Auto Physical Damage

Episode 16: Driving Success Through Collaboration

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Matt Ebert, Founder & CEO of Crash Champions, joins host Ryan Mandell to discuss the evolution of the collision industry. While addressing topics that include changes in claims frequency, vehicle complexity and shop profitability, they explore how increased collaboration between insurers and repairers is benefiting consumers. Matt also shares his journey from owning a single facility to a 650-location MSO along with his insights into why a partnership approach is essential to solving the technician shortage and ensuring the industry's future success.

Ryan Mandell: Welcome to the Mitchell Collision Podcast, where we dive into the trends, tech and strategies shaping the future of collision repair and auto insurance. I'm your host, Ryan Mandell, and today we'll be talking about the evolution of the collision repair industry as well as the future of collaboration between shops and insurance carriers. My guest today is Matt Ebert. He's the CEO of Crash Champions who is widely recognized as a transformative figure in the industry and has really earned a reputation for building—not only a robust sustainable growth strategy—but a world-class culture as well. Matt, welcome to the program.

Matt Ebert: Thanks for having me, Ryan; appreciate it.

Ryan Mandell: So Matt, before we jump into some of the questions that we have today, maybe just give our listeners a little bit of background about yourself, about Crash Champions and kind of how you got started and where the company is going.

Matt Ebert: Sure. I mean, I've been in collision repair my whole life. I wrecked my car when I was 16. So I went to somebody in town, asked them to show me how to fix it, started working for him on other cars after we fixed mine and really have never left. So I started with my partner in one shop in 1999 and started growing in 2014 after I bought him out. Real growth started ramping at the end of 2019, 13 shops. And so between that point and today was 650. So pretty rapid growth in, say, the last four or five years.

Ryan Mandell: Yeah, absolutely. And would you say that growth is something that is emblematic of where there's opportunity in the collision industry right now?

Matt Ebert: For sure. I mean, I think my life would have been a lot simpler just running a great regional company in Chicago, but with the complication of vehicles, just the technology, and how much investment is needed. What I think is needed from a capital standpoint to set up a shop that people want to come to, that people want to work in, to keep up with the training and the equipping of the industry, you have to leverage size because it's the only way to keep costs down. And so, to me, the future direction of the whole industry was going to be further consolidation; really hard to make it as a single shop if you don't have a certain niche that you're appealing to. So really the growth path was more of survival at first. It wasn't like just a dream of, “hey, I want to be a big body shop company.” It’s this is where all the trends are heading and we saw it in COVID, right? Even from more and more repairs being pushed through direct repair networks, expanding with national companies. And so, for me, that's just moving my company to meet the industry where it's at and where it’s headed.

Ryan Mandell: Right, because I think one of the things is this specialization that we're seeing. Twenty years ago, it wasn't uncommon for a shop to be able to fix every type of vehicle. That's not really the reality anymore.

Matt Ebert: That's right. And so, you know, the advantage of size that I talk about, for example, is let's say an EV or a certain make or model is, pick a number, 5% of the car parc. And so for us, if we have 50 shops in the market, if 10% of those shops are able to fix those vehicles, we're well ahead of meeting the needs of the market. Whereas an individual shop has to do all of that in one location and it's pretty difficult to do.

Ryan Mandell: And I love the part of your story about that hands-on approach, that hands-on start in the industry. And I've got to imagine that this is one of the big gaps that collision repairers are trying to fill right now

is getting the right kind of skilled trade type talent into their shops to be able to fix all these complex vehicles. We're lucky enough to actually be able to record this episode in person. We're here in Atlanta at the SkillsUSA competition and it's not that common that you see a CEO of a large corporation attending a skilled trades conference. So, tell me a little bit about why are you here? What is the advantage for you and for Crash Champions and your team to attend an event like this?

Matt Ebert: Yeah, so the reason I'm here myself is really to get more of a firsthand view of what it is and how we can help. We have an industry problem of a lack of people, of a skills gap as they call it, and we're doing everything we can to attract people to the industry. And so, I'm here really to see how we can get more involved and what we can do to help in getting the message out about the opportunity. I do think that collision repair is a great career opportunity for young people.

As you see, you know, AI threatens white collar jobs and people don't know exactly what the needs of the future are going to be from a workforce perspective. One thing we know with the variety of vehicles is that every accident is different. I say, you know, robots can make cars, they can build them on an assembly line, but it's going to be a long time before they'll replace human hands fixing the cars. And so I think it's a huge opportunity, it's respectable pay, it's a very hard job. But I think as an industry, we haven't for decades done a very good job of attracting people. And so somewhere, somehow, we have to all champion the message. This is just another component of me figuring out how to do that, how to attract people to the industry. Otherwise, we're going to really struggle, because you're getting more and more demands from trades that are building data centers and energy and all these other things. Now we're competing for the same kind of work pool. I think it's going to get tougher if we don't find a way to make it attractive.

Ryan Mandell: You bring up a good point there, that concept of competing for that same work pool. I don't think that was always the case because the role of the technician, there's some similarities to what it was in the past, you know, fixing metal and changing parts and all that. But a lot of it has changed. The technician's role today and in the future is probably going to look a lot different than it did even just a few short years ago.

Matt Ebert: Yeah, we talk about that. They're just as likely to be holding a computer as they are a wrench now because of the technology on the cars. It's definitely a different variety of work than “getting dirty.” There's still the “getting dirty” component of it, but there's also the whole electronic and technology component.

Ryan Mandell: Do you think that is an opportunity for collision repairers to attract a different type of trade talent than maybe they were able to in the past when it just had that stigma of, oh, you're just getting greasy and dirty every day. But now, I mean, there's a combination of that hands-on work, but also that kind of data networking, IT type of component as well. Is that an advantage that the industry might have that they're not capitalizing on today?

Matt Ebert: I do think it's an angle that is attracting people that wasn't there before. I wouldn't say that we're not capitalizing on it. We're finding that there's a lot of interest because of the technology on the vehicles. The problem is it's so new, we're all figuring it out. And so I think the lack of capitalization on it is more of the newness and figuring out the right ways to message it and what exact skills are needed in order to do it.

Ryan Mandell: Sure. So maybe shifting gears a little bit to look at the broader collision repair and auto insurance industries. You know, one of the things that we've seen at Mitchell in our data is a reduction in overall claims volume. And we think that's happening for a number of different reasons. The technology on vehicles is probably preventing some accidents, but I think the bigger trend is more of a macroeconomic one in terms of people struggling to afford their car insurance and having to make different decisions about their policies, dropping coverages, raising deductibles, things like that. How does that play into Crash Champions' strategy moving forward? How do you change the way you operate in an environment where there's not as many insurance claims being filed?

Matt Ebert: Yeah, great question. So, first off, and this is hard because I kind of talk about the industry's kind of gotten DRP lazy. So you didn't have to be a salesman, for example, in the front office of a body shop as much because you were getting the recommendations or referrals from the carrier. The current kind of price of premium seems like it's going to be a little bit stable now for a minute, which is great. We feel that consumers will start to make claims again when they're not worried about being dropped or worried about their premium doubling again. But it may be a forever-changed world where the average person for a $2,000-and-under claim won't make it because if your insurance premium is going to go up a few hundred a year for the next couple of years, you're probably just trading dollars. So those claims might be forever smaller, which means that the customer or consumers will be paying for it out of pocket. And so we have to internally get better, and that's what we're working on, realizing that's an opportunity for work as well. Going ahead and selling the customer on our ability to help them. Whereas that's a kind of a talent level or a mode of working I would say that our front office hadn't had to do in the previous decade.

Ryan Mandell: Sure. It's easy to take some of that previous volume for granted I think when it was pretty consistent for a very long period of time. So I've got to imagine that today, really having operational excellence, really a focus on the way you run the business and the way shops are running their businesses has to be at a premium compared to maybe five or six years ago, you could get away with a little bit of not as high of a standard.

Matt Ebert: That's true. I think what I speak a lot about when I'm talking with carriers and even what's really stood out to people on my team now that came from the carrier side, from the carrier world, is they never realized the impact on volume to our business. We have so many fixed costs, like it costs so much more for the building to be there, to have the power turned on, to have the building insured, to have programs like Mitchell and a tech stack to power it. There's all that cost there before you even unlock the door. So volume has a huge impact on profitability in a business where you're working with mid to high, if you're lucky, single-digit profitability anyway. So there's not a lot of room. So I don't think that the carriers really understand the impact of

the slowness and how it affects the body shop's ability to stay profitable, which again, because of all the capital requirements to keep up with where the vehicle car parc is headed, you have to keep that small, small window of profitability or else how can you reinvest to keep up with your ability to fix the cars correctly.

Ryan Mandell: Absolutely. And I think a lot of that ability now comes to managing the tech in the vehicles themselves. And we always talk about, you're not just bringing that vehicle back to pre-loss condition from a cosmetic and structural standpoint, but now it's from an electronic and technological standpoint. So what is Crash Champions doing to really address all of these technological needs? We see it in our data in terms of, you know, greater frequency of diagnostics and of ADAS calibrations. Is that something that is really a focus for Crash Champions in terms of being able to complete that work internally?

Matt Ebert: Yeah, very much so. I mean, it has been for probably seven or eight years now. It's just now becoming a significant enough thing where, finally, everybody's starting to get some structure around it and not have it be the Wild Wild West, which is crazy and doesn't need to be. But for us, first of all, our first responsibility is to fix the car correctly. So the great thing now is there are starting to be some databases and some technology that help us identify where there is a calibration need. Your biggest fear is if the car needed to be calibrated and you didn't know it and you put it on the road, what future problem did you cause? And what harm could you have done?

So for us it's a major responsibility to not deliver a car that needed a calibration without calibrating it. And if it's not internal, how do you know that it was done correctly? Because it's not like there's a light on the dash that says, “hey, I'm not calibrated correctly,” or the car won't function. You have to have confidence in the team that's doing it and the documentation provided that it was done and done correctly. So it has been super important for us to do it in house and do it ourselves.

What has been the harder thing is identifying and being able to document and show that the calibration is needed. Today, those abilities are getting easier. It's still hard, it's like a research paper every time to really document what you need to do for repair methods and calibration would be part of that. It has come a long way because, today, over 40% of the cars need at least one calibration. So it's getting to be more routine. At least we're past the phase of, “I've never heard of calibrations. It's just a scam. You don't have to do it.” What I always have said to our insurance partners is we didn't build this thing. It's just our job to fix it. In fact, all this technology is supposed to take accidents away. I wish they would take half of it off of the cars.

Ryan Mandell: That's right. Now that this technology is more mature, people are becoming more comfortable with it in their vehicles and they're relying on it more. So it becomes even more important that you're getting that right.

Matt Ebert: Yeah. Now the other thing I would say—we might get to later in the conversation is for the number of cars being repaired—I think too I see a lot of cars being totaled today that I wonder if that's really the best for the consumer even if it's the best thing financially. So I kind of wonder in the future if there's some of these cars that could be fixed and that vehicle affordability for the consumer is starting to be an issue. If I have a vehicle financed and I'm $5,000 upside down, and you total my car, and because I had an accident, my insurance premium is also going to come up. How am I going to afford my next car? And how am I going to get out of this loan, get in a new car, get it insured? So, from a consumer, customer retention and happiness, I think there's an opportunity: is the best thing really for as many of these cars to be being totaled as there are?

Ryan Mandell: And I think that's a conversation that's being had in many different meeting rooms in many different types of companies. I hear it from OEMs.

Matt Ebert: That's right, and the challenge will be, is we'll have to look at the business a little bit differently, because for us as repairers, and the way that we're measured. I describe the four things that we've always looked at, right? Like speed of repair, cost of repair, customer satisfaction and the length of time it takes to repair it. All of those things, those more damaged vehicles go against every one of those KPIs that we're trying to perform to. So we, from a performance standpoint, want to avoid those cars too. So it's also an issue in that regard for how we're measured and looked at as a repair company because fixing some of those cars goes against what we're trying to deliver. So I think there's a great conversation to be had over the coming months as to how do we really best serve the customer and how do we do the right thing more often.

Ryan Mandell: And I know one of the things that you are doing to better serve the customer is with this LUXE program, the OEM-certified luxury vehicles, EV focus for certain repair centers. What was the genesis of that program? How did you identify that need in the industry?

Matt Ebert: Yeah, it's an obvious need to me. When I look at certifications, the reason why I care about them isn't to leverage my uniqueness and overcharge somebody for repairing it. I look at certifications as a requirement because my first job is to fix the car right. So if we're not certified, do we know what we're doing? Are we sure we're fixing the car correctly?

That's where my mindset started on certifications several years back. And OEMs have initiatives. You know, let's use BMW as an example. I attended their conference earlier this year. Their intention is to get 50% of their cars repaired in certified shops here within the next year or so. You know, they're doing it through restricted parts and things like that. And it's all about, they want to make sure their cars are fixed correctly and for their customers as well. And so if we don't find a way to respond to that, then we're not doing the right thing for the customers in the marketplace. So that's where number one, I see the need. And number two, the challenge with us in the past would have been, you can't repair those cars for the same labor rate. There's way too much investment needed. There's way too much risk that you take on in order to get those certifications from a

training, which somebody could quit and walk out the door with it and then you have to do it all over again from a tooling perspective. So in order to do that, you have to charge more, but there has to be a way, I feel, to do it and not lose the efficiencies of a DRP model. And so today it's one or the other, where now it's starting to be a conversation where how can we repair these cars correctly?

Then there's the whole parts situation which certifications usually require OEM parts and obviously policies are written. And we use plenty of aftermarket parts, but in a certified repair, you just can't because you'll lose the certification. So there's that problem to solve. But I feel like it's a problem that the industry faces. It's not a Crash Champions problem. It's not an insurer problem. It's an everybody problem. There has to be a solution where we can repair it, keep the efficiencies of a DRP arrangement, charge appropriately and not overcharge. And I just see an opportunity there for a cooperative repairer to get paid correctly to fix certified cars and not have to go to the extreme of let me leverage this certification, let me overcharge, let me get every dime I can out of every car.

I think, you know, if independent repairers that are certified listen to this, they'll be mad at me. I've seen in acquisitions where total losses, there's five grand worth of charges on the car for a total, where, you know, we don't charge anything in a total loss situation except for a little bit of disassembly on the cars. So it would seem like there's an opportunity for carriers to save a lot, too, if we can figure out a way to do that.

Ryan Mandell: And I think what I hear throughout much of our conversation today is this concept of collaboration. And I think that's something that is going to become extremely valuable, even more so than it is today between the insurance industry and repair shops. But one of the things that you all have, and where you sit in the actual accident repair side of the businesses, you have views of the claims process from a little bit different perspective than maybe an insurance company does. So what are some of the things that maybe you would like the insurance industry to understand that may be opportunities for improvement in that overall claims process?

Matt Ebert: Great question. I don't have a specific list there because I find that the conversations are very collaborative today. Every once in a while a carrier or a conversation that seems like to me from 1980 where it's all stick, no carrot. But those conversations aren't normal. They're pretty rare.

I think there's bigger picture stuff that we could do. We can talk about it next, maybe attracting talent to the industry. Carriers have a much bigger audience, lobbyists, where government can maybe help us, et cetera, which we don't have any of that. So I think there's some things that, if you look at how do you control claims costs in the future, if labor costs continue to go out of control, it's a problem for controlling claim costs. So, to me, trying to attract people to the industry is super important. It's not a Crash Champions thing; it's an industry thing. Where depending on who you listen to, we're up against losing 100,000 technicians over the next several years. We have to replace those technicians even in a declining claims environment. We still have a lot of people to replace in the industry as the Baby Boomers all start to retire. And so if we don't do that now, the cost of claims will continue to be a huge problem in the near future. Take it to the extreme, if I'm one of 10 people that can fix a car in the whole country, I'm going to get paid really, really, really well for it, and so, to me, it's about solving that together.

Now, your question was more directed at the claims process. I've soapboxed plenty about your competitor, a middleman that to me makes it difficult to do the job, and to me, that's not a great partner for us in the industry. We need to exchange data information, get it to us and get it back to the carrier. And there are so many ways that we could eliminate human error, that we can eliminate back and forth. Take, for example, sending up an estimate

for a carrier to have it AI reviewed and send it back. If we had those tools on our side, we wouldn't even send it over.

So there are ways to eliminate the back and forth. Everybody trying to grab a piece of money in the middle of exchanging the data. All companies need to be profitable, but there's a way to do it and make it so much easier. And that's a huge frustration for me. And it's not the carrier causing it or us; it's just the environment.

And so, to me, there's a way to do this more efficiently, more accurately. Technology is going to help in the next couple of years to really double check estimates and things. It doesn't need to be the back and forth and the struggle. And I also wish that we would be looked at more as the experts that we are.

Ryan Mandell: Absolutely. I think collaboration is the way forward. And I think when organizations like yourselves and the insurance industry can work together, the big beneficiary is the customer at the end of the day.

Matt Ebert: That’s right.

Ryan Mandell: They get their car back probably more timely than they would have, higher quality and it's going to help manage expenses.

Matt Ebert: That's right.

Ryan Mandell: Matt, I just want to say thank you so much for taking the time out of your busy schedule to join us today. I really appreciate all your insights and we're super excited to continue to see Crash Champions grow and succeed in the industry.

Matt Ebert: Thanks. Thanks again.

? Ep. 15 | **All Podcasts** | **Ep. 17 ?**

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