

Service King may widen reign



Photos by Louis DeLuca/Staff Photographer

Richardson-based Service King — the largest collision-repair chain in the Dallas area — has already bought shops in San Antonio and Houston. President Cathy Bonner was hired last year to develop a strategic growth plan.

Dallas area's largest body shop chain has its sights on Interstate 35 corridor

By **TERRY BOX**
Automotive Writer
tbox@dallasnews.com

Hail clatters across Service King's roof like manna from heaven.

Bad weather means big business for body shops, and tempestuous Texas offers plenty of it.

But Richardson-based Service King — the largest collision-repair chain in the Dallas area — is looking beyond North Texas' dark clouds for growth.

The company, founded by body-repair man Eddie Lennox 35 years ago, has set its sights on Texas' populous Interstate 35 corridor.

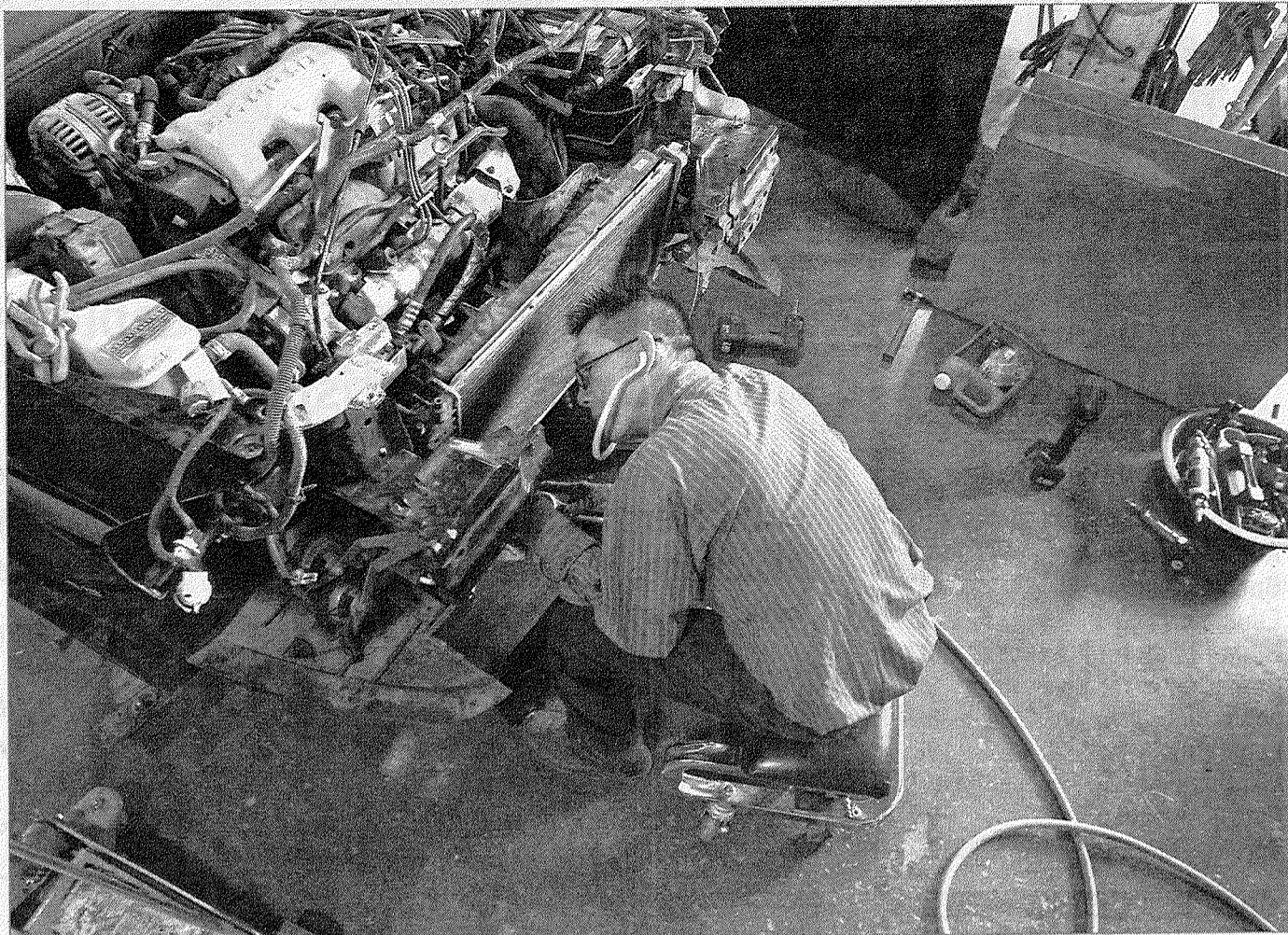
"We are the dominant collision repair chain in Dallas, and we want to be the dominant provider in Texas," said new president Cathy Bonner, who was hired last year to develop a strategic growth plan for Service King.

Last month, the privately held company, which operates 23 shops in the Dallas-Fort Worth area, bought Alamo Body and Paint in San Antonio, which has eight shops.

In 2010, Service King bought 11 collision-repair facilities in Houston, pushing its total in Texas to 42 shops.



Richardson-based Service King was founded 35 years ago, and it has a plan to expand 24 percent this year.



Photos by Louis DeLuca/Staff Photographer

Johnny Lam works on a car at the Service King near Central Expressway and Spring Valley Road in Richardson. Service King's top managers own 20 percent of the company.

Service King may widen its reign

Continued from Page 1D

Over the next six months, the company plans to acquire shops in Waco, Temple, Austin and San Marcos, said Bonner, who was executive director of the Texas Department of Commerce from 1991 to 1994 and founder of the Women's Museum in Dallas.

"Those markets [along the I-35 corridor] and Houston generated \$1.7 billion in revenue for the collision repair business last year out of \$2.5 billion statewide," she said.

"That's where the action is."

Motivated

Lennox founded his business in a three-bay tin garage in West Dallas, and it has gradually grown to a company of 1,000 employees with \$150 million in revenue last year.

"I like the idea of having a stable, secure company, and I find the best way to do that is to have a large company," said Lennox, 58, a graduate of Spruce High School in Dallas.

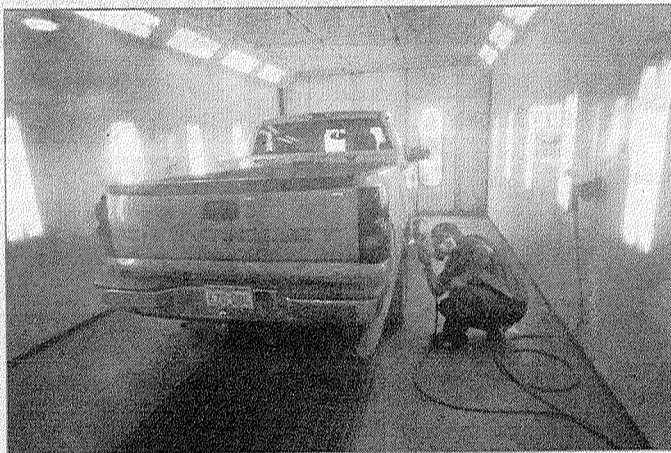
"It might be slow in Houston, but it will be booming in Dallas — or vice versa."

Lennox financed most of Service King's growth with revenue, allowing the company to avoid much long-term debt.

But he's not afraid to assume debt to buy good shops.

"If the right opportunity is there, we'll do what we have to do," he said.

The company, which expects growth of 24 percent this year, believes it has a "secret sauce" for success in the tough collision repair business, said Bonner, 61, who is Lennox's sister-in-law.



Ivan Pina applies paint at the Service King location near Central and Spring Valley.

Service King employees get immersed in a culture that relies heavily on training and processes. And the chain fosters solid relationships with insurance companies.

In addition, the top managers at Service King own 20 percent of the company, giving them an incentive to keep pushing it forward, said Lennox, who holds the remaining 80 percent with his wife.

"The only way we can honor our commitments to them is growth," Lennox said. "That's what keeps your people motivated, stimulated."

Business relationships

Body shops coexist with auto insurance companies in a sometimes contentious system similar to health care.

Insurance companies measure the quality, efficiency and cost of body shops. They recommend shops to their customers based on those metrics.

Operators with multiple shops often have an advantage because of their economies of scale and greater speed.

"You have to have superior service, the right facilities, the right location and the right cost structure," said Jeff McFadden, executive vice president of business development at Service King. "But the bottom line is if I don't do a good job, the [insurance] carrier bolts."

Although Service King often views smaller groups like Caliber and Herb's as their primary competitors, they actually fight more for work with the body shops at car dealerships, Bonner said.

"Car dealerships combined are our real competition," she said.

But those dealerships may also offer Service King even more opportunities for growth.

The company provides body shop services to 32 area dealerships, including Ford, Chrysler, Honda, Hyundai, Kia and Mitsubishi stores.

"Dealers have a \$16 [million] or \$18 million investment in their facilities and realize that body shops are tough facilities to run," McFadden said. "It's difficult

AT A GLANCE Service King

History: Founded in 1976 by Eddie Lennox as a one-man body shop in a tiny garage in West Dallas.

Today: 42 collision-repair shops, including 23 in the Dallas-Fort Worth area, 11 in Houston and eight in San Antonio.

Size: About 1,000 employees and revenue last year of \$150 million.

Goals: More shops in Texas along the I-35 corridor, mainly in areas such as Waco, Temple, Austin and San Marcos.

Distinction: Largest independently owned body shop operator in the U.S.

SOURCE: Dallas Morning News research

to realize a return on investment."

Only about 35 percent of car dealerships in the U.S. have body shops, said Paul Taylor, chief economist at the National Automobile Dealers Association.

"You've got increasing environmental, personnel and other issues," Taylor said. "People who run a terrific dealership can struggle with their body shop."

Service King is focusing on expansions in Texas for now, but it may ultimately look outside the state, Lennox and Bonner said.

But it is not bulking up to look more attractive to a potential buyer, Lennox said.

"I'm still having fun watching the company grow," he said. "If we had financial problems and couldn't grow, we might be in the market to sell. We're doing this because we can."