

Sponsored by



# State of the Industry 2017-2018



Prepared by

**BODY SHOP**  
BUSINESS



# State of the Industry 2017-2018

## Good Reasons for a Positive Outlook



By John Outcalt  
Vice President,  
PPG Global Refinish

We at PPG are pleased to sponsor this year's State of the Industry report. It makes good sense to occasionally take the time away from day-to-day activities and view your business in the context of the overall collision repair market.

When we look back to 2017 and examine key drivers that affect the demand for collision repair, there is good reason for a positive outlook in 2018. Record miles were driven in 2017, and with an improving economy, collision claim frequency increased by 4.4 percent. And despite the technology disruption of accident-avoidance equipment, distracted driving offset much of its impact.

At PPG, we were particularly pleased to see that paint cost as a percent of collision repair remained constant at 8 percent, continuing a 10-year trend.

You'll find more relevant data in the following report, and we encourage you to give it a review.



## CHANGE AND

Scanning, an industry-changing lawsuit and ever-increasing vehicle sophistication have taken center stage for collision repairers in a world where the crashes keep coming.

By Jason Stahl

It's 2018, and the feeling is fine for the collision repair industry. One look at the total U.S. collision sales since 2014 provides one of many reasons for optimism: \$32.3 billion in 2014, \$35.7 billion in 2016 and a forecasted \$38.5 billion in 2020 (source: The Romans Group).

New car sales have also steadily increased since 2013, hitting a high-water mark of 17.55 million units in 2016. There was a slight dip in 2017 to 17.25 million, and it is expected that sales will dip anywhere from 1.5 to 5 percent in 2018. Still, there are a lot of new cars being sold.

And then of course there are miles driven, which have been steadily increasing since 2013 and hit a record 3.2 trillion in 2016.

Despite the concern that autonomous vehicles and collision-avoidance technology might reduce the number of crashes, that hasn't happened. If anything, collisions have gone up due to an increase in distracted driving.

### OE Repair Procedures

Several years ago, the Society of Collision Repair Specialists, the Automotive Service Association and the Alliance of Automotive Service Providers saw a need to agree on repair standards in an industry that had no standards. So they all made a joint statement that OE-recom-

mended repair procedures should be the standard. Vehicles were getting too sophisticated to merely rely on one's experience to repair them. Last year, the industry witnessed firsthand the potential ramifications of not repairing vehicles according to OE recommendations.

In what may prove to be a landmark case, John Eagle Collision Center was hit with \$31.5 million in damages after a couple was seriously injured in a vehicle John Eagle had repaired contrary to the automaker's explicit repair procedures. The jury's perspective was that the automaker is the expert on everything about the vehicle, including how it should be repaired.

"I've been doing this for 30 years" has become a dangerous statement for a collision repairer to make, and now there are more shops researching OE procedures and conducting pre- and post-repair scans to make sure a vehicle's safety systems are restored to proper function and avoid liability.

### Web Marketing

While word-of-mouth is still regarded as king, collision repair facilities are starting to realize that social media and online reviews are hugely important to their business – and that one bad review online could destroy the reputation they've worked decades to establish.

In the increasingly competitive market of today, a shop's market-



# OPPORTUNITY

ing plan must include social media, search engine optimization (SEO), setting up Google Click-to-Message and even videos for the YouTube-inspired masses. They have to accommodate all the ways a consumer may want to contact them. And they have to pay attention to where their shop ranks when someone looking for an auto body shop online Google's "auto body orlando florida."

## OE Certification

OE certification has not lost its steam. The John Eagle case has emphasized the importance of having access to OE repair procedures, and one way to gain that access is by getting certified by an automaker.

The automakers now have a vested interest in how their cars are repaired. They know that 60 percent of consumers who have to return their vehicle to a collision repair facility for a problem will sell or trade their vehicle within one year. And of that 60 percent, 65 percent will change vehicle brands when they sell or trade their vehicle. The automakers are actively educating consumers on the importance of choosing a repair facility that has the proper tooling, training and access to repair information.

There are some who believe that the DRP model of referrals will one day be replaced by vehicles "steering" their owners to the nearest certified collision repair facility. It is already happening.

## Refinishes

Advanced color development and high customer expectations characterize today's refinishes.

Let's face it, color sells. As little as 1 percent of the many automobile color choices from today's car man-

ufacturers qualify as a true custom color, but these are the ones that get attention in the refinish world and in the new car showrooms.

Painters today are dealing with complex tri-coats, whether it's a pearl or a candy. There was a time when these were custom offerings, but now virtually all of the OEMs have put these colors into production.

There are also more matte finishes coming from the factory. This is especially challenging as the color perception is affected by the degree of gloss, which can change over time and with washing. Even just brushing against the matte finish can alter the gloss.

These complex refinishes have put increased emphasis on proper paint prep and following the manufacturer's guidelines to get the job right the first time and avoid costly redos.

Another trend has been paint manufacturers releasing improved software to streamline color search and selection and also paint tracking and reporting.

## Consolidation

Consolidation has slowed down considerably, but that was perhaps inevitable after the feverish pace it had been going at. The pace has slowed down as the major consolidators catch their breath and focus on integrating previous acquisitions. They have now penetrated all major markets and want to avoid redundancy. They also want to focus on operations and make sure they're hitting their performance goals.

Despite all the consolidation, the small single-store independents still dominate the collision landscape. In the 2017 *BodyShop Business* Industry

## Expected Growth Rate of Aluminum Content in Vehicles, 2015-2025

2015	– 397 lbs.
2016	– 409 lbs.
2017	– 421 lbs.
2018	– 433 lbs.
2019	– 445 lbs.
2020	– 457 lbs.
2021	– 469 lbs.
2022	– 481 lbs.
2023	– 493 lbs.
2024	– 505 lbs.
2025	– 520 lbs.

Source: Ducker Worldwide

Profile survey, 69 percent of respondents identified themselves as single-store operators, while 11 percent identified themselves as MSOs.

## Body Structures

Ford introducing the aluminum F-150 in 2015 was a game-changer, as it catapulted aluminum into the mainstream. While many collision repairers thought this was a fad, today's vehicles prove otherwise.

In order to meet Corporate Average Fuel Economy (CAFE) standards set by the government, automakers have increasingly turned to aluminum to decrease vehicle weight.

In 2016, producers shipped 5.9 billion pounds of aluminum to

# State-by-State Breakdown of the Collision Market

State	U.S. Census Estimated Population 2017	Light Vehicles Data (NHTSA)	Reported Crashes	Crash Rate Reported Accidents	Total Crashes (est.)
Alaska	739,795	918,424	12,576	0.014	25,152
Arizona	7,016,270	6,644,208	126,987	0.019	253,974
Arkansas	3,004,279	2,400,000	60,947	0.025	121,894
California	39,536,653	26,855,643	396,683	0.015	793,366
Colorado	5,607,154	4,700,000	120,723	0.026	241,446
Connecticut	3,588,184	2,900,000	114,486	0.039	228,972
Delaware	961,939	909,609	24,453	0.027	48,906
Washington D.C.	693,972	305,963	24,265	0.079	48,530
Florida	20,984,400	14,965,885	395,785	0.026	791,570
Georgia	10,429,379	6,392,422	385,221	0.060	770,442
Hawaii	1,427,538	1,284,193	33,652	0.026	67,305
Idaho	1,716,943	1,292,491	24,018	0.019	48,036
Illinois	12,802,023	7,340,000	313,316	0.043	626,632
Indiana	6,666,818	5,600,000	205,532	0.037	411,064
Iowa	3,145,711	2,538,671	55,780	0.022	111,560
Kansas	2,913,123	2,515,387	61,844	0.025	123,688
Kentucky	4,454,189	4,000,000	165,273	0.041	330,546
Louisiana	4,684,333	3,904,962	165,145	0.042	330,290
Maine	1,335,907	1,604,088	35,004	0.022	70,008
Maryland	6,052,177	5,032,374	120,120	0.024	240,240
Massachusetts	6,859,819	5,000,000	124,170	0.025	248,340
Michigan	9,962,311	9,000,000	312,172	0.035	624,344
Minnesota	5,576,606	5,242,267	74,772	0.014	149,544
Mississippi	2,984,100	2,914,233	76,367	0.026	152,735
Missouri	6,113,532	6,216,720	148,631	0.024	297,262
Montana	1,050,493	1,422,051	46,558	0.033	93,116
Nebraska	1,920,076	1,334,988	36,205	0.027	72,410
Nevada	2,998,039	2,084,089	52,241	0.025	104,482
New Hampshire	1,342,795	1,400,000	36,687	0.026	73,374
New Jersey	9,005,644	7,100,000	256,482	0.036	512,964
New Mexico	2,088,070	1,900,000	45,309	0.024	90,618
New York	19,849,399	11,256,778	301,908	0.027	603,816
North Carolina	10,273,419	7,800,000	267,525	0.034	535,050
North Dakota	755,393	845,100	15,017	0.018	30,034
Ohio	11,658,609	10,686,057	301,337	0.028	602,674
Oklahoma	3,930,864	4,053,770	72,176	0.018	144,352
Oregon	4,142,776	3,726,415	55,156	0.015	110,312
Pennsylvania	12,805,537	8,907,626	129,315	0.015	258,630
Rhode Island	1,059,639	805,000	21,095	0.026	42,190
South Carolina	5,024,369	4,000,000	133,961	0.033	267,922
South Dakota	869,666	1,070,191	21,707	0.020	43,414
Tennessee	6,715,984	5,500,000	208,104	0.038	416,208
Texas	28,304,596	24,053,612	551,971	0.023	1,103,942
Utah	3,101,833	2,314,056	62,471	0.027	124,942
Vermont	623,657	611,800	10,656	0.017	21,312
Virginia	8,470,020	8,121,216	128,525	0.016	257,050
Washington	7,405,743	6,252,554	117,153	0.019	234,306
West Virginia	1,815,857	1,428,964	37,446	0.026	74,892
Wisconsin	5,795,483	5,871,302	129,051	0.022	258,102
Wyoming	579,315	667,996	13,846	0.021	27,692
<b>U.S. Total</b>	<b>325,719,178</b>	<b>258,628,079</b>	<b>6,777,277</b>	<b>0.026</b>	<b>13,554,554</b>

## Methodology

- Population:** The number of people in the state in 2017 as estimated by the U.S. Census Bureau. (Source: U.S. Census Bureau, Population Division)
- Light Vehicle Registrations:** The total number of automobiles and light trucks registered in that state in either 2015, 2016 or 2017. (Source: state department of transportation and/or department of motor vehicles)
- Reported Crashes:** The total number of vehicle crashes reported to authorities. Depending on that state's data reporting capabilities, this typically refers to the years 2015-2017. Data was collected mainly from state websites or by contacting the appropriate government agency. The actual number was obtained from all the states except for Hawaii, Mississippi, New Hampshire, Rhode Island and West Virginia, where it was not available and the number of crashes was estimated by using the national average rate. The national average crash rate is 0.026. The rate varies significantly from state to state and has a strong influence on the collision repair potential for that state. The crash totals include accidents involving just one vehicle and those of multiple vehicles, as well as motorcycle crashes. The total includes property damage-only crashes, crashes that resulted in injuries and crashes involving fatalities. Some states may have different thresholds for reporting a vehicle crash. Typically, this is a minimum of \$1,500 property damage. Some states may not express all crash data

# State of the Industry 2017-2018

Damaged Vehicles (est.)	Repaired Vehicles (est.)	Repair Dollars per State	Number of Shops	BSB Repair Potential per Shop	Vehicles in Use Per Shop	Repaired Vehicles Per Shop
37,728	16,349	\$40,872,000	50	\$817,440	18,368	327
380,961	165,083	\$412,707,750	511	\$807,647	13,002	323
182,841	79,231	\$198,077,750	322	\$615,148	7,453	246
1,190,049	515,688	\$1,289,219,750	3,913	\$329,470	6,863	132
362,169	156,940	\$392,349,750	613	\$640,048	7,667	256
343,458	148,832	\$372,079,500	417	\$892,276	6,954	357
73,359	31,789	\$79,472,250	85	\$934,967	10,701	374
72,795	31,545	\$78,861,250	11	\$7,169,204	27,815	2,868
1,187,355	514,521	\$1,286,301,250	1,823	\$705,595	8,209	282
1,155,663	500,787	\$1,251,968,250	924	\$1,354,943	6,918	542
100,957	43,748	\$109,369,902	123	\$889,186	10,441	356
72,054	31,223	\$78,058,500	217	\$359,716	5,956	144
939,948	407,311	\$1,018,277,000	1,694	\$601,108	4,333	240
616,596	267,192	\$667,979,000	786	\$849,846	7,125	340
167,340	72,514	\$181,285,000	489	\$370,725	5,192	148
185,532	80,397	\$200,993,000	390	\$515,366	6,450	206
495,819	214,855	\$537,137,250	406	\$1,322,998	9,852	529
495,435	214,689	\$536,721,250	442	\$1,214,301	8,835	486
105,012	45,505	\$113,763,000	164	\$693,676	9,781	277
360,360	156,156	\$390,390,000	515	\$758,038	9,772	303
372,510	161,421	\$403,552,500	1,021	\$395,252	4,897	158
936,516	405,824	\$1,014,559,000	1,162	\$873,114	7,745	349
224,316	97,204	\$243,009,000	733	\$331,526	7,152	133
229,102	99,278	\$248,194,296	310	\$800,626	9,401	320
445,893	193,220	\$483,050,750	817	\$591,249	7,609	236
139,674	60,525	\$151,313,500	182	\$831,392	7,813	333
108,615	47,067	\$117,666,250	362	\$325,044	3,688	130
156,723	67,913	\$169,783,250	209	\$812,360	9,972	325
110,061	47,693	\$119,232,750	183	\$651,545	7,650	261
769,446	333,427	\$833,566,500	1,030	\$809,287	6,893	324
135,927	58,902	\$147,254,250	180	\$818,079	10,556	327
905,724	392,480	\$981,201,000	2,070	\$474,010	5,438	190
802,575	347,783	\$869,456,250	957	\$908,522	8,150	363
45,051	19,522	\$48,805,250	177	\$275,735	4,775	110
904,011	391,738	\$979,345,250	1,089	\$899,306	9,813	360
216,528	93,829	\$234,572,000	449	\$522,432	9,028	209
165,468	71,703	\$179,257,000	460	\$389,689	8,101	156
387,945	168,110	\$420,273,750	1,577	\$266,502	5,648	107
63,285	27,424	\$68,558,831	188	\$364,674	4,282	146
401,883	174,149	\$435,373,250	455	\$956,864	8,791	383
65,121	28,219	\$70,547,750	193	\$365,532	5,545	146
624,312	270,535	\$676,338,000	592	\$1,142,462	9,291	457
1,655,913	717,562	\$1,793,905,750	2,076	\$864,116	11,587	346
187,413	81,212	\$203,030,750	286	\$709,897	8,091	284
31,968	13,853	\$34,632,000	81	\$427,555	7,553	171
385,575	167,083	\$417,706,250	719	\$580,954	11,295	232
351,459	152,299	\$380,747,250	712	\$534,757	8,782	214
112,338	48,680	\$121,699,505	156	\$780,125	9,160	312
387,153	167,766	\$419,415,750	735	\$570,633	7,988	228
41,538	18,000	\$44,999,500	89	\$505,612	7,506	202
<b>20,331,830</b>	<b>8,810,460</b>	<b>22,026,149,535</b>	<b>33,648</b>	<b>\$654,605</b>	<b>7,686</b>	<b>262</b>

through a single reporting agency (typically the bureau of public safety or the highway patrol). In these instances, the total shown for that state will be less than the actual number of crashes.

- **Crash Rate:** The percentage of registered vehicles that are involved in reported crashes during the year. The national average for the 48 states for which actual data was available is 0.026 (about 3% of all vehicles per year).
- **Damaged Vehicles:** Assumes 1.5 vehicles per crash.
- **Number of Shops:** This is based on the government definition: NAICS Code 811121 – Automotive Body, Paint, and Interior Repair and Maintenance. According to the definition, these are establishments primarily engaged in repairing or customizing automotive vehicles, such as passenger cars, trucks and vans, and all trailer bodies and interiors; and/or painting automotive vehicles and trailer bodies. Illustrative examples: automotive body shops; automotive body conversion services; automotive upholstery shops; and automotive paint shops.

# State of the Industry 2017-2018

automakers in North America, a record level for the second year in a row. The aluminum content in North American light vehicles has risen steadily from 84 net pounds per vehicle in 1975 to 397 pounds in 2015.

From 2015 to 2025, the aluminum content in North American vehicles will grow at a clip of 12 pounds per year – to 520 pounds of aluminum per vehicle, according to a Ducker Worldwide survey of the automakers. By 2028, that number is expected to jump to 565 pounds of aluminum per vehicle.

Today, about 44 percent of North American vehicles have aluminum hoods; by 2028, nine in 10 vehicles will have them. Aluminum content in doors is expected to quadruple.

But it's not just aluminum. Technology has advanced in the steel market as well to where steel manufacturers are continually figuring out ways to make lighter weight, stronger steels. Vehicles will also see more carbon fiber as the cost to produce goes down.

Today's vehicles are truly an amalgam of exotic metals. Where are these materials located in the vehicle? What equipment is needed? What repair procedure does the manufacturer recommend? These are all questions the shop must answer in the pre-op stage of the repair.

## Collision-Avoidance Technology

Collision-avoidance technology used to be found only in high-end exotic vehicles. Now in can be found in all the top-selling brands across the U.S.

Vehicles have now becoming rolling computers. Reportedly, the Ford F-150 has more lines of code than Facebook. This is why many manufacturers have recently come out with position statements stating that they recommend/require a pre-and post-repair scan on all vehicles, even if only cosmetic damage was sustained. A simple disconnect of a battery or R & I of a sideview mirror can set a code now. And not every fault will produce a light on the dash,

dispelling the old myth that says, "If there's no light, it must be right." The new saying for the modern-day collision repair facility is, "No light does NOT mean it's right."

And it's not just about scanning. A recalibration, which is also required, is totally different. Recalibration is not about clearing a code but about making sure everything is aimed or that all components can talk to each other while activated.

There are static and dynamic recalibrations, static involving targets outside of the vehicle measuring points, which may involve anything from a post to aim at to a series of target boards required for cameras and lasers. Dynamic tests require moving the vehicle, meaning that many vehicles will need to be taken on a test drive on well-marked highways. Some tests may take two technicians, depending on the diagnostic tool used. And some dynamic tests may take up to 70 miles to complete.

Realizing how important it is that all the new driver-assist features in today's vehicles work correctly before releasing the vehicle back to the customer is a critical step in repairing it. Not following through could place a lot of liability on the shop.

## The Technician Shortage

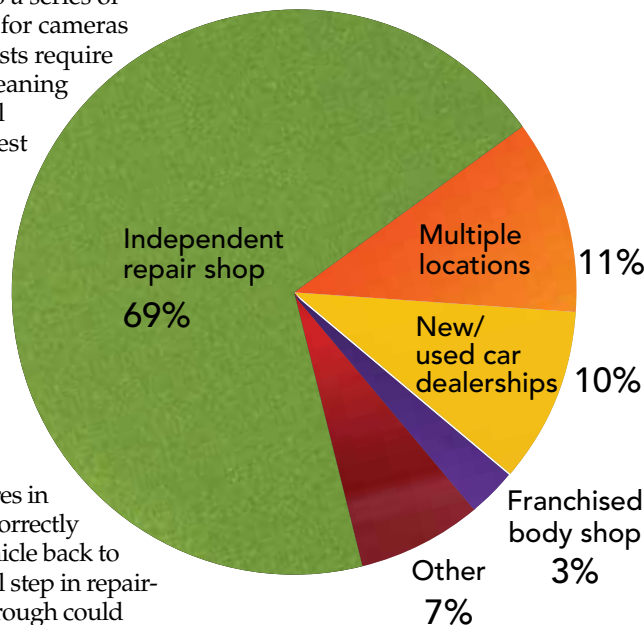
The collision repair industry continues to struggle to find qualified technicians. But this is a problem that has plagued the industry for a long time; in fact, you can read about it in the earliest issues of *BodyShop Business* from the early 1980s.

Some of the biggest collision repair shop organizations in the industry have taken matters into their own hands. Service King's "Mission 2 Hire" program, which works to bring U.S. military veterans into their employment, is one example, along with Service King's Apprentice De-

velopment Program. Another example is Abra's SpringBoard apprentice program at its Career Development Academy. Also, Caliber Collision's "Changing Lanes" program, developed in partnership with Fayetteville Technical Community College (FTCC) and Fort Bragg's Career Skills Program to provide active-duty service members with training and employment opportunities.

The industry is looking at how to cultivate talent in a whole new way,

## Which of the Following Best Describes Your Business?



Source: 2017 *BodyShop Business* Industry Profile

questioning the old way and bringing new strategies to the table. For example, hiring "attitude" and then teaching skills needed to do the job.

With the cost of a four-year college education continuing to climb, celebrities such as Mike Rowe publicly promoting community colleges and trade schools, the Collision Repair Education Foundation hosting career fairs all over the country, and more and more collision repair facilities cultivating their own workforce may all result in fulfilling the collision repair industry's future labor needs.



# TAP YOUR RESOURCES TO KEEP PACE WITH TODAY'S TRENDS

By John Outcalt, Vice President, PPG Global Refinish

Today's collision repair market is benefiting from an economy that is rolling along with decent growth. Yet, despite this positive outlook, we're all aware that today's collision repair center continues to face significant challenges to remain competitive and successful. Among them are:

- The shortage of skilled technicians
- The need to continuously improve cycle time performance and increase customer satisfaction levels
- The increased complexity of repairing vehicle materials, such as aluminum and high-strength steel alloys
- Color matching the exotic new finishes introduced by OEMs

## **PPG's MVP Business Solutions program offers training and resources for improving your performance.**

There's a wealth of industry resources available to help overcome these challenges, and it's wise to make full use of them. To illustrate, I'll outline how our refinish team at PPG is doing its part to assist our customers with a host of training initiatives and technology.

### **Process Improvement Training**

Our MVP Business Solutions program offers training and resources for improving performance and implementing processes for continuous improvement.

First and foremost is our Lean for Collision program that teaches the practical application of Lean Six Sigma for collision repair. Our MVP offerings are too numerous to mention here, but just recently, we added three new courses: a parts management course for improving cycle time, inventory reduction and expense control; a financial class providing a basic understanding of the drivers behind successful financial performance; and a customer-focused course on how to create a memorable experience that can foster loyalty and generate referrals.

### **Technician Training**

It's a challenge for shop management to temporarily lose productivity by sending technicians to off-site training. However, regularly updating their skills is sure to pay dividends on the bottom line. That's why we encourage our customers to take advantage of PPG training available at our 16 business development centers across the country. Technician certification is the foundation of our refinish training programs. Attending this course every two years ensures that technicians are up to date on the latest products, equipment and application techniques for matching more complex finishes – all with the goal of increasing paint shop throughput.

And to help with the technician shortage, we recently launched a "prepper" training course so entry-level technicians can develop their skills in substrate cleaning, sanding, masking and plastic parts preparation – a gateway to becoming a professional painter.

### **Refinish Technology**

Read any refinish painter's forum on the web today and one can grasp the challenges they face matching today's OEM colors. That's why there's no other area where PPG places more emphasis than on color documentation and color-matching technology. The fruits of our considerable investment have recently paid off with introduction of our XI color tools, including the industry's most advanced spectrophotometer, the RAPIDMATCH XI color tool. Tied to our database of more than 3.5 million formulas, this tool, as well as our traditional color variant decks, represent the latest tools for getting the color right the first time.

Along with these robust initiatives, we're also focused on introducing the latest toners, faster clearcoats and other refinish products that are easy to learn and apply, yet meet the need to increase cycle time performance.

Bottom line? Be sure to take advantage of all resources available to you in your continuing quest to stay competitive in a challenging marketplace.



# SOME SEE ONLY PAINT. WE SEE A REFLECTION OF WHO WE ARE.

Every vehicle finish mirrors what we value most as a company—our commitment to delivering the industry's most advanced coatings that meet the demands of an ever-changing marketplace. And a passion for partnering with our customers to help them succeed at every level of their business. Our values have been guiding us for more than 115 years running, so our dedication is always there for the world to see.



We protect and  
beautify the world™



[ppgrefinish.com](https://www.ppgrefinish.com)