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Multiple Parts Suppliers, Body Tech Shortage, M2 Closes, Allstate Challenges No. 1

20 years ago in the collision repair industry (June 1995)

Shop owners at the Collision Industry Conference (CIC) in Hawaii expressed concerns regarding the number of part vendors that are being listed on a single, insurer-generated estimate.

"It's creating a tremendous burden on the repairer to follow up on the parts specified that are coming from different suppliers that have been searched by the computer system," Kansas shop owner **Bill Eveland** said. "We have to make multiple calls to check the availability, we have them shipped only to find out that they're COD, and then we find out in some cases that they're the wrong parts and have to be returned. It's happening more and more, and we'd like to have it addressed."

Eveland said he has received estimates with as many as nine different part suppliers designated – some from hundreds of miles away from his shop.

"We're left either trying to find the parts locally at the same price or making multiple calls, buying them all over the country, and it's getting out of hand," he said.

– As reported in The Golden Eagle. It's an issue that, 20 years later, hasn't gone away, and now it's sometimes shops, struggling to meet insurer demands, that may list a high number of parts suppliers on a single estimate.

In 1995, Kansas shop owner **Bill Eveland** was among those expressing concerns about the growing number of parts suppliers being listed by insurers on a single estimate

15 years ago in the collision repair industry (June 2000)

The next time you are trying to hire a technician to fill an opening at your shop, think about the 12,251 applicants - all with recent hands-on work experience in shops - who are no longer working as collision repair technicians.

According to a recent study, every year more than 12,000 techs - almost 6 percent of the technician workforce - pack up their tool boxes and head off for other careers. That doesn't include the 2,100 who retire, or the 5,250 who take other jobs (as estimators, for example) within the industry. That's just the technicians who decide for some reason that the collision repair industry isn't for them.

Those numbers, from an I-CAR Education Foundation study released last year, go a long way in explaining why a lot of people are talking about a 'technician shortage.' The problem, it seems, is not just one of attracting more young people into the trade, but of keeping more technicians working in the trade throughout their productive years.

There's a common misperception in the industry that the technician workforce is aging. So few new techs are entering the industry, one posted message online claimed, that the average age of technicians is 53. In fact, the I-CAR Education Foundation study found the average age is under 36 – lower even than the national workforce average age.

But there is a sharp decline in the number of technicians over 40 years old – much worse than the rate of decline of males in this age group in the general workforce. Reducing that decline – by keeping experienced techs working longer – could greatly reduce the “technician shortage,” and at the same time make the industry much more appealing to the young people it also needs to attract.

– As reported in *Autobody News*. The numbers have improved somewhat since then. In a similar study in 2013, the I-CAR Education Foundation reported that 6,928 technicians (4 percent of the total) left the preceding year for jobs outside the industry. The average technician age in 2013 had risen to just shy of 39 years old.

10 years ago in the collision repair industry (June 2005)

Stuart Burns said there was occasional discussion around the M2 water cooler about how the company was doing, but it wasn’t until April 1 of this year that he really put much stock in it.

“Some of the folks who’d talked to the paint and parts guys said they’d heard we were behind in paying the bills, but I didn’t think it was to a point where I needed to worry about it,” said Burns, a former technician (who didn’t want his real name used) with the California M2 chain of shops in California. “I looked at the stream of work we had coming through this place, and I had a hard time believing they could be losing money.”

Burns’ view of the situation changed dramatically in April when, a day after hearing M2 would be bought out by another consolidator, he found out his paycheck had bounced. The purported sale fell through, the doors at the 27 M2 shops were locked with as many as 2,000 in-process vehicles inside, and hundreds of employees found themselves with bounced paychecks for two or even three weeks of work. Estimates on the amount that suppliers and vendors were out end in the word, “millions.”

There’s plenty of finger-pointing when it comes to placing blame for M2’s demise. What seems clear is this: *Caliber Collision Centers* in late March announced that it intended to acquire the M2 chain of shops. As those negotiations broke down in mid-April (Caliber’s **Den Pettigrew** said it just didn’t have enough time to complete its due diligence), M2’s major creditor, GE Capital, froze the company’s accounts and locked the shop doors in an effort to secure its investment (reportedly close to $5 million).

How good or bad a thing the M2 collapse is depends on who you talk to. At a sealed bid auction of M2 assets in late April, some of the former owners were able to get back in the collision repair business for a fraction of what they sold their businesses for to M2 just a few years ago. Given that M2 wasn’t the first consolidator to implode, it serves as a good reminder to shop owners to get as much cash, and retain as many real assets (i.e., real estate), when selling a business as one can. Accepting stock in the future success of the larger company as full or partial payment seems particularly risky in this industry.

– As reported in Collision Repair Industry INSIGHT, June 2005.

5 years ago in the collision repair industry (June 2010)

Allstate will have to replace several years of losses in market share with annual growth rates of 7 percent if it is to meet its goal – outlined in an internal memo obtained by Crain’s Chicago Business – to replace State Farm as the nation’s largest home and auto insurer within 10 years.

Analysts say the goal could lead to Allstate acquisitions or a price war similar to one in the industry a decade ago.

No. 2 Allstate’s total annual premiums dipped 2.5 percent last year, compared to a 1.4 percent gain by State Farm. But Allstate, which controls 10.7 percent market share (compared to State Farm’s 18.1 percent) has some room to cut premiums; its loss ratio (amount paid out in claims compared to premiums received) last year was 58.7 percent, one of the best among the Top 10 insurers, while State Farm’s 72.9 percent was the highest.

– As reported in CRASH Network (www.CrashNetwork.com), June 21, 2010. Rather than moving up to rival State Farm in terms of market share, Allstate has lost yet more ground since 2010. Geico blew past Allstate in 2013 to become the second-largest auto insurer; last year Geico had 10.7 percent market share, exactly what Allstate had in 2010. No. 3 Allstate had 9.9 percent market share last year. No. 1 State Farm continues to hold its own, with 18.7 percent market share last year, even more than it had in 2010.