive instead of welding it as the factory directs. In a significant front-end collision, the roof came loose and the occupants received injuries from a resulting fire. They are suing the shop and separately suing the insurer. The shop claims that the insurer influenced their decision regarding the repair methodology. The plaintiffs' attorney stated, "Certified body shop facilities better stop listening to the insurance companies they get paid by and start listening to the OEM that spent hundreds of millions of dollars developing, designing, manufacturing and testing vehicles to provide maximum protection in foreseeable accidents. Insurance companies don't repair vehicles and don't develop, design, manufacture and test vehicles. As such, they should stay out of the way of those who are charged with protecting our family should an accident happen."

In reading the transcript of the attorney questioning the shop's director, I see a litany of direct questions about the person who made the repair methodology decision — had he worked at American Honda?; did he have a degree in mechanical engineering, metallurgy or structural analysis? Answering such questions in court about an accident with physical injuries made worse by a shop's prior repair work, especially while deviating from OEM procedures, presents a worst possible nightmare for a shop manager or owner. The million-dollar lawsuit is only one consequence. The loss of reputation and the cost of future shop insurance premiums (if you can buy a replacement policy) make the exposure even greater. It can be potentially devastating to a business and to the careers of those involved. And knowing that your shop's repairs resulted in additional pain and suffering of the people injured in the accident is a burden to bear as well.

Case-by-case basis

As for those who say they address the scan issue on a case-by-case basis, what criteria is used to make such determinations? I've worked with many insurance representatives who have been directed to handle payment for scans on a case-by-case basis, yet they have no idea what that means. They have no way of knowing whether there are DTCs present or other potential issues such as modules that need to be initiated to resume communication to key components. In reality, they are guessing.

Unless someone comes up with verifiable proof, based on uncontested information that provides a safe alternative to the factory repair procedures, particularly regarding scans and calibrations, we can't do anything but comply with them.

Imagine that you are a repair facility owner/manager and a repaired vehicle — say a common one like a 2010 Honda or Toyota — was in another accident. It was severe, the airbag restraint system deployed, and there were personal injuries. The vehicle owner and their savvy attorney are suing you for a lot of money, claiming that your repairs were not up to factory standards and therefore the vehicle didn't perform as the vehicle was designed from the factory, thus increasing loss and injury. You are on a witness stand in front of a judge, jury and cameras. The prosecuting attorney asks you questions and you provide your answers:

Q: Did your shop perform pre- and post-repair scans on the vehicle?

A: No.

Q: Did your shop perform the factory specified calibration on the right front seat sensor?

A: No.

Q: Why not?

A: We perform scans and calibrations on a case-by-case basis. We feel that it is not necessary in some situations.

Q: What does the manufacturer specify?

A: That we perform scans and the

seat calibration on this model in any collision repair.

Q: But you don't feel it's necessary.

A: No.

Q: What criteria do you use to make that determination?

A: On some jobs the severity of the damage is not as extensive. We don't scan or calibrate those. We have fixed other similar vehicles without performing the scan and calibration and haven't had any problems.

Q: What do you mean by 'haven't had any problems'?

A: Well, they haven't come back to us with an issue.

Q: But, you can't prove that they are working correctly.

A: Well no, I can't prove it.

Q: Do you know with all certainty that the victim's vehicle safety systems were functioning properly when it left your shop?

A: Well, I think so. There were no dash lights. The car drove fine.

Q: Do you know that there were no fault codes in the system when the vehicle left your shop?

A: Well, no.

Q: Do you know if the RF seat sensor was in proper calibration when it left your shop?

A: I assume it was.

Q: But you don't know for certain.

A: No.

Q: What happens in an airbag deployment situation when the RF seat sensor is out of calibration?

A: It can cause the airbag system timing and deployment severity to be different.

Q: Out of factory specs? Deploying differently than it was intended?

A: Well yes, potentially.

Q: Could that have made a difference in the injuries sustained by the occupant?

A: I don't know.

Q: In your case-by-case basis decision making, where you elected not to scan or to calibrate the seat sensor, why

would you make those choices when you don't know what the potential outcome is, especially when considering the safety of your customer and their passengers? Why did you think it was ok not to perform the factory prescribed operation?

A: (silence)

Risk management

The above hypothetical situation is a worst possible nightmare for a collision shop owner/manager, similar to the roof repair lawsuit described earlier. Granted the frequency of catastrophic results may be low. But low percentages are not acceptable. Our collision repair industry should live up to the same high standards where any failures are unacceptable. We owe it to our customers who entrust their safety with us.

There should be no "case-by-case basis" deviation when it comes to scans and calibrations. Repairers and insurers would be wise to stick to the OEMs' repair procedures. And frankly the same logic applies to at least most other collision repair procedures as well. The changing technologies and increased sophistication of newer vehicles, as well as the opportunities for litigation, are increasing the risks of deviation.

Insurance companies are in the business of risk management. Repairers are not. In fact, it is more prudent to be in the business of avoiding risk for the sake of our customers and our businesses. Until our industry recognizes that and seeks solutions that work to protect the needs and interests of all parties this will be an unsettled issue. 📧



DARRELL AMBERSON

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EMBRACING CHANGE

Industry professionals discuss paths to overcoming challenges for collision repairers

CHELSEA FREY //
Senior Associate Editor

For a fourth year, *ABRN* gathered industry professionals to discuss how their businesses are addressing and embracing the biggest challenges facing the collision repair industry today.

Here are some of the highlights of this year's MSO Roundtable, which included two MSOs and an association executive (see "Who was at the Table?," page 26).

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?

Sean Guthrie: It's difficult to discuss any industry like ours that are hands-on, skilled difficult labor without discussing the lack of technicians. It's finding good, hard-working people. Now they have to be very intelligent people and willing to learn, because everything is getting so advanced. Our technicians now are car doctors. If you look at a diagram of a car that just highlights electronic modules and wiring, it looks like a human. It's a challenge finding techs that are willing to continue to learn and/or find guys that are willing to be mentored from the very start. Until we can get our technicians better compensated, to lure them to want to learn more, it's just going to continue to get more difficult.

Darrell Amberson: The greatest issue is being certain that we're repairing the vehicle correctly for the consumer to the point that we know that all these high-tech systems are behaving as they



were intended to. The second greatest challenge is getting staff to be able to fix the high-tech portion of repair as well as the structural portion. A third challenge is getting paid for it. I personally spend a lot of my time talking with insurers, helping them understand and trying to convince them of the logic in paying us for what we do. There is a lot of reluctance, which is very disappointing. I think it's holding our industry back by allowing this to become the norm. I also believe that we as repairers cannot use that as an excuse to not fix the car properly.

Sean: We've done almost \$100,000 worth in scans over the past couple years that we weren't compensated for, but that's what it takes to put the car back together to pre-loss condition. And that's business law 101: Do the work regardless of compensation.

ABRN: How is your organization handling pre- and post-repair vehicle scanning?

Aaron Schulenburg: As an organiza-

tion that represents collision repairers, we've been handling pre- and post-repair scanning in terms of awareness, education and information. We've been working on helping our members identify the best tools and solutions that are available for them and understanding how position statements are often simply iterations of procedures that are already in the repair manual. We've done that through live presentations and video panels and through our own news outlet as a platform to help generate information and conversation.

Sean: We are using asTech for 90-95 percent of our scanning needs. We'll use an aftermarket scan tool for others that asTech can't cover. For pre-repair scanning, we allow our estimators to make that decision. If it's a minor impact, we typically won't scan. If it's something major, something that already has an MIL on or airbag deployment — that will get pre-scanned every time. We're pretty adamant about scanning post-repair. Ultimately, we want to deliver that car just like it was before the

crash — not just for structural and cosmetic for safety, but the electronic safety as well.

Darrell: We scan all collision jobs — both pre-repair and post-repair — regardless of whether we get the insurance company to compensate us or not. It's the same with customer pay jobs. We'll do a blueprint and do the pre-repair scan after the teardown. We have nine collision shops and three of them have a mechanical department. With the other six, we have mobile people who have equipment coming in every day to do pre-repair scans. We mark windows so we know that the vehicle needs a post-repair scan when the repairs are completed, as well as notes on it that would indicate, for example, if the car needs a seat calibration. We set the policy for ourselves that we do it on every vehicle that's OBDII, that's 1996 and newer. We know that it may not be a necessity on the older models within that timeframe, but the practicality of the mat-

ter is we're not fixing many older models. So we just elected to do them all.

Sean: Something Darrell said is something I encourage all shops who are scanning to do — write on the window. We do the same thing. We'll write "post-scan required" and then list the calibrations that are required and draw a little box. Until that box is checked, that car can't be washed. We don't want the scans to be forgotten; we don't want our customers to be driving that car with a possibility of modules not working because they haven't been calibrated. The next step we're going to is — with a lot of these cars — they have to be driven again before all the modules will wake up. So there's almost two post-scans. There's a post-scan before the test drive and there's a post-test drive scan to make sure everything is working right. I think that's a big area that's being forgotten by many collision centers. Until a car is driven, you really don't know if everything

is working properly.

Aaron: It's not just a matter of going for test drives and seeing if something pops up. Many of these vehicles require test drives of specific speeds, distances and things that need to be tested during those drives. It's a continual reminder of the importance of going back to that OEM procedure and following that documentation.

Darrell: We currently employ about 300 people, and our mechanical staff has grown from three to twenty-five employees in the past five years. We do some retail work as well, but a number of these people are spending the majority of their time with new technologies — scanning and calibrations.

Sean: We've seen a similar trend between a higher number of front office people and a higher percentage of mechanics. We're not quite as large—we have about 200 people—but there's probably more than ten people in our mechanical depart-

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ment now. Another thing we've done is really looked at the difference between the average aftermarket tool and the OEM scan tool. We've done a lot of tests back and forth; you've got to use the right tool for the job. You're not going to use a nailing hammer to do body work — scanning is no different. I encourage all body shops to do their own tests to make sure the equipment they're using is as good as it can and needs to be. It's not about saving money; it's about saving lives.

Darrell: I agree, and I would pose that the capabilities of the technician handling the scan tool are equally important as the tool itself. The higher caliber technician you have and the better the education, the better off you're going to be.

ABRN: If you had the opportunity to talk with OEM representatives, what is one thing you'd suggest they do differently that would help shops be more efficient?

Darrell: I would suggest that they make technical information more easily available. We can get it through some factory websites, and in a lot of cases we have to pay for that. We can get it through ALLDATA, but all the information that is necessary is not always in the specific section for the repair you're making. I know I-CAR is working on things to make it easier to find information, which is very helpful. I think most of the information is out there if you want to dig and find it; it's been there for a long time. But if we could have that data easily accessible, that would help us a lot.

Aaron: We do have the opportunity to sit down with OEM representatives frequently to address issues as an association, and that supply chain of procedures is a common area of conversation. A lot of the manufacturers do a great job of producing information. As an industry we love to point at the gaps that exist but fail to recognize how much information OEMs have produced. It's certainly important to work on those gaps, and we do so regularly. But it's also important how we utilize the information that exists. We

need to work so that it is more consolidated, that the approach to getting it is similar across the board. Another area of conversation that is important is finding mechanisms that support those businesses that are fixing cars and doing it the right way.

Sean: You can't just sit down with one party. It needs to be OEMs, insurers and information providers, and we need to do a better job of supporting each other. Yes, all the information is there, and the OEMs have spent considerable time doing the research and building these documents for us to use. But I hear this all the time — "I wasn't good in school and now you're making me do all this research like I'm in school again." We started classes for our estimators just to help them understand how to use the OEM resources. If you do the research, it's the better part of an hour to write a \$3,500 estimate. We can't afford that; we don't have that many estimators and time to do it. Yes, we're making it happen, but there's no reason for it to be that difficult. OEMs and insurance companies are afraid body shops aren't doing a good job, but the average body shop doesn't know how to do the right job. It's too difficult to get that information even if they want to.

ABRN: What is the best improvement your organization has made in the past year and how has it impacted your organization?

Aaron: The launch of the Repairer Driven News site has been one of the biggest advantages that we've created for the organization, and I like to think for the industry as well. Having the ability to dig deep into issues with a broad audience and focus on areas that have really useful, viable information that can help shops with the decision-making process has been very helpful. The ability to craft that and use current events and information as a way to create greater awareness has been really valuable for us. It's been met with a very positive response.

Sean: We started a weekly training class for our estimators, customer ser-

WHO WAS AT THE TABLE?

Aaron Schulenburg is the Executive Director of the Society of Collision Repair Specialists (SCRS).

Sean Guthrie is the Director of Operations for seven Car Crafters Collision Centers in Albuquerque, New Mexico.

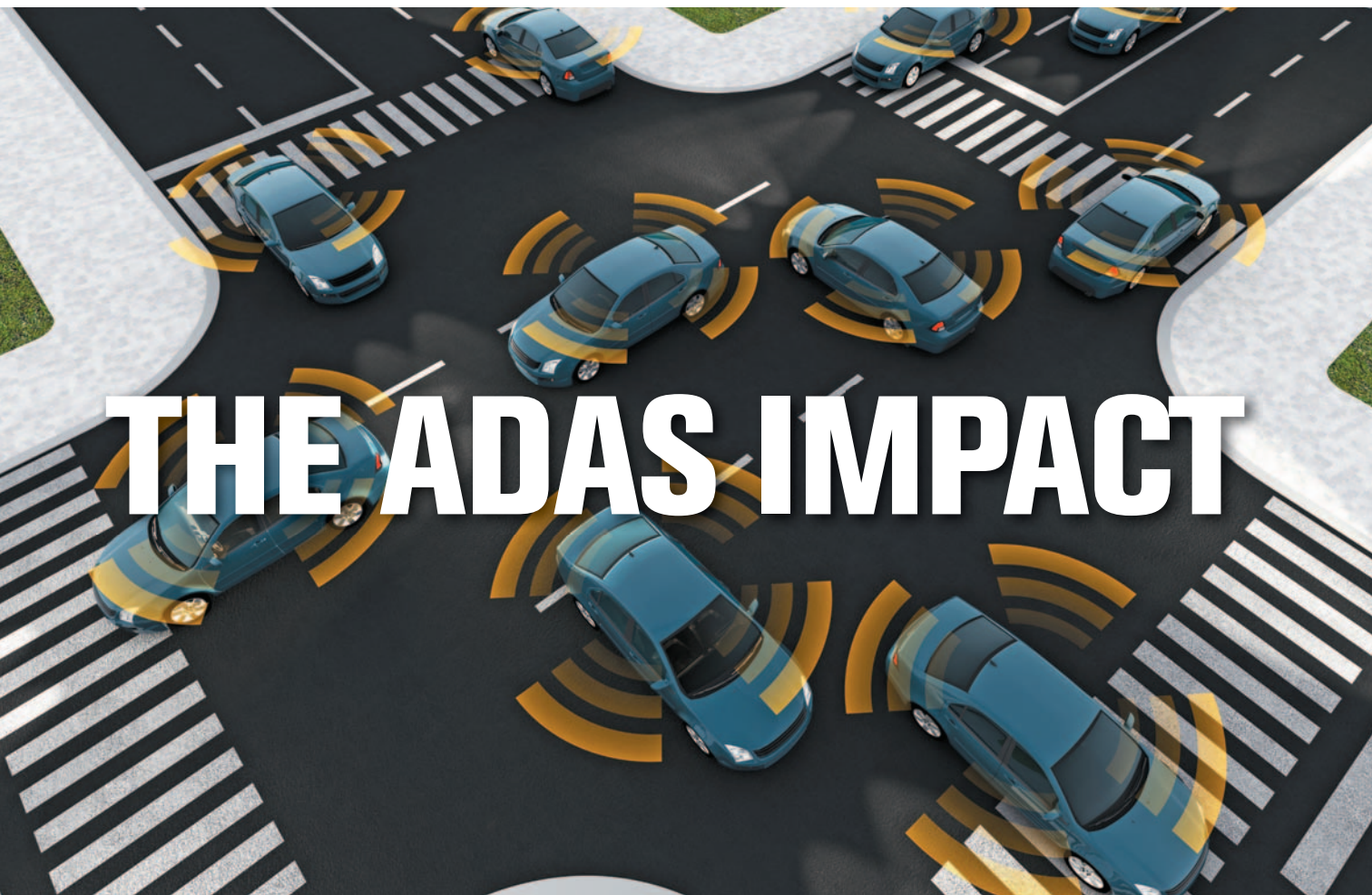
Darrell Amberson is President of Operations at LaMettry's Auto Body, which has 9 locations.

vice reps and managers. Most of the meetings have focused on training how to properly use the information and resources that are available, why we need to do the things we are doing and supplying resources for our insurance partners to help them better understand the need for what we're doing. That's helped in so many areas. First of all, we can be 100 percent confident that we are fixing cars properly. It's helped in the compensation side, because we've supplied employees with the information needed to train and educate our insurance partners. It's also made all of our shops more consistent in how we write estimates.

Darrell: The greatest thing we've done is embracing the new technology and educating ourselves. We try to fix as much as we can in-house. If the predictions are correct in terms of rapidly changing automotive technology and more and more software and electronic features, a greater percentage of typical collision repair is going to be about these new electronic technologies. We're working to embrace the changes as much as possible. 📡



CHELSEA FREY is the Senior Associate Editor for *ABRN* and for its sister publication, *Motor Age*, in the service repair segment. chelsea.frey@ubm.com



THE ADAS IMPACT

A look at what Advanced Driver Assistance Systems mean for the aftermarket

BRAD MEWES // Contributing Editor

Recently, I have had multiple conversations with a number of very intelligent people about Advanced Driver Assistance Systems (ADAS), and their impact on the automotive aftermarket industry. Each of these conversations have been interesting, and while opinions have varied, one thing is certain — the role of technology in the automotive aftermarket is only increasing. Some are very concerned about the impact of ADAS on the automotive af-

termarket, and others appear ambivalent about the technology. The more conversations I have, the more I realize that there is much uncertainty on the ADAS impact on the automotive aftermarket.

The consultants

Recently, KPMG released a report that spelled out a rather gloomy future for companies that operate in the collision repair segment, including OEMs, parts distributors, paint distributors and colli-

sion repairers, suggesting that the industry could see as much as 75 percent decrease in parts replacement business as a result of autonomous vehicle technology.

My friend and colleague James Carter, principal consultant at Vision Mobility, sees a similar dreary future for the industry. In a recent report titled “Who Stole My Company,” he states, “As the convergence of new technologies into a “CASE” platform (Connected, Autonomous, Shared, Electric) occurs,

people will be able to access their mobility cheaply through pay-as-you-go systems.” James is very active in the mobility space, and sees autonomous technology and ADAS having a significant impact on industry profitability as well. He believes we are on the cusp of a major shift in how consumers purchase, service and use automobiles. “As the popularity of such autonomous car-sharing services grow, many current industries and businesses associated with automotive and car ownership will begin to dwindle and finally fail,” he explains.

The information providers

In the collision repair segment, the information providers sit atop a unique perch. The information providers include companies like CCC, Mitchell, Alldata and Solera (parent company of Audatex). These companies provide database services to both insurers and collision repairers through cloud-based claims management and damage-estimating platforms. From their unique vantage point they have deep insight into the fundamentals of frequency and severity.

According to both Mitchell and CCC, despite increased adoption of ADAS in many vehicles, both frequency and severity continue to increase. In other words, despite increasing technology designed to improve driver performance, the opposite is happening. The U.S. public is crashing more frequently than in past years and is also causing more damage to their vehicles in each crash and replacing more parts. There are many causes, but generally speaking, our addiction to smartphones has an incredible ability to foul up even the latest ADAS technology.

The repairers and suppliers

The repairers and the suppliers I interface with generally have taken a “wait and see” approach regarding the impact of ADAS on the automotive af-

termarket. Recently, I attended NACE Automechanika in Chicago and generally speaking, few participants were focused on the potential negative impact ADAS could have on the industry. Technology was in the spotlight; however, repairers and suppliers focused on the impact of new vehicle construction methodologies, the impact of lightweight metals and materials on vehicles, and the increasing role of OEMs in dictating repair methodology. ADAS was mentioned, but in passing, and generally in relation to the importance of diagnosing and calibrating systems pre- and post-repair.

The investors

The investors I have spoken with appear to be most concerned about the impact of ADAS on the automotive aftermarket. While these investors see a risk from ADAS, some also see opportunity. Generally, they take a very nuanced approach to the technology. Many are keenly attuned to current and projected severity and frequency rates and see little cause for concern in the near- to medium-term. Others consider vehicle scrappage rates have trended below historical averages over the past 5 years. For example, IHS projects that vehicles older than 16 years of age are expected to grow from 62 million in 2016 to 81 million units by 2021, suggesting that adoption of new automotive technology in the overall fleet will be dampened as consumers hold on to vehicles longer. Additionally, some investors I spoke with, while bullish on the technology, recognize that technology comes at a cost that not all consumers are willing to incur immediately. While the hype over Tesla’s Model 3 grabs headlines, the sober reality is that fully and/or highly autonomous vehicles represent a tiny fraction of the 250 million-plus cars on the road in the U.S.

Looking further out, other investors

see opportunity in ADAS and autonomous technology. As vehicles become increasingly self-sufficient, utilization rates will increase. The result: increasing demand for consumable parts and maintenance services.

Conclusion

One thing is unanimous — autonomous technology and ADAS will impact the automotive aftermarket. I do find it interesting that the businesses that potentially face the greatest impact as a result of ADAS — repairers, suppliers and distributors — seem to be discussing it the least. However, based on current and historical data, including frequency and severity, and future trends, including trends in scrappage rates and adoption of new technologies, the impact of ADAS on the automotive aftermarket is likely years — and possibly decades — out. If, however, scrappage rates begin to significantly shift from current levels, average vehicle age begins to decrease from the current 12-year average, government regulations and/or mandates change, consumer purchasing power increases significantly, or the cost of ADAS and autonomous technology drops rapidly, we may see a much more rapid impact on the industry than previously anticipated.

What do you think? Do you think ADAS will have a larger impact? Is the collision repair segment going the way of the Polaroid picture? If so, what does that mean for property and casualty insurers, database providers or other industries selling into the collision industry? I’m eager to hear your thoughts. ☞



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Weathering any storm

MSO has fought off both natural and market disasters and remains afloat

BRIAN ALBRIGHT // Contributing Editor

Collision shops choose to expand into multi-store operations for a variety of reasons — the need for more space, opportunities in new markets, insurance company encouragement and more. For Fradella's Collision Centers, which serves the Lake Pontchartrain area near New Orleans, the leap to a second store was almost forced on them by circumstance.

Fradella's was founded in 1982 by Michael and David Fradella and Al Waller in Chalmette, La., a small, island-like community near the Mississippi River where the famed Battle of New Orleans took place in 1815. The long-time friends were primarily doing custom work because they loved working on cars. "We did that for a couple of years. Then we figured out we have to bring some structure to this and we have to feed our families," says Waller, who serves as vice president and general manager at Fradella's.

Since then the business has grown to nearly \$7 million in revenue, 37 employees and three locations — all in spite of the business nearly being washed away in Hurricane Katrina. The company's family atmosphere, dedication to quality and teamwork, and embracing new technology and processes have helped Fradella's weather both natural disasters and the ups and downs of the collision industry, Waller says.

Early technology adapters

The shop began using the 3M ARMS management software fairly early on, which Waller says not only revolutionized his own business, but the collision industry in general. "It really brought it out of the stone ages," Waller says. "The whole concept was that you needed to job cost, and up until that point there had been very little computerization in our industry. The management system really held you accountable to job cost each job."

In the mid-1990s, Fradella's was also an early franchisee for CARSTAR, a relationship that lasted roughly five years until, as Waller puts it, he and his partners decided to move in a different direction as CARSTAR was undergoing some significant management changes. "But they really focused us on standardization of processes and profitability," Waller says. "We started with them in their infancy. There were a lot of structural changes, and it just wasn't a good fit for us anymore at that point."



FRADELLA'S COLLISION CENTERS
Chalmette, La. // www.Fradellas.com

**David Fradella,
Michael Fradella,
Al Waller**
Owners

35
Years in business

3
No. of shops

**Martin Senour
Paints (Sherwin-
Williams)**
Paint Supplier

1
States served

\$6.7 million
Annual gross revenue

37
No. of employees

Opportunity in disaster

By 2000, the single Fradella's location was doing roughly \$2 million in business. While the co-owners were already considering opening a second location, the company's transition to a multi-store operation was forced by the damage caused by Hurricane Katrina in 2005 and a massive oil spill that occurred just after the storm.

Waller describes Chalmette as "ground zero" for the hurricane, which caused massive amounts of damage, displaced the region's entire 70,000 population, and left the community without power for 10 months. "We were devastated," Waller says. "And the first thing we did was figure out how to regroup."

It was far from easy. All of the company's employees and cus-



tomers were scattered across the region, and had evacuated as far away as Texas.

That meant locating the entire team, and then finding a location with power and water where they could re-launch the body shop while Chalmette was rebuilt. “The second location kind of picked us,” Waller says. “We found a location in Metairie with utilities that we could use as a base, and we first leased that building in October 2005.”

Part of the building was converted to a bunkhouse for employees to sleep in (a trailer was parked in the lot as well), as everyone had lost their homes to flooding. The Metairie building also had other amenities like a shower and a barbecue pit. A number of employees commuted from out of state during the rebuilding process.

Hurricane Rita, which hit a few weeks after Katrina, caused further evacuations and damage. Despite the destruction, however, Waller says the experience bonded the team and helped fuel the growth that came later.

Waller describes the long process of getting back into the Chalmette location as “painful,” but the shop was up and running again by the spring of 2006. The Fradella’s team split its time between getting the Metairie location up and running and rebuilding in Chalmette. “We started with a body man and a painter there, and started moving part of our crew back from Metairie,” Waller says. “We had to bring cars back and forth because in Chalmette we have 18,000

square feet, but in Metairie we just had 4,500 square feet. We’re still load leveling like that today.”

The third location in Slidell was opened in 2009. “That’s an area where a lot of people from Chalmette had relocated after Katrina because it’s on higher ground,” Waller says. “We had a customer base there already.”

The population in Chalmette-proper declined by nearly 50 percent according to census data, but Waller says the community is now growing through the migration of younger families with multiple cars. “That business is steadily growing as the community starts to grow again,” Waller says.

Centralizing operations

With three stores, Fradella’s has now established centralized accounting and HR operations in Chalmette and recently promoted a store manager to operations manager. “The only way we felt we could grow was to have somebody who worked on strategy and somebody who worked on operations,” Waller says. “That’s worked out well for us, because it allows me to work on the vision while he is able to manage operational issues with the shop managers.”

The company also plans to centralize its phone system with a central operator who can route calls to the best shop to handle the work.

Fradella’s has also continued to leverage technology to help streamline its operations. Currently, the company uses

Rome Technologies body shop management software, along with CCC and Autodex estimating software.

The Rome system helps identify the capacity of each shop for load leveling purposes. “It has an extensive production management system, so we can look at how many hours are in process and how many we have coming,” Waller says. “We can look at that on a minute-by-minute basis. We promise our customers the safest, fastest and most flawless repair experience possible, and everything is tied back to that vision and our mission. Every decision about load leveling has to pass that litmus test. We don’t move the car unless we know we can get it done faster and that it benefits everybody.”

In general, Chalmette handles heavy-hit trucks, while Slidell gets most of the heavy-hit cars. Metairie serves as more of an express location, and is expanding to include a co-located quick service operation that will open this October.

Waller says that expansion has made it more challenging to stay on top of day-to-day operations at each location. “As an owner, when you have a single location, you are involved all day long and you can make adjustments as you go along because you are right in the heat of it,” Waller says. “When you start adding locations, you are not in it all the time and it becomes more difficult to have your finger on the pulse of the business.

“You have to build a process and hire people to work in that process and hold them accountable,” he continues. “That’s



the challenge: holding yourself and your team accountable for the results. It starts with me. I have to be accountable to myself and everybody else.”

Competition in the New Orleans market is largely made up of long-standing mid-sized shops. “The population here is not transient like you’d find in Atlanta or Dallas,” Waller says. “People are born here, work here and they are pretty stable. That polarizes the business; your parents got their cars fixed at a particular shop, and that’s where you get your cars fixed. That’s a good and bad thing. It’s hard to get that business away from another shop.”

The company participates in several DRPs and tries to maintain good relations with its customers’ insurers. There are on-site car rental counters at two locations. Fradella’s has also established an active online marketing operation, and works hard to ensure good word of mouth from its customers in order to obtain referrals.

Having a good relationship with Sherwin Williams/Martin-Senour has also

been beneficial. “We’re in one of their focus groups, and that’s been a tremendous resource for us,” Waller says. “They do a tremendous job for us as a partner in our business. It takes a big commitment from us, too, but there are a lot of benefits.”

Fradella’s launched a technician training program last year to help with team expansion, as the technician shortage in Louisiana is as pronounced as elsewhere in the country. “We’re competing with a lot of manufacturing here, so we are taking entry-level individuals and having them work in damage analysis for 12 months, then they go on the line with a technician,” Waller says. “We give them a path. We’ve got four or five people in that entry level program now.”

In addition to the new construction in Metairie, Fradella’s plans additional expansion. While the first three locations were greenfields, Waller says they have always considered other options, such as acquisitions. “We’ve learned that the slowest way to add locations is to build

them. It’s a two-year process to execute,” Waller says. “The issue in the New Orleans metropolitan area is that there are few existing businesses that are up for sale. Our economy is relatively stable, most shops have been profitable and there’s not a lot of movement.”

“We’re looking at opportunities with two other locations, so that’s the direction we’re heading,” Waller says. “Adding locations is a benefit to our team. One of our visions for the company is having customers for life so we can provide careers for life. In order to do that, we have to grow our company.”

In fact, that potential for growth is what Waller says is the biggest benefit to an MSO structure. “We can grow our company and work with young folks and our experienced employees alike, and give them a path to advancement,” Waller says. “One of the things that often happens in collision repair is you sometimes run out of a path for people, and they have to move on to make that next step. For me, nothing is more disappointing than to be unable to provide that next step for my teammates. We’re making sure we grow the company so they have a place to grow to.”



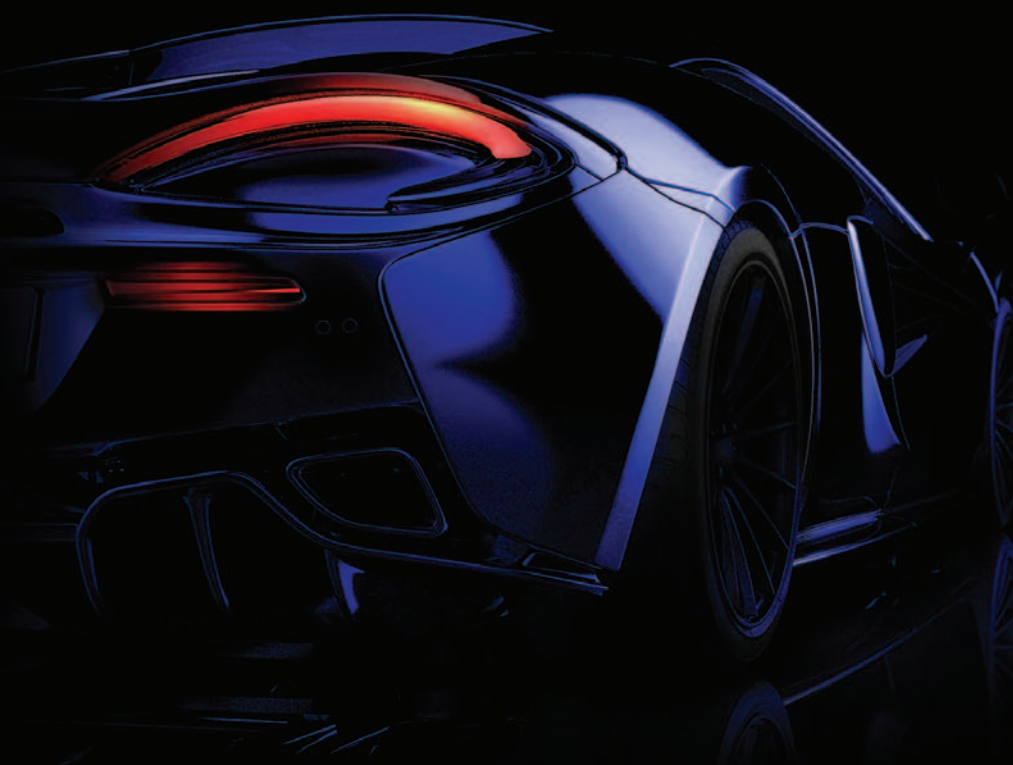
BRIAN ALBRIGHT

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