

JANUARY 2021

CCC
TRENDS

COLLISION
REPAIR INDUSTRY:
**A POST-PANDEMIC
LOOK FORWARD**



The collision repair industry, like all industries, experienced a tumultuous 2020, and is hoping for a better year in 2021. The COVID-19 pandemic and the resulting shelter-at-home directives, led to significant declines in driving and congestion, and a decline of over 20 percent in non-comprehensive automotive vehicle claims in 2020 versus 2019. Repair volumes also declined substantially, with volumes in late spring and early summer particularly impacted.

At the start of 2021, with several vaccines available, we can start to think about what we might expect in our post-pandemic world.

COLLISION REPAIR INDUSTRY EXPERIENCES GROWTH, CHANGE

At the beginning of CY 2020, there were an estimated 41K body shops in the U.S. – roughly 35K which were independent body shops, and the remainder were dealers operating on-site body shops.¹ In recent years, the number of independent body shops had grown nearly 3 percent annually as economic recovery, miles driven, extreme winter weather, and improved new vehicle sales began to support increases in auto accident frequency. Overall, however, growth within the segment over the last fifteen years had seen a compound annual growth rate of -0.5 percent.² The Paycheck Protection Program and other assistance as part of the CARES Act, as well as the designation of repair facilities as essential business, helped many locations through the most challenging early weeks and months of the pandemic. In 2021, repair volumes impacted by both the pandemic and more advanced driver assistance systems will require body shops to be nimble and find new ways to be as efficient as possible.

These independent repairers and dealer body shops completed an estimated \$41B in collision repair work in 2019³, a number which is anticipated to be down between 10 and 15 percent for CY 2020⁴. According to surveys conducted by CollisionWeek in CY 2020, the percent of responding shops reporting sales were lower ranged from 92.3 percent in May to 65 percent in September, and 74 percent in October, reflecting the impact of the numerous waves of the pandemic throughout the year.⁵

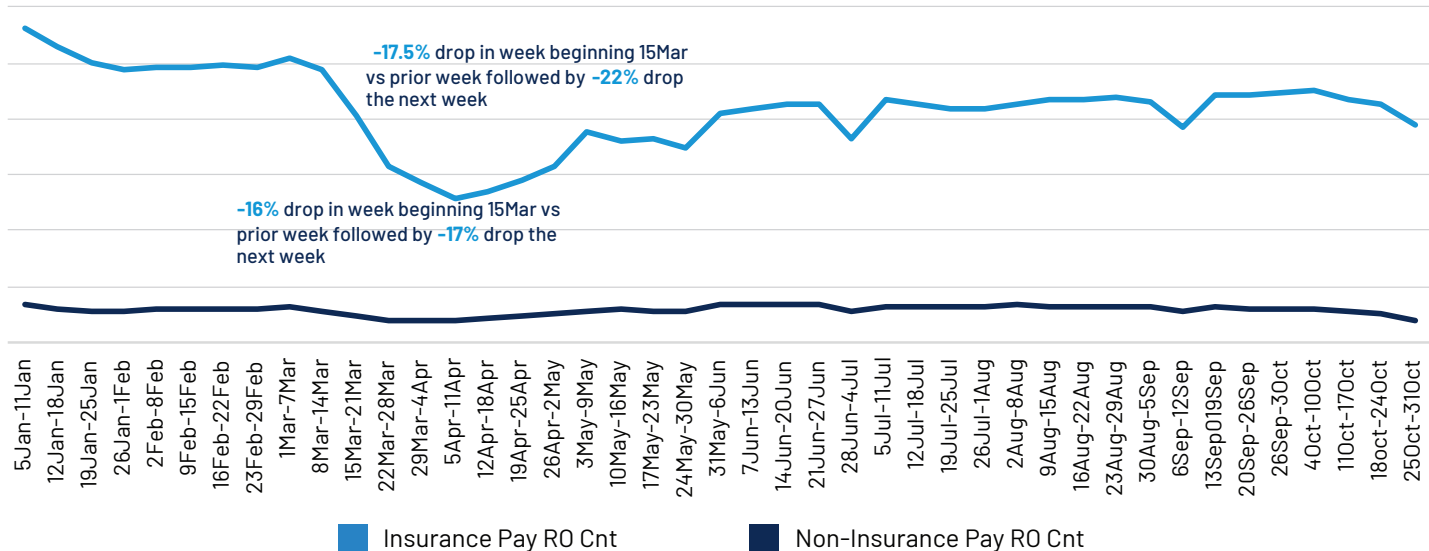
The Romans Group estimates 89 percent of the overall collision repair revenue is insurance paid, while 11 percent is consumer paid.⁶ Analysis of both bodies of work during the pandemic by CCC reflects the

decline in repairs from COVID, as well as some differences among markets based on their COVID-19 shelter-at-home restrictions. Repair order counts for states with minor restrictions saw a -17.4 percent drop in all repair orders the week beginning March 15, 2020 versus the prior week, followed by a -22 percent drop the next week. For states with major restrictions, repair order counts overall fell further: -24 percent drop in the week beginning March 15, 2020 versus the prior week, followed by a -29 percent drop the next week (see Figure 1). For all states, repair order counts then climbed back up again through May and June but remain down between 10 and 15 percent from pre-COVID levels coming into CY 2021.

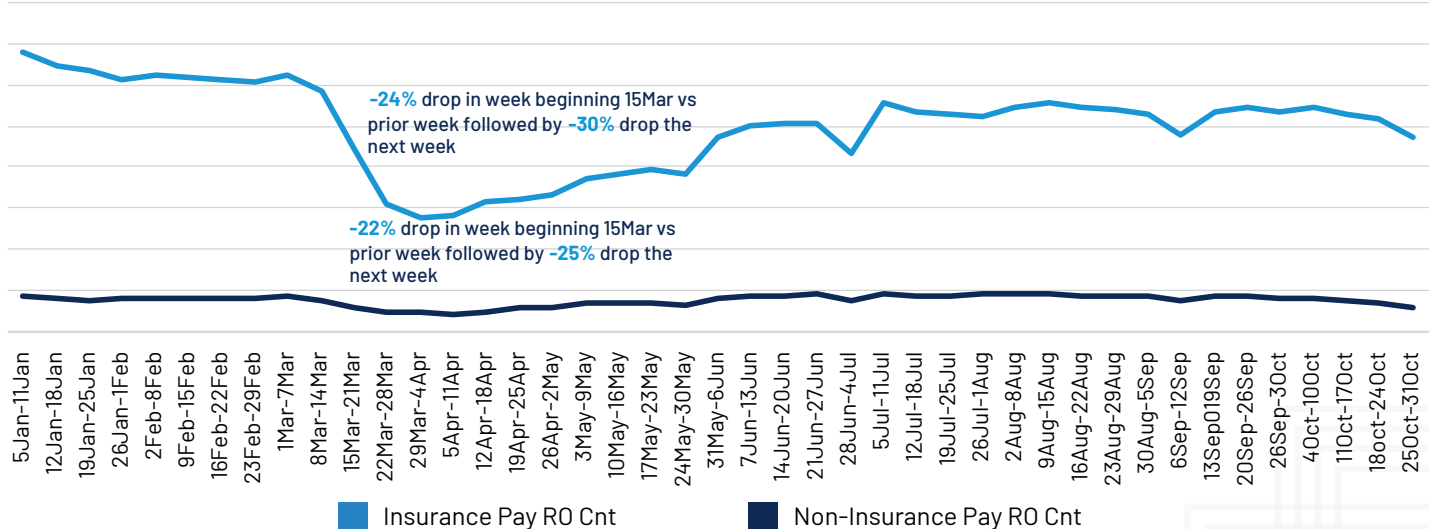
Figure 1: Impact to Volume of Repair Orders

SOURCE: CCC INFORMATION SERVICES INC.

Repair Order Counts for States with Minor Restrictions



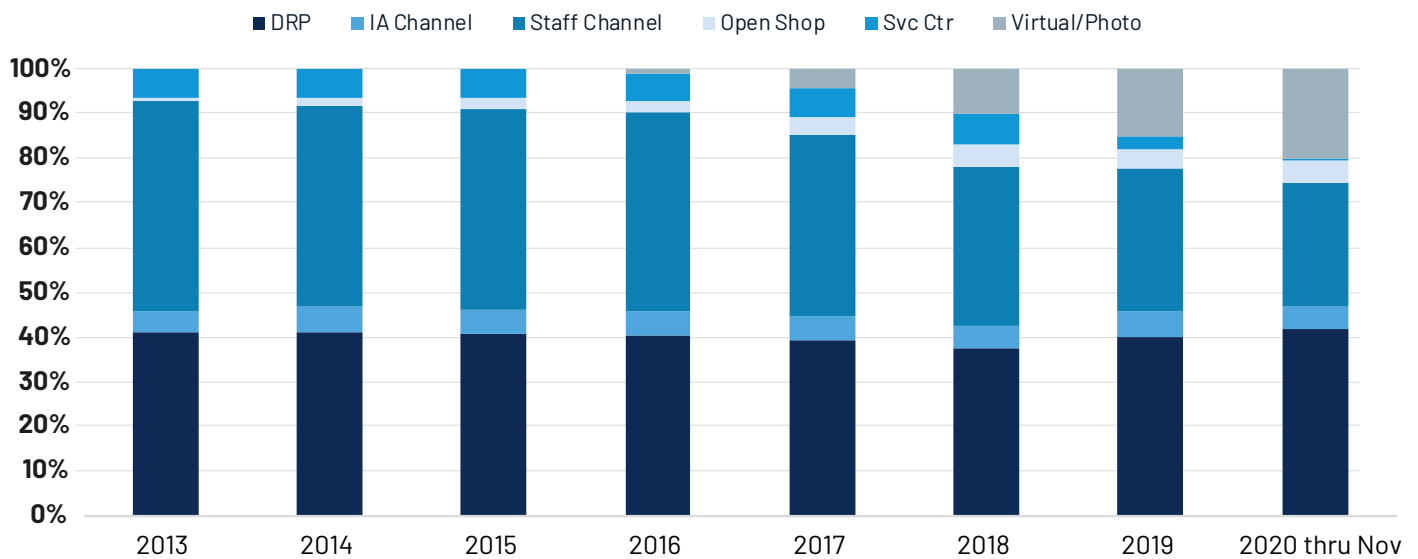
Repair Order Counts for States with Major Restrictions



Analysis of the auto claims processed by CCC on behalf of its customers reveals the percent of repairable appraisals generated at a shop on behalf of an insurance company was 47 percent for CY 2020 through November, up considerably from 41.7 percent in 2013 (see Figure 2). These would include both Open Shop and DRP methods of inspection (MOI). DRP share of repairable appraisal volume grew to 41.9 percent for CY 2020 to Nov, up from a low of 37.4 percent in 2018, and the largest share seen in nearly 10 years. Staff share of method of inspection has seen the largest decline over that same time period, from a high of 47 percent in CY 2013 to 27.6 percent for CY 2020 to Nov, as more carriers also expand their method of inspection options for customers to methods like photo/virtual estimating.

Figure 2: Repair Appraisal Volume - Share per Method of Inspection

SOURCE: CCC INFORMATION SERVICES INC.



Data from The 2020 FenderBender Industry Survey reports 65 percent of responding shops generate some share of their sales from DRP.⁷ Other data from a “Who Pays for What?” survey conducted summer 2020 reveals 17 percent of shops over the past year increased the number of DRPs in which they participate; 16 percent had fewer DRPs than during the prior year; and 29 percent said they have not had any DRPs at their location for a year or more.⁸

Despite an increase in the overall share of repairable appraisal volume with an estimate MOI of DRP or Open Shop, the average number of insurer Open Shop and DRP programs in which repairers participate has fallen slightly over the last year, from 7.95 insurers in CY 2019 to 7.06 insurers in CY 2020 to Nov (see

Figure 3). Of note is the decline in the average number of insurance DRPs between CY 2019 and CY 2020 to Nov after increasing in the six prior years for all shops except National MSOs and dealerships (see Figure 4).

Figure 3: Average Number of Insurer Appraisal Programs Participated in by Collision Repairers CY 2008 to CY 2020

SOURCE: CCC INFORMATION SERVICES INC.

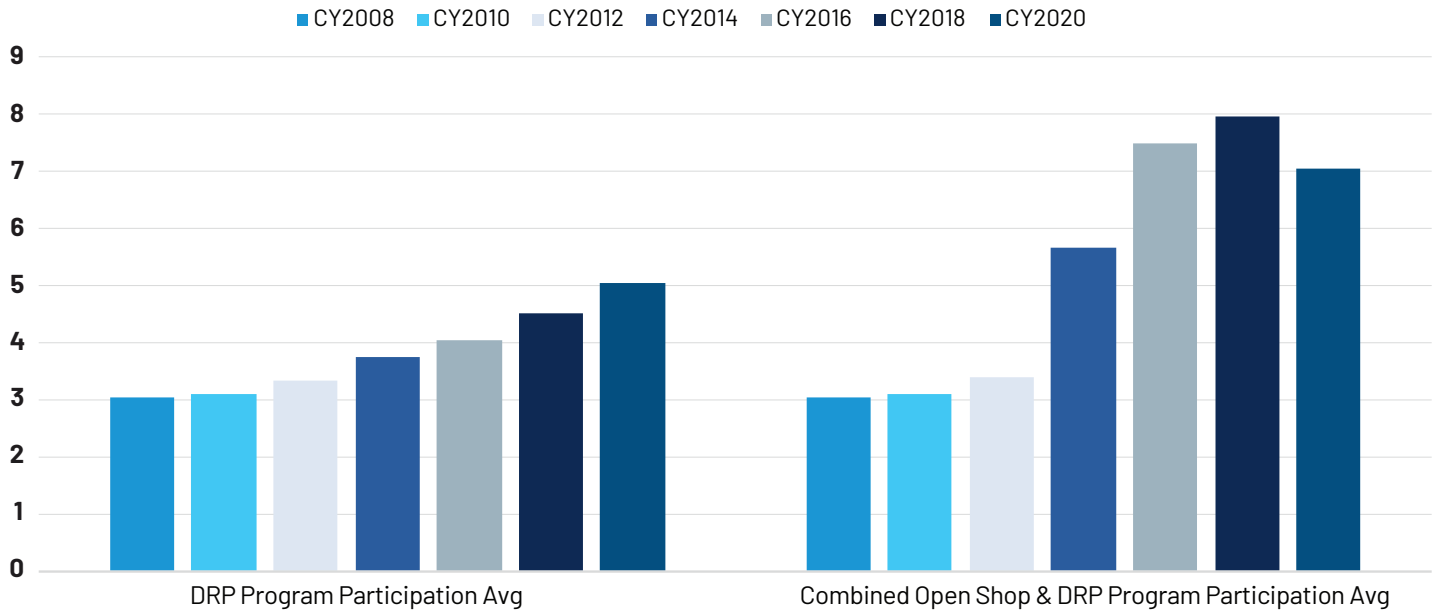
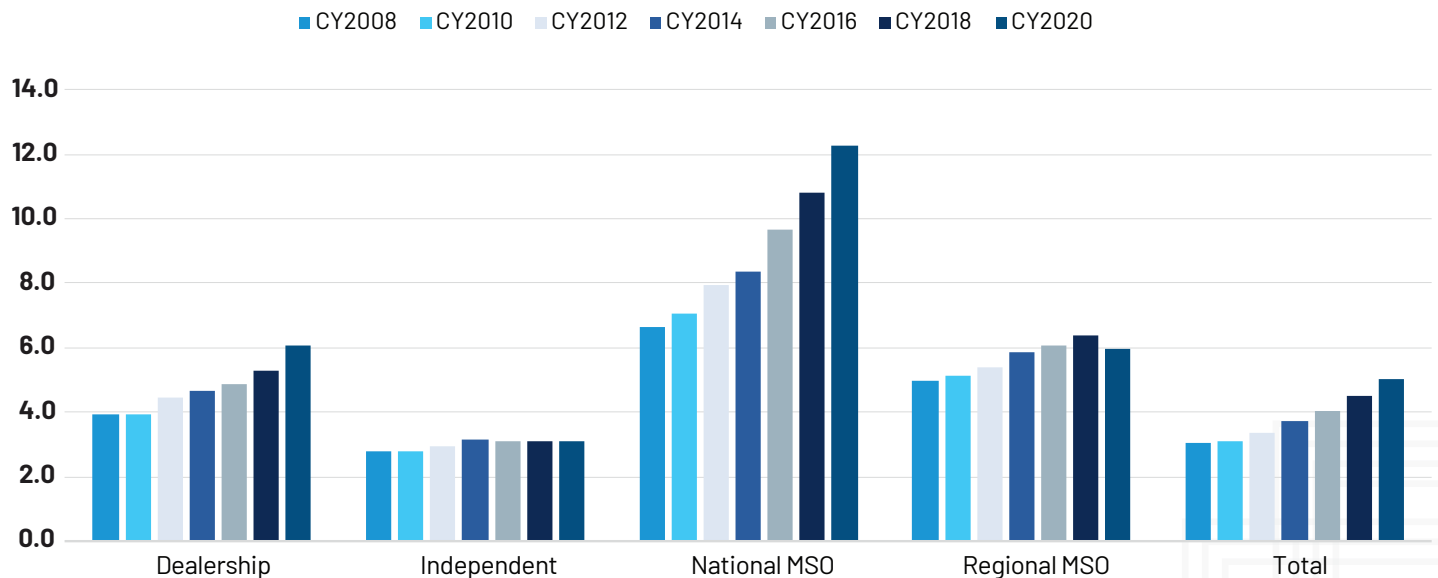


Figure 4: Average Number of Direct Repair Programs Repairers Participate in by Shop Type CY 2008 to CY 2020

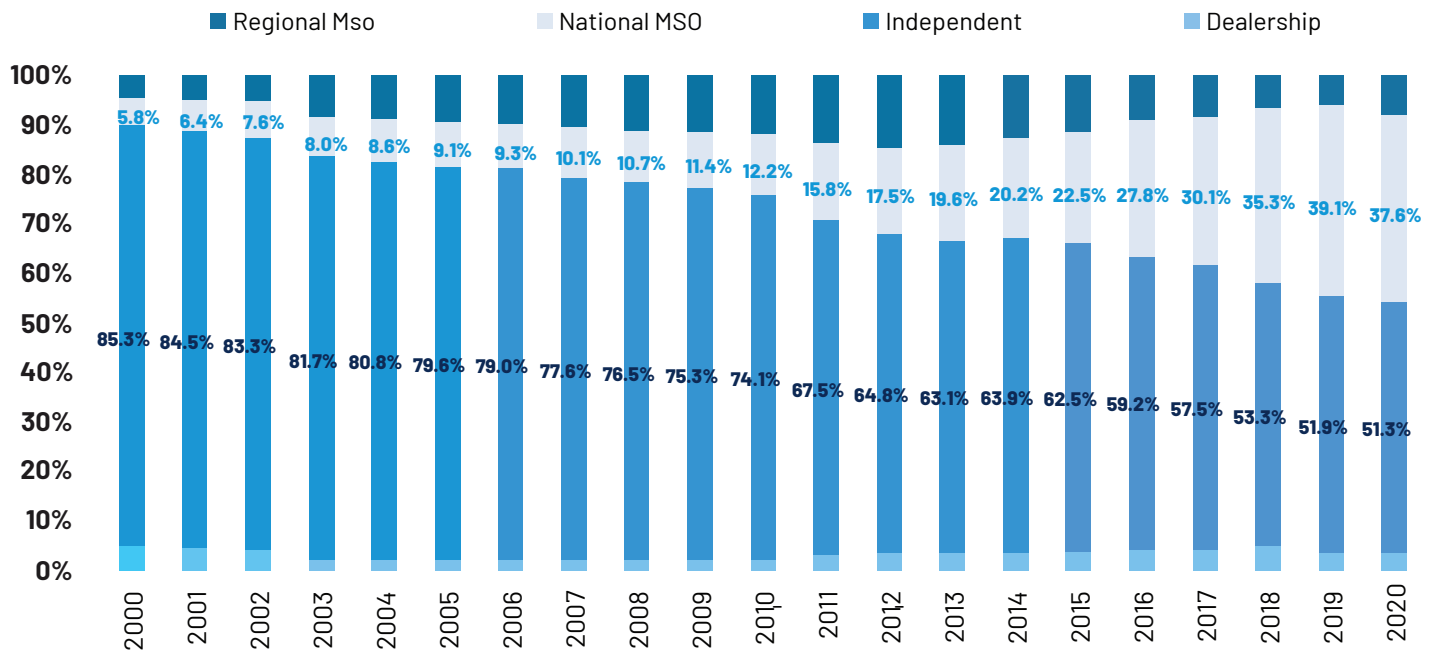
SOURCE: CCC INFORMATION SERVICES INC.



Analysis of annual uploaded DRP appraisal volume reveals national MSOs also continue to see significant growth in share industry DRP volume. Between CY 2000 and CY 2020 to Nov the share of overall repairable DRP appraisal count going to national MSO's quadrupled, growing from 5.8 percent to 37.6 percent (see Figure 5). Share of DRP appraisal volume going to dealers reached nearly 5 percent in CY 2018, although in CY 2020 through November volume share has fallen. With OEMs increasingly pursuing growth of their own certified collision repair networks, dealer share of volume may grow. Additionally, data from Vince Romans' Virtual MSO Symposium presentation in Nov 2020 shows five dealership groups were among the top 10 largest repair organizations in the U.S. in CY 2019 versus only 3 in CY 2017, suggesting share of overall U.S. repair volume for dealerships continues to grow. ⁹

Figure 5: Share of Annual Uploaded DRP Appraisal Count

SOURCE: CCC INFORMATION SERVICES INC.



OPPORTUNITIES AND CHALLENGES FACING COLLISION REPAIRERS

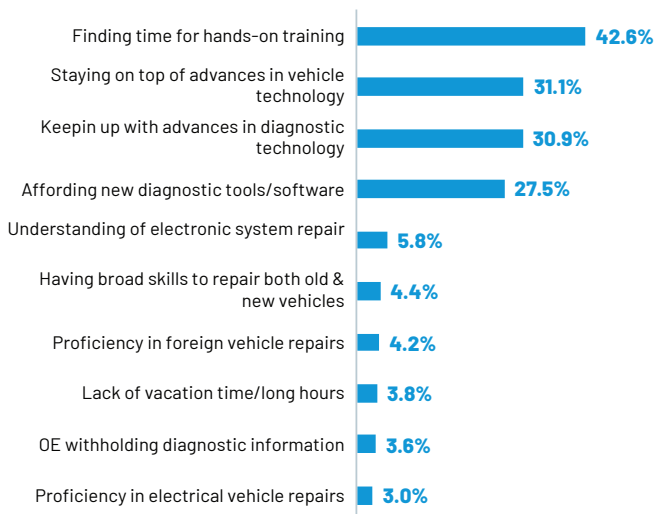
In 2021, operators will continue to face decisions that have been around since before COVID-19. For instance, repairers must still decide which and how much investment should be made in the numerous tools, training, and certification programs now available to address advances in the vehicle fleet. The availability of quality labor/technicians has been identified as a challenge for the industry in surveys conducted by Raymond James and Supplement Advisory going back to CY 2019.

A survey conducted by IMR Inc. of independent repair shops heading into CY 2020 reported the top challenges faced by their technicians were finding time for hands-on training and staying up to date with advances in diagnostics (see Figure 6).¹⁰ When asked to identify the top challenges technicians would face when IMR Inc. conducted the survey again in May 2020, several new concerns rose to the top, although finding time for training and keeping up with advances in diagnostic training remained.¹¹ And while many of these were repairers within the mechanical arena, the same challenges from the changing vehicle fleet are faced by those within the collision repair space.

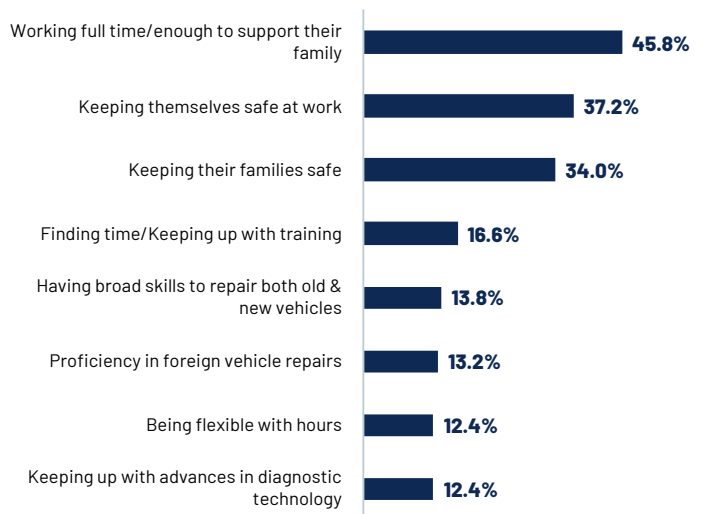
Figure 6: Independent Repair Shops and Technicians Top Challenges

SOURCE: IMR, INC. "CHALLENGES FOR INDEPENDENT REPAIR SHOPS AND TECHNICIANS IN 2020; ADVICE THEY'D GIVE TO FUTURE TECHS." AND "CHALLENGES FOR INDEPENDENT REPAIR SHOPS AND TECHNICIANS THE REMAINDER OF 2020 (COVID-19 UPDATE)." WWW.AUTOMOTIVERESEARCH.COM.

IMR Inc.'s 2020 Key challenges for automotive technicians (Pre-COVID-19)



IMR Inc.'s Top Challenges Technicians Will Face for Remainder of 2020 (During COVID - May 2020)



PREPARED TO REPAIR NEW VEHICLE TECHNOLOGIES

As of Q3 2020, over 40 percent of all vehicle appraisals processed by CCC for its customers included an entry with a dollar amount for a pre-, in-process, and/or post-repair scan. Producing a scan however is the just the start. Understanding what the various diagnostic trouble codes mean, and how to repair the vehicle and subsequently clear those codes is more complex, often necessitating dynamic and/or static calibration procedures that vary dramatically among the OE's as well. With nearly 50 percent of all vehicles minimally equipped with automatic emergency braking for model years 2017 to 2020, collision repairers will begin to see more vehicles requiring challenging diagnostics.

Survey results from the 2020 FenderBender Industry Survey: Tech + Tools Report revealed 33 percent of shop respondents had only one OEM scan tool, while 41 percent had two or more.¹² The survey also reported only 30 percent of shop respondents utilize a third-party service for scanning services¹³, suggesting training of these capabilities is even more critical.

Thirty-six percent of repairable vehicle appraisals processed in CY 2020 by CCC on behalf of its customers were vehicles of MY 2017 to MY 2020, where 50 percent were likely minimally equipped with AEB. Over 4 percent of these appraisals included estimate lines for operations like calibration, reflash, aiming cameras or distance sensors. The percent was higher for European vehicles (8 percent), while Asian vehicles saw 5.2 percent including calibration operation, and Domestic vehicles only 2.5 percent. According to a recent article published by MOTOR, the equipment to perform ADAS calibrations also varies across vehicle manufacturer. Asian vehicles require targets for both radar and camera calibrations; European vehicles vary in terms of dynamic and static/target calibrations; and domestic vehicles largely offer dynamic calibration strategies.¹⁴ Repairers must also ensure their facility itself is set up to properly calibrate vehicles, with requirements regarding overall space, floor slope and condition, and more also varying by vehicle manufacturer.¹⁵ Subsequently repairers in CY 2021 will have further decisions to make regarding investments in tools and even facility space.

Whether or not CY 2021 will truly be a year of recovery remains to be seen. Many of the challenges in place pre-COVID still exist. Understanding their individual market conditions, and the potential requirements specific to the vehicles they are most likely to see, and deciding where to invest in training, tools, and more has become more challenging. Those best positioned to thrive in 2021 are those who have remained focused not only on the pre-COVID challenges, but also adapted their businesses to address the demands brought by the pandemic.

CCC TRENDS SOURCES

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2. Auto Care Association. "Auto Care Factbook 2020." Page 55. Bethesda, MD: 2020.
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5. Ibid.
6. Vincent Romans. "Trends on Consolidation, Private Equity, & the APD Landscape." Virtual MSO Symposium presentation, November 9, 2020.
7. The FenderBender Industry Survey: Tech + Tools 2020, page 12.
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