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Uncertainty over dealers boosts business for some collision shops

Fleet repairs also rebound after slow summer

By Sherri Begin Welch

Brighton-based **Campbell Collision** is on pace to increase revenue 19 percent this year.

The family-owned business, which is celebrating its 40th anniversary, used an advertising campaign to drive home the point that unlike some car dealers, Campbell Collision will be around another 40 years to warranty its repair work.

The campaign seems to be working, said co-owner and office manager Donna Campbell.

"We've had quite a few instances where a vehicle was towed to a dealer and the owner didn't want (that.) So it was moved to Campbell Collision," she said.

"People are just nervous about the unknown," she said.

Bob Saks in Milford, just a couple of miles from Campbell Collision, shut down this summer, Campbell said.

"What we're finding out from the dealers themselves, because they are also a supplier as well as a competitor ... is they are real slow with collision," Campbell said.

Collision business at **Shelton Pontiac Buick GMC** in Rochester Hills was down about 40 percent to 50 percent in September from the spring, said Russ Shelton, owner, president and CEO.

"Sometimes we blame it on the weather ... (or customers) not being able to pay the deductible," he said.

Dealers should do a better job of advertising that they'll be around, if they are, Shelton said, but they certainly don't want to throw that fact in the faces of dealers that are closing.

"It's a balancing act," he said.

This past summer, **Chrysler Group L.L.C.** revoked the franchise agreements of 789 dealerships across the country as part of its bankruptcy proceedings. Fourteen of those dealers were in Southeast Michigan.

Some 1,350 **General Motors Co.** dealerships across the country also are in the process of closing by October 2010. GM has not released the names and locations of those dealerships.

May through August, Campbell Collision's business was up each month about \$30,000 higher than the year before, Campbell

said. In September, business was up even higher, at about 50 percent over the year-earlier month.

And in October, the company posted the highest volume in its history, with \$176,000 in revenue for the month.

Last year, the company posted revenue of \$1.3 million. Campbell is projecting the shop's 2009 revenue will be up about \$250,000 over 2008 revenue, reflecting a 19 percent increase.

Also helping sales is the fact insurance companies seem more inclined to repair vehicles when the cost of repairs is on the border of declaring a vehicle a total loss, Campbell said.

She believes that's a sign that insurance companies are trying to be more accommodating to clients who don't want to or can't make payments on a new car.

A revival of fleet repair business also is buoying sales, Campbell said. A third of the shop's revenue typically comes from fleet repairs, which usually pick up in the summer but didn't this year.

"Fleet customers told us initially, when we first started calling them to find out why they hadn't sent any work ... (that) everything was on hold with a lot of companies," given decreased staffing and budget cuts, Campbell said.

"Everyone was nervous ... they were letting people drive around with the car dented, scratched and little dings.

"All of a sudden, in September and October, we (got) slammed with fleet work again," Campbell said.

The shop hired another porter and an auto body repair technician to handle increased demand, she said. Currently it employs 12 people.

Clinton Township-based **Collex Collision**, a family-owned business, has 11 shops across Southeast Michigan and three in Florida.

The dealership closings have "been a positive for several of our locations," said COO Robert Gagliano.

Especially during initial talk of automaker bankruptcies, there were lots of people worried whether dealers were going to be around to honor repair warranty on body work, backing against paint peeling, fading and cracking, rattling and rust issues, he said.

Gagliano declined to release revenue for Collex but said that with some stores up slightly and some down, he expects total revenue to be about flat this year.

It's been a tough summer for most of the industry, said Ray Fisher, vice president of the Lansing-based **Automotive Service Association. Showcase Collision** in Warren has been hit hard by the nearby automotive plant closings and insurance companies consolidating their approved vendor lists to higher volume shops, said owner Mark Sykes.

But things are looking up, he said.

"Once we got through August, it seemed like somebody turned the light switch back on. ... I'm trying to be positive and say we're coming back around," Sykes said.

He expects the shop's revenue this year to be about \$1 million, down from \$1.3 million last year.

"We do a lot of fleet repair, and that's our target for the future," Sykes said.

Diversifying into fleet repairs and focusing on individual customers and not just insurance referrals are the right moves for body shops to make, said Fisher.

"Quite candidly, there's an overcapacity and has been for the last four or five years, meaning the number of (collision) shops far exceeds the volume of repair work right now," he said.

"The industry as a whole is challenged and must seek new opportunities to stay in business."

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