



The view from up here

FOLLOWING MY PREVIOUS ARTICLE ON CHANGING REPAIR NEEDS AND THE EFFECT THAT IT HAS ON THE REPAIR SECTOR, THIS MONTH I LOOK AT THE BROADER MARKET LANDSCAPE FOR THREE MAJOR MARKETS - THE UK, FRANCE AND ITALY.

These markets are quite different and have developed various commercial practices among their stakeholders: the driver, the vehicle manufacturer, the insurer, and the parts supplier.

Anyone who has read my column before or has visited the UK market will know that the UK and Australasian markets are very similar in many ways, albeit with a few local variations. France is much more traditional, with smaller repair shops under much more influence from the OEM parts groups. On the other hand, Italy is a very fragmented market with some very small repairers, parts distributors, and a very traditional insurance market selling through local brokers and offices.

As I have reported in recent editions, there have been some changes because of market conditions and some signs of a better understanding. A little more flexibility between insurers and repairers was established through the pandemic. That aside, the repair landscape has not really changed across Europe. There is some new technology in place to support drivers with their choice of repairer and some initiatives to digitise communication between repairer and insurer, but apart from that, the market structure is broadly unchanged.

Market characteristics

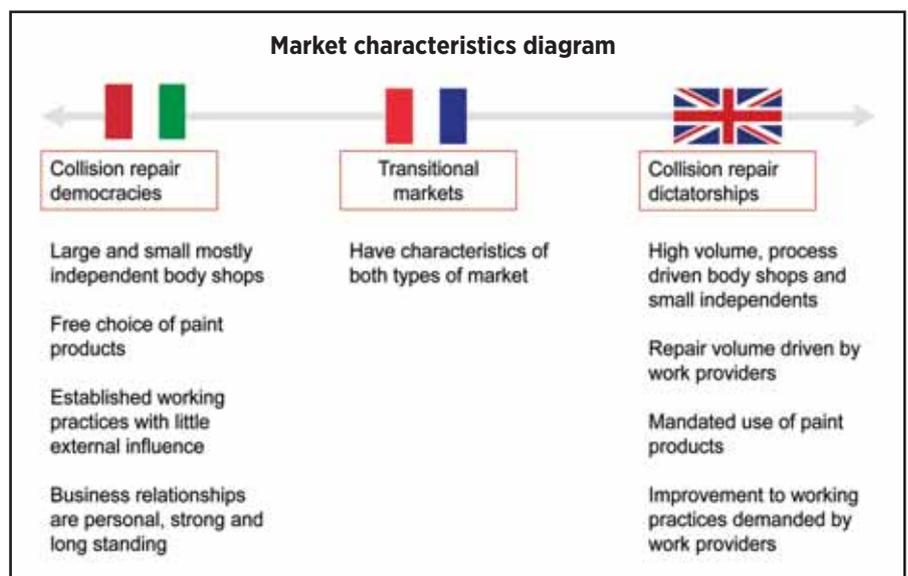
Some years ago, I conducted research for a client looking to enter the European collision repair market. This research revealed two extremes of market control (a little and a lot), with each country at various points in between. When I presented the

Market Data			
	Italy	France	UK
Body shops	13,000	3,250	3,000
OEM/Independent	20:80	42:48	30:70
Car population (2019)	39.4m	38m	33m
Car ownership/1,000	663	482	491

summary of the market dynamics and supplier behaviour to my client's management, they described the two extremes as collision repair dictatorships and collision repair democracies. I thought this was a little harsh but very clear in its meaning, so I have continued to use it here.

As you can see in the diagram (below), democracies contain a mix of large and small shops and rely heavily on

strong, long-lasting business relationships. On the other hand, the dictatorships have many high volume process-focused shops and high levels of control by work providers who also demand improvements to working practices and efficiencies. In extreme cases, the work providers will also specify the brand of paint that the repairer must use. This leads to shops using multiple paint brands to meet the requirements of multiple repair agreements.



I'll leave you to decide where Australia and New Zealand fit on this scale!

Insurers

UK insurers are at the forefront of digitisation and automating claims and customer engagements. An extremely high percentage of all motor policies are sold online, and the majority trade directly with the car owner. There are still the traditional broker offices and call centres, but most are trying to steer customers to online resources. Five major insurance groups try to have repairs completed in their own network, and these insurers manage around 45% of all policies. Three of the five major insurers specify a paint brand, which affects approximately 28% of policies. In addition to the insurers, four large accident management companies specify a paint brand, although it is not clear what overall share of repairs are affected.

There is much more of a mix in France in terms of online vs broker policy sales. Insurers exercise a large degree of control over body shops, especially in the choice of paint, although not quite as strong as the UK. Despite this, an insurer will often settle a claim directly with the car owner based on the quotation provided by the body shop, only for the car owner to pocket the cash and continue driving a damaged car. Between them, the five major insurance groups manage approximately 85% of policies in operation. Three insurance groups specify a paint brand to be used and manage around 55% of active policies.

Italy is the most traditional of these markets, with brokers' offices still the first port of call for car owners to buy their insurance and for them to file an accident claim. The most recent estimate suggests that 80% of claims are settled directly with the car owner.

Body shops

Whether you call them body shops, bodyshops, smash shops or collision repair shops, they all look the same the world over. What does change is the owner's attitude to how they work and the work practices. Of course, work practices will be driven by the

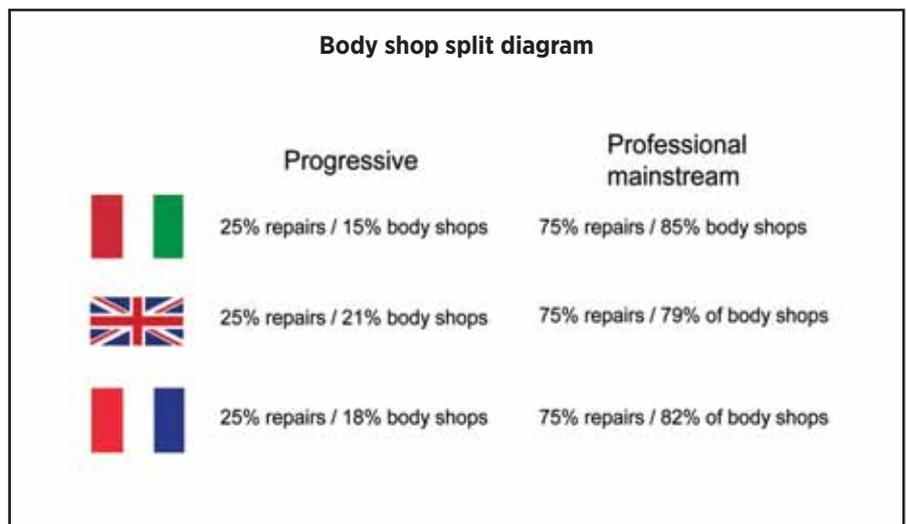
market requirements, and it's no surprise that the markets with the highest number of high productivity shops have work providers constantly seeking higher outputs and lower overall costs.

The body shop attitudes diagram (Below) shows where I believe each of the countries' collision repair industries sit in a range between "professional mainstream" and "progressive". I define progressive body shops as those more open to support services, programs to improve work practices, and premium products that enable higher productivity. Mainstream body shops, on the other hand, are less open to these ideas. A word of caution, however - this is not backed up by any measurable research. It's simply

my view looking at all the available data and my 38 years serving the collision repair industry.

In all three markets, the progressive body shops are predominantly focused on recent model cars - typically under five years old - and the mainstream shops are focused on older vehicles - usually over 10 years old. In the UK, these progressive shops are where insurers and the large national refinish and parts distributors have the most influence. The mainstream shops generally conduct the majority of repairs in each of the markets.

In most markets, body shop numbers have declined in recent years, and more have been lost as a result of the pandemic lockdowns. There are no firm numbers available at





Inside a typical French body shop.

the moment; only some surveys that were conducted pre-pandemic. Despite this, the numbers show an interesting share of work relative to vehicle population and car ownership.

Multi-site operators

The UK is probably the most consolidated body shop market in Europe, with many groups, including Gemini, Steer Automotive and FMG, the former Nationwide Accident Repair Group. There are others, but these are the best known.

France and Italy have fewer large shops and fewer groups operating at scale, although common to all markets are car dealership body shops for all brands. The dealer networks embrace body repair as another possible customer interaction and continue to invest in them as part of the onsite dealer facilities.

Parts and paint distribution

Refinish paint distribution in the UK is dominated by a few very large distributors and insurers. Body shop choice for those locked into repair deals is limited but is expected to grow as more and more repairers seek to lower costs and push back.

Refinish distribution in the UK market is heavily consolidated. There are 30 distribution companies, with around 100 outlets, that account for approximately 90% of refinish paint and ancillary sales to body shops.

- All large distributors carry all the major brands.
- Most larger companies have multiple locations with extensive catchment areas.
- PPG owns its own distribution and carries only PPG paint brands and

a full range of ancillaries and equipment.

Many of the smaller distributor groups are members of Trade Group, an association of refinish distributors who collaborate in product buying and brand promotions. It is estimated that LKQ has around a 30% share of all refinish sales to body shops. LKQ and Trade Group combined have about a 50% share of paint and ancillary sales.

In the UK, parts distribution is similarly consolidated with Euro Car Parts, now owned by LKQ and dominating the market for non-genuine parts. There are a few Independent Motor Factors in the market, but they are becoming fewer and fewer. For OEM parts, all the major manufacturers have created dedicated parts distribution operations, removing the inter dealership competition and reducing available discounts.

France is much less consolidated than the UK, and there is much more collaboration amongst distributors. More than 50% of refinish outlets are part of the three main aftermarket marketing groups. Renault and PSA (Peugeot – Citroen) control their aftermarket paint needs through an own brand approach and a central billing program.

The three groups, Centaure, AD, and Group Auto, have 250 to 300 outlets and supply more than half of the market.

The Renault parts network distributes Ixell paints (Renault private label) alongside genuine parts. PSA supplies its paint products through local refinish paint distributors but invoices direct to the body shop via its parts organisation (central billing).

The distributor groups in France have strong commercial relationships

with insurers and will be specified as the supplier of non-genuine parts or, in some cases, invoice the insurer direct. Other than the three main distributor groups, distributors are generally small and operate locally.

Italy is again the most fragmented of the markets, with many small, specialist refinish paint outlets. Consequently, there are no dominant players in the market and approximately 750 outlets across the country (pre-pandemic). Only 10% of the total number could be considered large (selling more than €10m). Some of these distributors may have more than one outlet, but none have a national presence. Each of the major paint brands works with around 100 distributor outlets.

Distribution in Italy is fairly specialised, with very few paint distributors selling parts. Most sell different kinds of coatings from the same manufacturer, such as industrial and decorative products. Northwest, northeast and the south of Italy have a high concentration of outlets due to high population density. LKQ is a strong operator and supplies non-genuine parts, but again, there are many smaller parts outlets across the country. Genuine parts continue to be distributed by larger dealers through their parts departments.

In summary

The repair market across Europe is moving to a more sophisticated, digitised market like the UK. The Netherlands and Germany, for example, have some slight differences in body shop operation and practices, but overall, the major stakeholders and market structure are familiar. Italy and, to some extent, France are much more traditional and resistant to change. Still, I am confident that the march of digitisation, automation and the endless drive for efficiency by insurers will eventually catch up with them as well!



Barry has extensive collision industry experience across Australasia, Europe and Asia Pacific. He is currently located in the UK and can be contacted on barry.edney@triple888.co.uk