



CCIF Moncton Meeting Report

**Canadian Collision Industry Forum
Delta Beausejour Hotel, Moncton, NB
Saturday, April 19, 2008**

The Keys to Improved Profitability

CCIF Chairman, Tony Canade, opened the meeting with a promise that every participant would take away something of value to their business from this CCIF. He noted that the turnout of over 150 people was a record for CCIF in the Atlantic region and thanked all those who had promoted the event. "Profitability is a critical issue for collision repairers and the theme of today's meeting", said Tony, "because they must produce a net return that enables them to keep investing in their facility, equipment, marketing and training."

Understanding the MUST Process

"Business owners need to look in at their business from the outside", began Paul Kearley of the Dale Carnegie Business Group, "because you can't get inside from the inside." To be successful in business, owners and managers must step outside and try to view their company with the eyes of customer and supplier. It can help by having a mentor to use as a sounding board for their observations and ideas. Then they must create a vision of how they would like the business to be. That vision must represent a clear picture of a desired outcome and a commitment to set goals that will turn it into reality. Consideration must also be given to the alternative, i.e. what will happen if they don't take action. That should create a motive for action and involvement of others, who must have a balance of skills, attitude and knowledge to support the business owner in achieving the vision and goals. Quoting the adage, "Attitude is everything", Paul commented that without sufficient skills and knowledge, attitude is not enough. For example, one may have a positive, enthusiastic attitude and a burning desire to fly a plane, but without any skills or knowledge, that person may not find too many willing passengers.

Studies suggest that in a typical workforce, about 20% of the staff are engaged, 60% neutral and 20% bitter. Business owners must train and focus on the engaged and neutral staff to strengthen their ability to support the vision and goals. They must be prepared to start with a blank canvas, articulating the vision and goals and involving staff in the development of strategy. This must come from the initial action taken to create a new vision and it must lead to actions that will achieve the goal. A journey only starts when the first step is taken. It may take more or fewer steps and change direction on occasions, but if the destination is clear, it will be reached. Summing up the MUST Process, Paul outlined the four key steps - Motive (what must I do, and why?), Ultimatum (what will happen if I don't?), Strategy (what will I do about it?) and Take action (when will I do it?)

Low VOC Conversion - Measuring the Impact on Profitability after Conversion

Bill Stanzeleit of DuPont Performance Coatings led a panel discussion to review the ongoing cost aspects of conversion. Mike LeRue (Heritage CARSTAR) congratulated the paint suppliers on doing a great job in helping with the audit, preparation and training. There had certainly been a loss of production time during the conversion and there had been travel and hotel costs for the staff requiring training. However, the training had been absorbed and this resulted in minimal ongoing disruption. As a painter, Jeremiah Bruce (Dana's Collision) added that a higher degree of preparation was needed and it was more difficult to correct anything that went wrong. Nevertheless, the new products themselves were easy and comfortable to use. From a jobber's perspective, Cliff Riehl (Carlson Body Shop Supply) observed that the movement of inventory indicated that waterborne basecoat colour consumption seemed to be lower than for its solvent borne equivalent. Colson Cole (Trinity Collision) suggested that managers visit other shops that have already converted, to observe and get feedback that will make it easier to answer technician's questions and build their confidence when planning the conversion. Peter Wolf (Wolf Collision) had found that the conversion provided a great marketing opportunity. By spending as much on marketing as on the conversion itself, sales were up and customers were delighted to know that their repairer was operating an environmentally facility.

Adding a note on behalf of the Canadian Paint & Coatings Association, Brian Edwards advised that Gazette 1 was just about to be issued and that it would likely show a "Stop Sale" date of January 1, 2010 for products that will be banned by this new regulation. NB. This has since been confirmed. To date about 700 Canadian shops in total had converted, leaving as many as 9,000 auto, commercial and industrial shops to be converted before the end of 2009, i.e. about 500 per month. It is imperative that shops work with their paint and equipment suppliers to audit, plan and convert their shops as soon as possible. Unlike all previous technology changes for collision repairers, this one is not optional and it has a drop dead date, after which it will not be possible to buy the current products affected by the regulation.

The New CCIF Skills Program

At CCIF Toronto in January a presentation was made on the critical nature of the growing skills shortage and the lack of a co-ordinated national effort to raise awareness of collision repair as a career option. With the support of CCIF participants it was decided that CCIF would lead the way in its role of catalyst, broker and industry promoter, to launch a program that would ensure a national champion in car painting at the 2008 Canadian Skills Competition. The program would also support the training and development of the national champion in preparation for competing at the 2009 WorldSkills competition hosted by Canada in Calgary.

Tony Canade announced that since January CCIF had entered into a partnership with Skills/Compétences Canada to establish the CCIF Skills Program. The purpose of the program is to:-

- ☛ Facilitate the holding of a national car painting competition in 2008 to ensure representation by a national champion at WorldSkills Calgary 2009.

- ✔ **Facilitate the holding of provincial/territorial and a national car painting competition on an annual basis.**
- ✔ **Raise awareness among students, parents and other influencers, of collision repair as a career option.**
- ✔ **Stimulate collision repairers to be proactive in promoting careers in their industry**

Skills/Compétences Canada is acting as the legal entity collecting and disbursing funds, making contractual agreements and employing the Director, CCIF Skills Program, Leanne Blackborow. CCIF's role is to promote interest in the Program and Skills Competitions, encourage industry participation and report on progress. Under the day-to-day direction of CCIF, Leanne's tasks will be to facilitate and coordinate activities that will ensure direct industry involvement in:-

- ✔ **Providing evaluators - collision repairers who will act as judges for the competitions**
- ✔ **Participation in provincial/territorial technical committees to design the competitions and determine evaluation criteria**
- ✔ **Providing materials and equipment**
- ✔ **Facilitating financial support for contest related costs at provincial/territorial and national level**
- ✔ **Providing facilities for specialized training sessions**
- ✔ **Identifying and providing industry experts to conduct special training sessions**
- ✔ **Fund raising and providing financial support for Team Canada meeting costs**
- ✔ **Providing training opportunities in different regions of the country**

"Attracting young people into our industry is a huge task, because most students and parents are not even conscious of collision repair as a skilled trades career option," said Tony. "While recognizing all those already involved in supporting the Skills Competitions and other awareness raising activities, we simply must do more to achieve the critical mass necessary to attract the numbers of technicians our industry needs. We thank all those who have made financial contributions to establish the CCIF Skills Programs and we will continue to attract both financial and in-kind support to sustain the Program and enable it to achieve its goals."

Process & Innovation - The Challenges and Opportunities Ahead

Tom Bissonnette of Parr Auto Body opened his presentation by asking participants to consider that the things enabling collision repairers to make a profit today may in future prevent them from doing so. For example, gas prices, kilometres driven, vehicle population growth and insurance company provision of work may have worked in favour of the collision repairer in the past, but as negative changes take place, there will be more pressure on profitability than ever before. With insurers recognizing the importance of the whole accident management experience in policy retention, they are feeling the need to sharpen their focus on the quality, speed and cost of the repair process.

Tom cited some statistics that may be understood as the norm within the industry, but which might not be perceived as very efficient or productive by a vehicle owner or any external observer, i.e. the average collision repair cycle time is 13 days, but the average "touch time" per day is only two hours. It should not be surprising that insurers are putting pressure on collision repairers to reduce cycle time, so that their costs can be reduced and their policy holders satisfied. "We have to

discipline ourselves not to bring vehicles into the shop, dismantle them and then find out that we can't get all the parts we need.

Imagine a surgeon getting halfway through an operation", said Tom, "and then being told that heart valves were on back-order. Obviously the surgeon would not have started until he was absolutely sure he had everything necessary to complete the job. It would be unthinkable to have an operating room full of anaesthetized patients laying there waiting for parts, labour or materials."

With the changes noted above, plus tougher driving regulations, more totals and more accident avoidance technology, the market is not growing, but there is still huge overcapacity in the industry that will lead to more attrition and consolidation. This can be seen as an opportunity or a threat. The opportunity lies in the willingness to find ways to drastically reduce cycle times, to work on fewer vehicles but complete them faster, while eliminating errors and reworks. There are many examples of shops across the country that focus on continuous improvement. Tom showed photographs of workshops and facilities that illustrated best practice in difference aspects of their operation. "At CCIF we share information on the working methods, techniques and best practices used by the country's leading collision repairers, but it's our choice whether to act on what we learn or continue as we are, allowing external forces and changes to dictate the fortunes of our business," concluded Tom.

A Win for All with Consistent Estimating

With insurer estimating rules getting more complicated, it has become increasingly difficult for estimators to remember them all. Suggesting a link between complexity and an annual 10% growth rate in supplements, Bruce Carrick of Mitchell International announced that 1/3 of all claims have supplements and that there are six supplements for every ten claims. Given that each supplement adds 1.5 days to the repair process time, this is clearly adding cost for both the insurer and collision repairer. The solution suggested by Bruce is for shops to use front-end compliance software that informs estimators of errors and omissions. It also can be used to create and manage estimator rules and guidelines. Review modules clearly indicate what's right and wrong on the estimate before approval.

Using compliance software the appraiser creates an estimate as usual and then initiates a compliance check when saving it. The program provides immediate feedback on the estimate status. This allows the appraiser to correct the estimate, save it again and receive confirmation of compliance. The appraiser can also add general or line-item notes to explain any non-compliant item. By using compliance software shops are able to produce more accurate estimates, achieve greater consistency and save time on estimate reviews. "This leads to fewer supplements, reduced cycle time and quicker payment", concluded Bruce.

Insurers' Point of View

There is always a large contingent of insurers at CCIF. As important stakeholders in the collision repair industry and as partners in providing satisfaction to vehicle owners, their opinions and comments are always of interest to CCIF participants. Flavio Battilana of Collision Solutions Network moderated a panel of insurers to get their views on the topics covered during this CCIF, based on questions provided by CCIF participants. Warren Bennett of State Farm, Joe Carvalho of Economical, Vic Pasnyk of Allstate and Wayne Riley of Aviva took part in the panel and began by commenting on the issues that affect cycle time. When asked what is affecting

cycle times, the panel agreed that estimates left open, delays in uploading them and number that were not right first time were all factors contributing to longer repair times and increased costs. Another question sought the panel's view on how what attitudes demonstrate that a shop partner is engaged and committed. The answer was that in a relationship built on trust, it should be acceptable for the shop to provide a quick ballpark estimate, enabling the insurer to create a funding reserve. The full estimate/invoice would be produced only when the job is finished. If both parties understand each other and agreed guidelines are clear, there should be no need to seek approval at every step, incurring unnecessary administration, documentation and delays in the repair process.

On the skills shortage issue, the panel commended CCIF's initiative on taking action to raise awareness of collision repair career opportunities through the Skills Canada competitions. Suffering the same problem in attracting young people to replace retiring baby boomers, insurers were increasingly conscious of the impact of the growing shortage on their ability to satisfy their policy holders in terms of customer service. On a different note, the panel was asked what kind of market survey information would be of value to them if an initiative was taken to study the collision repair industry and improve the level of statistical data available. One response suggested that greater focus by shops on measuring and understanding their own key performance indicators would help insurers understand their capacity and capability.

CCIF Chairman, Tony Canade, concluded CCIF Moncton by reminding collision repairers to carry out their low VOC conversion audit and convert, or at least get ready to convert. Conversions need to run at the rate of 400-500 per month if all shops are to be converted by the January 1, 2010 deadline. This rate is not currently being achieved, so the challenge of making an orderly industry conversion is becoming greater every day.

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