



## **IMPACT COLLISION SOLUTIONS**

# The Outlook for 2024

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The economy is generally good: Inflation slowing, but not gone; employment figures are high; interest rates are expected to fall next year. New vehicle sales are rebounding.

When looking into the crystal ball of the future of the collision repair industry, it is important to discern recent changes in the industry.

While the future is uncertain and hindsight tends to be 20/20, being vigilant to emerging trends can help us adapt to future changes and avoid major surprises.



### **Collision Industry Trends**

CCC's recent Trends Report for 2023 cited three major factors that affected 2023. While these are likely to change in 2024, they may be useful to our preparations for the coming year.

**1. An Increase in Vehicle Thefts**

While issues with Kias and Hyundais have received much attention, the increase in thefts was much more broadly based with the most significant group being domestic pick-ups. This inevitably leads to higher theft-related repairs.

**2. Impact of Strikes on Suppliers**

While the strikes themselves have ended, the impact on the supply chain was very broad-based and closely follows the pandemic-related supply chain impacts. Parts costs have leveled out, but the impact on parts and materials availability could extend into 2024.

**3. The Vehicle Repair Cost Bubble**

Total repair costs rose modestly in 2023 at a 4.6% rate; but it followed a 10.2% increase in 2021 and 12.4% in 2022. This is a cumulative increase of 29.6% since 2020.

While parts prices drove prior increases, the increase in 2023 was driven by increases in **labor costs** and a change in **mix of repairs** by the age of the vehicles on the road. The current average age of vehicles on the road is 12.5 years. Since 2018, vehicles 7 years or older have accounted for 44.8% of claims. With the sales of new vehicles increasing, the mix of vehicles repaired will change as well. More newer vehicles needing repairs will drive the need for more ADAS capability and drive other technology-based repair concerns.

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### **Other Industry Changes**

- Materials, colors, and finish effects are constantly changing.
- ADAS will affect nearly every aspect of the repair process.
- Artificial Intelligence (AI) will continue to impact the damage appraisal process.
- Continuing consolidation of collision centers, dealerships groups, and PBE distribution will stimulate more competition and market disruption.
- Insurers and OEs will steer more work to collision centers that can meet their standards, putting a premium on training and certification and new investments in equipment and technology.
- Increasing repair costs will force insurers to focus even more on cost containment, including a renewed focus on cycle times.

### **A Tip to Consider**

While the collision repair industry is not considered a growth industry, it is certainly a dynamic one that is affected by changes in automotive technology, multi-levels of consolidation, and the evolving needs of consumers, to name a few.

Keys for a successful 2024 will include market vigilance, a keen understanding of major trends, and adaptability. It will require the development of a resilient workforce that can adapt to these changes and others.

***How are you positioned for success in the New Year?***

***Best Wishes for a Prosperous 2024!***