Auto Physical Damage

Episode 5: Evolution and Growth in the Collision Industry

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Ryan and Ben Clymer, Jr.—CEO of the five-location MSO, Ben Clymer's The Body Shop—discuss today's challenges with the efficient delivery of proper, safe repair, including the ongoing impact of supply chain disruptions. They also uncover new growth opportunities and even potential roadblocks for the collision industry.

Ryan Mandell: Welcome back to the Mitchell Collision Podcast. I'm Ryan Mandell, your host. And today with me, I am excited to welcome the CEO of Ben Clymer's The Body Shop, Ben Clymer, Jr. How are you doing today, Ben?

Ben Clymer, Jr.: You know, I'm doing just peachy, Ryan. I appreciate the opportunity to speak again with you.

Ryan Mandell: Absolutely. It's always good talking with you, buddy. So Ben is again the CEO of Ben Clymer's The Body Shop. They have five locations in Southern California. So, Ben, give me a little bit of background about you, about your company and how the how business is going for you these days.

Ben Clymer, Jr.: Oh, well, thank you. A brief background. Ben Clymer's The Body Shop was started by my brother Brett and my father and mother back in 1990—family owned and operated to this day. As far as how

things are going currently, we definitely are finding ourselves in an interesting climate with different supply chain issues, etc. But we are seeing the pent-up desire for sales and consumerism is coming back. And so we're seeing currently a lot of backlog work in many of the different shops, not just our shops but all shops throughout our area. And I would even say maybe even the nation.

Ryan Mandell: Yeah, that's pretty consistent with what we're seeing in our data is that we're pretty much back. We're getting very, very close to pre-pandemic volumes in terms of claims frequency and really, I think it has recovered a lot quicker than many in the industry thought it was going to.

Ben Clymer, Jr.: Yeah, I would agree. I would definitely agree. In fact, I know for us, July was very strong and August was actually an all-time sales record for our company.

Ryan Mandell: Oh, wow.

Ben Clymer, Jr.: September is looking to be even better with sales than August was. I would say that's more a reflection of my brother Brett and my team that we have versus just my brother and I. Because the fact that they're able to do that in sales with all the issues with parts—we couldn't be more proud of those men and women.

Ryan Mandell: Yeah, that's fantastic. And you mentioned the supply chain issues that we're having, so maybe we can just start there. And, we're seeing that certainly anecdotally, we're seeing some data surrounding delays in parts procurement. What specifically are you guys seeing in your locations surrounding the supply chain? Is it limited to just OEM parts, or are you seeing it across the board?

Ben Clymer, Jr.: Well, we made a decision years ago to switch to OEM body parts only. And so we have not typically used aftermarket parts unless it's requested by the customers. So I know for my frame of reference, it's going to lean more towards my experience with OEM parts. However, because there's such scarce pickings with OEM, we have made customers aware of that if they would like to elect for an aftermarket. And even with aftermarket, massive supply chain issues. And I know, Ryan, you're near a coastal area as am I. And we're seeing the ships off the coast. They're just sitting parked and waiting to come into the docks. And I've never seen that before. I've grown up in Southern California my entire life. I've never seen ships just waiting. And so we joke, hey, there's my parts. Like we need these things delivered. But there's just an epic backlog across the board of all parts, whether they're OEM or aftermarket.

Ryan Mandell: Yeah, I heard that. I think right now there's about 70 ships that are just waiting in the harbor to get into the port of Los Angeles. I mean, that's just crazy.

Ben Clymer, Jr.: Yeah, I've never seen that many sitting off the coast. I was just in Huntington Beach yesterday for a business conference and I've never seen that many ships just parked.

Ryan Mandell: That's amazing. So kind of switching gears a little bit, there's so much that has been made of all of the different vehicle technology that is present in the market now. And we've seen just this tremendous growth of all the different ADAS features and, you know, these autonomous features in different vehicles. Talk to us a little bit about, you know, kind of how this is changing the way that you have to approach a repair and maybe how that's evolved over the past few years.

Ben Clymer, Jr.: It's a great question. I think it's forcing every collision repair shop—whether it's the owners or whether it's these new private equity firms—to change and adapt. But that's really not as new as, at first glance, we think it is because back in the seventies, most of the cars were body on frame. And then they started more late 60s and 70s, they really started pushing more the unibody, especially as the Japanese vehicles came over. It forced the American car companies to adapt. And then you had the late 80s with the airbags; the liability issues.

Oh, what are we going to do with these airbags? It wasn't, I think, until 1990 that the first recorded car accident ever happened between two vehicles that actually had airbags that they deployed. And that was the same year my dad started Ben Clymer's The Body Shop in 1990. So that was a new, scary technology. How is this going to impact the industry, the liabilities? I think nothing new under the sun. Now there's just a lot more liability and a lot more need to make sure things are right because these cars are no longer simply mechanical. They have tons and tons and tons of computational power in each and every vehicle. And now you need to make sure that's right before it gets launched back to the consumer.

Ryan Mandell: Sure. I kind of think that you mentioned the unibody. And, you know, it's like laser measuring systems and making sure that it's back to the proper specs for the targets on the unibody. So there are definitely analogies, I think, of what the collision industry has faced in the past. And I think what I've noticed is that with each of these developments, it seems like the collision industry has turned it into an opportunity—an opportunity to be able to do more work on the vehicle to produce a higher quality product. Do you think that this is going to result, or has it already resulted, in an opportunity for shops to be more profitable with this kind of technology?

Ben Clymer, Jr.: I think the opportunity is absolutely there. I mean, it's always going to require an investment. Right? Whether you want to invest in the actual monies of the equipment or if you want to invest in the time that it's going to take to find a good partnership in a vendor to come in and partner with you so you can specialize in the actual repairs. So there's always an opportunity at play. It's just a matter of how you want to view the items that come your way.

Ryan Mandell: Yeah. And so, you know, thinking about what has to happen with a lot of these vehicles. I mean, diagnostic scans are pretty much becoming compulsory. I mean almost every vehicle is getting a scan now. And I think we're headed that way with calibrations. Are your facilities doing those operations all in-house?

Ben Clymer, Jr.: Yeah. When it comes to the scans, whether it be the Bosch tool, whether it be the asTech, we are doing our pre- and post-scans in-house. And to your point, five years ago, very, very, very few shops were even considering that during the disassembly process. And now that is step one. You are making sure you are pre-scanning that vehicle to see what codes existed prior to the accident, what happened now, what's current, what's live. And most of the carriers are wanting to acknowledge that if it was accident-related, okay, we want to pay for that process because it's needed. I've been extremely happy that more OEMs are taking it seriously. That is something that is required. The Japanese have a very overly polite culture. I'm not making fun of it. I'm actually acknowledging and the reason I'm bringing that up is they tend to use like "requested" or they "should be done" versus what "needs to be" done. And so seeing the OEMs take that stance is very helpful for us because our commitment has always been from the time my dad started the company, the car needs to be right, the customer needs to be made whole and get them back on the road in a safe vehicle. So it's nice to see them taking a firm stance on that.

Ryan Mandell: Yeah, I think it cuts down on the gray area and in terms of what really needs to happen with that vehicle. It just makes it a little more clear cut so that everybody is on the same page. You know, one of the last guests that that I had on this program, he was an analyst for IHS Markit and focused a lot on lightweight materials. And so we talked about how that's changing in the automotive industry and in vehicle construction. Is that something where you see you're having to spend more time on an investment—on being sure that your facilities can repair the different kinds of materials out there. And are you having to make different decisions in the repair process based on how a vehicle is constructed?

Ben Clymer, Jr.: You're definitely having to make different decisions. I'll say that the decisions have actually ramped up, though, in an interesting way, during COVID and during individuals' reaction to COVID, I should say, with the parts shortage. So because the OEMs do, in my opinion, a pretty darn good job trying to make these parts cost effective, oftentimes you'll find yourself replacing. But now that we're having a parts shortage, you're

now fixing more and more. I will say not to be a contrarian, but just as a fact that a lot of the OEMs have effectively found ways to reinvent steel. And so steel, in my opinion, is still going to be around for a long time. And I think they're not choosing to go full blown carbon on some of their materials. They're also using a very cost-effective composite material that's a little simpler to repair. So you are seeing some of those more advanced materials on regular cars. I know Ford, they went with their aluminum truck years and years ago, but yet all the other truck manufacturers are not choosing to take that exact path. I mean, Chevy or Toyota actually with their new Tundra that's coming out, they're going with a composite bed versus an aluminum bed. So everybody is choosing their own way of doing things. And whether it's plastic, I mean, I'm glorifying it. It's the composite. But whether it has similar characteristics to a plastic or similar characteristics to the old-school fiberglass with your different carbon, the repair techniques if you just invest in training is actually really similar in principle.

Ryan Mandell: Oh, great. I think that's pretty encouraging here actually. And I'm sure being in Southern California, which is a hotbed for the EV market, I would imagine that you're seeing probably a heavier volume of EVs than most shops in the country would. How has that had an impact on your processes? Have you had to put into place extra safety procedures or anything or different workflows to be able to handle those types of vehicles?

Ben Clymer, Jr.: I would say you just ramp them up. The reason I'm saying ramp up versus put in additional procedures is in California, especially whether it be the coastal markets, the California market has always really had a large hybrid presence. Honda and Toyota kicked that off many years ago, and when we first started getting those vehicles in, it was, okay, nobody can touch these unless you're using these type of gloves and you're doing this. And that already started the conversation many years ago. And so now, as the battery packs have gotten bigger and bigger, I would say it's more a matter of ramping up and taking more seriously the safety protocols involved. But the concepts have been in place already for years and the SOPs and practices for many shops in California have been in place for years. So I'd say just ramp up.

Ryan Mandell: Yeah, yeah, absolutely. And that's a good point that the hybridization really has been around for some time and has been more present in California than in other parts of the country. So it is more of just a shift, I think, for shops in that market as opposed to designing completely new ways of doing business around these vehicles.

Ben Clymer, Jr.: I think shift is well said.

Ryan Mandell: Well, thank you. Obviously, again, we've talked about how the industry has changed and how the vehicles have changed. You know, where do you see the most growth opportunity for the collision industry over the next several years? Do you think there's going to be a lot more consolidation happening in the industry like what we've seen over the past decade or so?

Ben Clymer, Jr.: Oh, I would say yes. That's going to absolutely ramp up. And I know we belong to different focus groups in our industry and we get to go to different cities quarterly. The Coyote Vision Group is just a fantastic group of folks. And, what I remind some of my fellow members when a new Caliber, Service King or now Crash Champions, you got Classic (Collision), when one of those comes to their town, I remind them Southern California is essentially where Caliber was born—like the concept of Caliber was born in our backyard. And I remember our father actually getting approached way back in the very, very beginning. So I think that trend is only going to escalate. However, as much as we sublet a large portion of our overall sales, primarily, we do have to remember we're in the service industry. And my point that I'm getting at is even with the rise of the mega companies like Starbucks and that service industry, in our local town here in Riverside, we have just this awesome coffee place. It's called Molinos, a single mom and pop and they dominate in that space. And so why? It's because of the product they serve and the exceptional service and a great environment. It's just a great experience. And so I think there's going to continue to be consolidation. But I think those regional MSOs

and the single shops that really focus on the customer, they'll be just fine if they can focus on their core mission.

Ryan Mandell: Yeah, I think that's a really good point. It's market differentiation. It's what is your competitive advantage? And your competitive advantage is the way that you service your customers and that can really set you apart, especially in this business where it can be such a challenging time for somebody. It's not something, you know, typically you're not getting into an accident every other week and having to go get your car fixed. And so when you do have an incident that takes place and you have a really positive experience, I think that really speaks volumes. And that's a great way to grow your business and to expand the reach that your business has just by word of mouth even.

Ben Clymer, Jr.: Absolutely.

Ryan Mandell: I think, again, that's a great way to think about growth and where there are opportunities for the industry in ramping up, as you said, that that service factor. What do you see as the biggest challenges the industry is facing right now? You know, there's been these reports that have come out over the past five years talking about how there's going to be no more accidents because of all these ADAS features. But, do you think that's really a reality for some time in the near future?

Ben Clymer, Jr.: Yeah, I know this is a podcast, so it's just audio. But I'm smiling at the moment, even per the National Highway Traffic Safety Administration, and they've even acknowledged that, yes, the day will come. But it's not even close to as near as many of the folks think. And I know my brother and I, we've had this conversation at length and we still feel that there is a long way to go in our industry. And even once that day comes, then it's going to morph more and more into the calibration-style industry and the diagnostic-style industry. But at no time soon will these cars be banned from the road that don't have all these features. And so even if the best laid plans are put into place for these self-driving cars, they're still going to be the unknown factor of people not paying attention. They're on their cell phones. They're doing this. Or pedestrians not paying attention? The old cars? I don't see it in the next five to 10 years or even 15 years. I don't see accidents simply going away. What I do see is the amount of accidents declining continuously. However, we are seeing that is proportionately offset with the rise in severity. We are seeing more and more severity. So even though the amount of jobs may continue to slowly decline, we're seeing the sales. If anything, they're growing.

Ryan Mandell: Yeah. And are you seeing any impact based on what we've seen in the used car market: the increase in values of vehicles that maybe a vehicle that a couple of years ago the damage would have totaled it. But now because that vehicle is worth so much more, you're actually able to repair that vehicle.

Ben Clymer, Jr.: Yeah, that's an absolutely spot on point. In fact, we had this conversation less than a year ago. Our manager, at one of our locations in Moreno Valley, California, our manager had pointed out this is something that absolutely would have totaled before and now the carriers wanting to us to fix it—which, again, we're not in the business of totaling cars, we're in the business of fixing and restoring cars. And in this day and age where everybody talks about eco-friendly, nothing is actually more eco-friendly than fixing a car versus parting it out and you having to take the energy to build an all new one. So we are seeing that shift. I don't know how long that trend will continue. I think it will continue as long as the supply chain disruptions remain. And we're backlogged on the OEMs, especially with the micro-processors that they're struggling with. But once they figure that out, we might see that reverse.

Ryan Mandell: Yeah, I think there's still some runway left on that on that trend. You know, it seems like the sales figures, the annual sales figures keep getting revised downward. Most OEMs are cutting their production estimates continually. So I think we have probably at least another year to go before we see any sort of resolution in those supply chain issues.

Ben Clymer, Jr.: Yeah, unfortunately, that may be the reality.

Ryan Mandell: Yeah, absolutely. So, Ben, we're running out of time here, but I just wanted to say thank you again for your time this morning. Thanks so much for joining me and for providing our listeners with some great insight into your business and to what's going on in the collision industry. And it's always good talking to you, buddy. Wish you the best of luck.

Ben Clymer, Jr.: Thank you very much, Ryan. I appreciate the opportunity.

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