

FOCUS Investment Banking Managing Director, Cole Strandberg, presents during the IDEAS Collide Showcase at SEMA



Washington, DC, (November 20, 2024) – Cole Strandberg, Managing Director at [FOCUS Investment Banking](#) and host of the Autobody News [Collision Vision podcast](#), was one of several auto aftermarket experts to present during the IDEAS Collide Showcase at SEMA earlier this month. The presenters, including Strandberg, explored growth and development opportunities within the collision repair industry.

“The era of the single store, generalist body shop is coming to an end,” said Strandberg, during a Society of Collision Repair Specialists (SCRS) IDEAS Collide presentation. “It’s for all the reasons you guys know about and think about and deal with every day.” His list included increasing vehicle complexity, the technician shortage, and continued challenges with insurance relationships.

“There are a lot of headwinds facing us, but the beauty is that these challenges create some really compelling and unique opportunities,” Strandberg added. He went on to explain how the industry has three options for the future: specialize, scale, and sell.

“We can combine some of these three into a really compelling growth strategy,” Strandberg continued. “What do I mean when I say specialized? It could be what comes to mind. It could be high-end luxury and exotic. It could be trucks. It could be EVs. It can also be a little bit more subtle than that, a little simpler. What are your OE certifications? What’s in your market? What are you good at fixing? Double down on what you’re good at.”

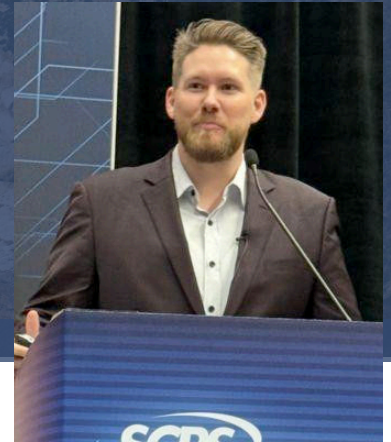
Based on Strandberg’s interpretation, specializing creates efficiencies in the supply chain. It also helps technicians complete jobs faster because they become an expert of the job. “It turns them into that NASCAR pit crew,” he stated. “Collision repair shops that specialize are more profitable than generalized shops and in most cases they are 50-100% more profitable.”

“At the end of the day, the industry is in a sort of David versus Goliath battle,” Strandberg explained. “David obviously can defeat Goliath but he’s probably not going to do it if he fights the battle the exact same way.”

Another way to differentiate is to scale, per a previous comment Strandberg had made.

“The collision repair industry has a lot to love and buyers are crazy about it,” he added. “But a big one is something called multiple arbitrage, which essentially means when you’re buying a company, you want to make sure that one plus one equals more than two.”

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The “magic” of scale is that it can be replicated at a smaller but growing regional player level.

Strandberg went on to explain that finances are often a worry for shops considering scaling. Funding is available through private equity investment and programs provided by the Small Business Administration (SBA).

“There’s a lot of private equity interest out here,” Strandberg continued. “Full disclosure: they’re typically looking for some pretty substantially-sized organizations.” For collision repair business owners contemplating a private equity transaction, “It comes down for them to a pretty simple equation,” Strandberg said. “Do I want to own 100% of a grape or would I be OK with owning 30% to 40% of a watermelon?”

He then explained that the SBA has two programs targeted at small businesses and aspiring entrepreneurs: the 7A and 504 programs. “Essentially, it’s designed to promote small business ownership and growth,” Strandberg added.

SBA options require good credit and a down payment.

“It’s an amazing resource that we’re seeing used left and right in all sorts of industries,” Strandberg said. “I think we’re underutilizing that here in the collision industry.”

It became apparent, per Strandberg’s presentation, that not everybody wants to scale.

“If it’s not your skill set, you’re not in the right market, or it’s not in your goals and dreams for your business, that’s fine,” Strandberg said. “But I do want to be very clear: access to capital should not be a reason to not scale.”

The single-store generalist body shop is not dying tomorrow, and the situation is not dire.

“There is an extremely unique opportunity here to take advantage and build something special,” Strandberg said. “For that reason, I believe there has never been a better time to be in the collision repair industry than right now.”

To learn more, visit www.focusbankers.com or contact Strandberg at cole.strandberg@focusbankers.com.



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