

LKQ in the Southwest—Big and Getting Bigger

If you've ever heard someone ask for "an LKQ", meaning a recycled part—you're already aware of the prevalence that LKQ Corporation has as a brand. The company

operates a chain of self-service yards. LKQ purchased aftermarket crash parts distributor *Keystone* in October of 07. In addition, they operate the largest light vehicle "core" parts facility in the country, which ensures remanufacturers have a steady supply of raw materials.

about this huge, multi-department entity that's growing in leaps and bounds. LKQ is the largest nationwide provider of aftermarket collision replacement products. The company also refurbishes and distributes bumpers and remanufactures OEM wheels, owns and

operates a chain of self-service yards. LKQ purchased aftermarket crash parts distributor *Keystone* in October of 07. In addition, they operate the largest light vehicle "core" parts facility in the country, which ensures remanufacturers have a steady supply of raw materials.

The company operates from nearly 280 facilities nationwide to provide its customers with a broad range of replacement systems, components, and parts to repair light vehicles. They also procure salvage vehicles—primarily at auctions—using their locally based professionals, proprietary processes, and a disciplined procurement system. LKQ obtains some inventory directly from insurance companies, vehicle manufacturers, and other suppliers.

Paul Shaw, vice-president of the central region for LKQ, oversees locations in 11 states. Shaw manages the activities of 341 LKQ employees and 600 Keystone locations, one accessory company, two wheel production facilities, seven bumper production facilities, and nine LKQ recycling centers.

Shaw has been with the corporation for a decade, and during this period he's seen LKQ grow at an explosive rate by acquiring other businesses and creating new streams of revenue.

"We're buying top companies in every sector we've targeted," Shaw said. "LKQ is always looking for new acquisitions. If it makes sense to get into a new

area, we'll do it and do it aggressively. We've got bumper plants, wheel plants; we sell paint at some of my facilities. I also have a store in Little Rock that is an accessory business that sells lift kits for trucks. And we also have several heavy



LKQ has nearly 280 facilities nationwide.



From left, District Manager **Terry Neel**, Vice-President Central Region **Paul Shaw**, District Manager **Scott Fitzgibbons**, and District Manager **Todd Knoedl** stand in front of LKQ's Dallas facility.

is the largest provider of recycled light vehicle OEM products and related services in the world. But there's more to know

ment products. The company also refurbishes and distributes bumpers and remanufactures OEM wheels, owns and

duty truck yards in other regions, which is a new direction we're going into."

Marketing parts to collision repair facilities in the Southwest and Midwest represents a substantial portion of Shaw's overall revenue mix, which means he has a keen eye on the industry in the states he oversees.

"The word on the street is that most of the shops are slow, which is not a huge surprise, considering the current state of our economy," Shaw said. "In a couple of states like Texas and Oklahoma, we've had some weather which is always good for the industry. We had lots of hail and rain, which causes a spike in business we can

See **GETTING BIGGER**, Page 11



Isn't it time others see her the way you see her?

Fiberglass Quarterpanel Extensions. Replica Plastics of Dothan designs, tests and manufactures over 400 quality parts for GM cars including Buick, Cadillac, Oldsmobile, Pontiac and Chevrolet. Our affordable quarter panels install in minutes, without having to remove the rear bumper, and come with a full lifetime warranty. Contact us today for a complete listing of parts and prices.

Replica
PLASTICS



P.O. Box 1147 • Dothan, Alabama 36302
P: 800-873-5871 F: 334-792-1175
W: replica-plastics.com E: stone@ala.net



In April 09, LKQ announced record revenue for the first quarter of 2009 of \$518M, an increase of 5.3% from \$491.9M in the first quarter of 2008. Net income for the first quarter of 2009 was \$32.3M, an increase of 4.6% from \$30.9M in the first quarter of 2008.

"With most of the Keystone integration behind us, we began to see the benefits during the quarter of our earlier efforts to capture the 'first call' for replacement parts and realized organic revenue growth in both the aftermarket and recycled revenue categories," said **Joseph Holsten**, President and Chief Executive Officer.

"As demand, although still weak, for scrap metal improved, we were able to stabilize our self-service retail business and return it to profitability. The results for the quarter reinforce the resiliency of our businesses, despite the weak economic trends and continued declines in miles driven and insurance claims."

Holsten added, "Our settlement with Ford Motor Company was a major milestone for LKQ. It lifts a cloud of concern held by some of our vendors, partners and investors and gives us exclusive rights to sell aftermarket parts that correspond to Ford-patented collision repair parts. We will continue to promote the use of aftermarket, recycled and refurbished parts as cost-effective, quality alternatives to new OEM parts for collision repair."

Continued from Page 9

Repairers Continue

man said. "A very large percentage of shops don't even know about this."

"We'll take that suggestion into consideration," Yungkans responded. "We still think that it's obvious when you see the overlap line that it's a clear indicator of which way you answered the prompt. But we'll discuss what we can do to make that more clear on the estimate."

To see sample estimates showing what to look for on a CCC estimate to determine if the bumper prompt has been used – and to see the \$128 difference it can make on an estimate that includes two bumpers—visit www.crashnetwork.com/WhatsInCrash.html.

Continued from Page 7

Getting Bigger

see right after it happens. It's instant work, because the shops are slow. It seems like if there's a hail storm on Monday, by Thursday we're already selling more parts to body shops—things like fenders, deck lids, mirrors and doors— that seem to get hit hardest by the bad weather."

Shaw said his region is burgeoning despite the rocky economic conditions, and is undergoing a region-wide expansion. This includes the construction of a new 100,000 square-foot mega-facility on three acres in Houston TX, to house LKQ production Keystone warehousing, and a Keystone bumper facility; a new 31,500-square-foot LKQ facility in Tulsa OK; an 18,000-square-foot expansion at LKQ's Keystone facility in Tulsa; a 22,000-square-foot expansion at their Keystone facility in Oklahoma City OK facility; and an 8,000-square-foot expansion at the Keystone facility in San Antonio TX.

LKQ has been instrumental in encouraging insurance companies to allow the use of cost-saving recycled parts in their repairs, Shaw said.

"We are a vendor to both the insurance companies and the body shops and if the body shops don't succeed, then obvi-

Issue Remains Unresolved

CCC this spring also announced it is forming a new "Technical Advisory Panel" to "review modifications and provide recommendations" for the company's estimating system. (DiLisio called this "admirable" but "a year too late.") Yungkans also pointed out that CCC has been responsive to industry concerns about its system posted on the Database Enhancement Gateway (DEG) website.

But Aaron Schulenburg, now the executive director of the Society of Collision Repair Specialists but previously the administrator of the DEG, said it's wrong for CCC to equate correcting errors in its product reported via the DEG to being responsive to industry needs and concerns.

"We're just making the product more accurate through (the DEG)," Schulenburg

ously we don't succeed," he said. "We're definitely aware of how important cycle times are to everyone involved. It's actually a challenge for all three of us, because cycle times are increasing and insurance companies are pressuring shops to do the work more affordably. Consequently, body shops are now pressuring their vendors to get parts to them faster. It's a chain of events that happens every day. There was a time when next-day service was enough. Now we deliver parts twice a day and at night; three or four times per day in some areas. That is probably one of the biggest changes I've seen in the body shop industry over the last decade—the need to get the parts faster."

In addition to offering a viable, high-quality, low-cost alternative, using recycled parts is also good for the environment, Shaw explained.

"There isn't a greener industry out there, and it's always been that way," he said. "We take old parts from cars and instead of making new ones; we use existing ones that are good, tested and clean. We also recover all of the liquids left in these cars that would otherwise hurt the environment, like Freon, all the lubricants, the anti-freeze, and brake fluids. We even take the remaining unleaded fuel out of these cars and use it in our company vehicles, so nothing is ever wasted."

said. "Adding a tool like this (bumper prompt) isn't making it more accurate. It's just giving an option for people to do whatever they want regardless of what is the approved procedure for doing the operation. Period. Where are the (options for automated) add-ons for things like 'fill, sand and featheredge'? We know not everyone does it, but we know people do, so where's the option to add that in? Where is the option for 'color sand and buff' so that doesn't have to be a manual entry?"

"At some point in time will there be different prompts for someone who uses air tools to put on a panel versus someone who uses hand wrenches to put on panels?" Oklahoma shop owner **Gary Wano** asked.

It was clear from the discussion at CIC in Hartford that the CCC bumper

prompt is not something many in the industry are willing to accept.

"The committee contends that (it) is just as indefensible today as it was when it was first introduced," the CIC Database Committee statement reads. "These estimating products need to be trusted by all end users for them to be of any value... When an estimating solution... seeks to accommodate or reflect market desires and pressures, we are left with chaos and the reinforced perception that these estimating systems and their underlying databases are the subject of manipulation... We challenge CCC to explain how our industry is bettered by the reintroduction of a tool that has had a long history of abuse by parties seeking to artificially influence estimate values."



Recycled front-ends wait to be delivered to shops at one of LKQ's warehouses.

LKQ's acquisition of Keystone was a move toward providing an aftermarket alternative to its body shop customers, as well as to fill in the gaps in its crash parts inventory, Shaw said.

"We got into the crash parts aftermarket to fill a void in our used inventory and it's been a perfect fit with Keystone. The majority of the salvaged vehicles that we purchase have been in front-end accidents. A while back, we started receiving calls from shops looking for front bumpers and grills, and we didn't have them. So, entering the aftermarket is a way to supplement our inventory of crash parts in the areas where we're thin."

Shaw recognizes the importance of developing strong relationships with his body shop customers. "Half of our recycled parts business is with body shops. We know we've got to keep them happy if we want to continue to get their business," Shaw said. "Part of that is being aware of their needs and being responsive to them. We're always asking body shops what they're doing, how we can serve them better and what they think of our parts, because we know they represent a major part of our business."

Dispelling the public's perception of recycled parts has long been a goal of LKQ's, Shaw explained. "People don't know how far from the actual truth the old junkyard cliché is," he said. "All of our facilities are extremely clean, well-maintained and well-run and we're as far away from that concept as a company can possibly be."

Of the collision parts they sell, bumpers are the most popular items, Shaw said. "Front bumpers are number one, rear ones are second," he said. "Then wheels are next. Between hitting curbs and full-blown accidents, people go through a lot of wheels in this country. We have both a refurbished line and an LKQ line when it comes to wheels, so we're very strong there. Lamps are number three. But, there isn't any part of a car you can't get from us, with the exception of catalytic converters, which we can't sell by law."

Helping all of their customers make money is a primary concern for LKQ, Shaw said. "We all need to make a profit to be in this business," he said. "We're all in this industry for the same reasons and we need to realize that. If we can provide an alternative to OE where everyone ends up happy, including the insurance companies, the shops and the customers, we're doing our job and everything else falls into place."

Customer service is paramount, especially now during a recession. "You can't afford to get anyone upset in this climate," he said. "You can't afford to lose customers. And that's industry-wide. You can't make an insurance company upset; you can't make shops upset. Right now is a time where you have to be on your A game."

LKQ Corporation
120 No. LaSalle Street, Suite 3300
Chicago, Illinois 60602
(877) LKQ-CORP
www.lkqcorp.com

LKQ Corp. Executive Vice President and Chief Financial Officer Mark Spears will resign at the end of 2009. LKQ has begun a search for his successor.

"I will assist with the selection of our new CFO and will help train the new CFO to make the transition as smooth as possible. I have pledged to remain as CFO as long as my services are needed."

Joseph Holsten, president and CEO said, "Mark has been an integral part of LKQ for 10 years, and we greatly appreciate his professionalism, his service and his friendship. He is handing over his department in excellent shape, which should make this transition seamless."

LKQ and Spears have entered into a consulting agreement for five years following his resignation.