



CCIF St. John's Meeting Report

**Canadian Collision Industry Forum
The Fairmont Newfoundland, St. John's, NL
Saturday June 23, 2007**

Gems from the Rock

There were certainly some gems to be taken away from this CCIF meeting on "The Rock". Returning to St. John's by popular request after an absence of nearly five years, this CCIF focused on issues affecting profitability. Participants from every province in Canada were keen to hear the views of insurers and collision repairers, and there was no shortage of thought-provoking tips and ideas that emerged from the presentations and panel discussions. Chairman, Larry Jefferies, commented on the high level of participation by industry professionals in the panel discussions at this CCIF. "It's good for us to share our experiences and learn from each other," said Larry. "This helps clarify our own thinking and decide what we can do to improve our businesses."

Right to Repair

Right to Repair is the term used to describe the campaign being waged by the independent auto repair industry against vehicle manufacturers (OEMs) that are blocking their access to repair information, software, training, tools and equipment. "Right to Repair" refers to the vehicle owner's right to choose a repairer, rather than being forced to take the vehicle to a dealer, because the independent shop is unable to carry out the repair. So the issue for the independent repairer might more appropriately be described as the "Ability to Repair." The collision repair sector is only just beginning to express its voice in the campaign seeking legislation that will force OEM's to provide access. A recent survey carried out by CCIF set out to discover the level of awareness and how blocked access was affecting the industry. The survey results indicated that independent collision repairers had become used to sending vehicles to the dealer, mainly for the resetting of codes to turn off warning lights. The cost of this additional time and dealer labour was being invoiced to, and accepted by, insurers. Independent repairers would not be able to justify the cost of buying every tool and piece of equipment required, but they did feel a need for more clear technical information on how to carry out repairs. From a show of hands at CCIF there was only a low level of awareness that from the 2008 model year onwards, all passenger vehicles will be equipped with Tire Pressure Monitoring Systems. Damaging a sensor while replacing a tire will not only prove costly, but may immobilize the vehicle and require a tow to the dealer.

Domenic Maurini of ING and Victor Pasnyk of Allstate joined with Paul Gaudet of City Collision Services, Charlottetown and Don Strong of Concordia Carstar, Ottawa, to answer questions from Larry Jefferies and Mike Bryan on how the Right to Repair issue was affecting them. Paul Gaudet reported problems with a car that was repaired and ready to go...until the final inspection revealed a warning light on. Unable to access the OEM's web site, Paul had to have the fault diagnosed by a dealer, causing a delay in returning the car to the customer and additional cost. There were other implications, too; the warning light issue may have been unconnected to the repair carried out, but the need to drive the car to the dealer created a liability issue for the repairer and insurer. More information on identifying warning light reasons would be helpful in estimating software programs, suggested Paul.

Victor Pasnyk stressed that the priority should always be safety. Any lack of information for the independent repairer could lead to honest, but incorrect guesswork that could jeopardize the safety of a repair. He suggested that the issue is not between dealers and independents, since a GM dealer would have the same problem when trying to repair a Nissan, for example. He expressed concern about increased cycle times caused by delays while waiting for the dealer to get around to the task that the independent could not complete. Since the dealer community seems to be reducing its collision repair capacity, blocked access of information by OEMs would seem not make sense as a tactic for directing more collision repair work to dealers. In some cases, though, as CCIF participants learned from a BMW presentation last year, some vehicle technology is moving quickly ahead of the knowledge and capabilities of the average repairer, obliging the OEM to ensure that its vehicles are only repaired by those with the correct training, tools and equipment. As new technology moves further downstream, it may make sense for repairers to specialize on just one or two vehicle brands. The days of "we repair all makes and models" may be coming to an end, as repairers need to make a commitment to become experts in the repair of a limited range of vehicles.

Domenic Maurini suggested that vehicle owners will decide how much they will tolerate in terms of the possible inconvenience of going to a dealer and of increased premium costs caused by additional dealer labour charges, increased cycle time and rental car costs. Dealer sub-let costs for resetting codes were becoming a noticeable item on repair bills, as was the impact on cycle times and rental car costs.

With the rising impact on customer service and costs, and the increasing inability to carry out repairs, particularly for 2004 and later model years, it was felt by the panel that the Insurance Bureau of Canada should be advised of the situation and asked to raise awareness among its members. A case needs to be made by insurers, requesting that IBC represent their interest in maintaining the ability of their repair networks to fulfill their role.

Measuring Shop Performance - The Role of KPIs in Maximizing Profit

What you don't measure, you can't manage or, to put it another way, you cannot improve that which you don't measure. That was the key message from Tony Canade of Assured Automotive in his presentation. "The understanding and use of Key Performance Indicators (KPIs) is essential for the success and profit management of any business", said Tony. "They provide benchmarks, help manage financial ratios and identify trends in business performance." Based on the results of a CCIF email survey, Tony thanked respondents and outlined the KPIs that appeared to be most important to the collision repairer. These included gross profit % on labour and on parts, total gross profit, sales per square foot, sales per body technician, sales per administrative employee, effective labour rate and parts/labour ratio. He observed that the KPIs used by insurers to rate shop performance were both similar and different. They included average severity, cycle time, parts/labour ratio and OE parts as a % of total parts.

To discuss the similarities and disparities between collision repairer and insurer KPIs, Tony called on a panel comprising Frank Lopez of F & J Collision Service, Windsor, ON, Dana Alexander of Dana's Collision Centre, Fredericton, Warren Bennett of State Farm, Joe Carvalho of Economical and Rich Zamperin of Allstate. From the panel came suggestions that measuring too many KPIs could be overwhelming and lead to inaction from trying to deal with too much information. So the key was to identify those KPIs that were most closely aligned to the objectives of the business. The measuring of KPIs enables the setting of goals and standards. It also determines trends and enables a business to leverage its strengths.

One collision repairer mentioned an increase in customer pay work. By identifying this as a KPI, the owner would be able to see the impact of customer pay work on profitability and decide whether to put more, or less, effort into attracting this type of customer. For one insurer the top KPIs were CSI, estimate quality and estimate accuracy. While the collision repair panelists agreed that these were important, they had not listed them in their top KPIs, so here was an example of insurer and collision repairer KPIs not being aligned. While it was agreed that there would naturally be some differences in the goals of insurers and collision repairers, there was merit in focusing on the goals that *are* common to both. It would be beneficial for insurers and collision repairers to share their goals and KPIs with each other. By doing so, they would be able to focus on the areas of common interest and spend more mutual energy on what is important to both parties.

Panelists suggested that there may be a need for more education on understanding KPIs, their relationship to business goals and the benefits of sharing them between insurer and collision repairer. Perhaps the first step would be to ensure that both parties understand why this might be worth doing. CCIF participants were encouraged to consider their own situations and take appropriate action. At another level there could be value in insurers and collision repairers establishing a CCIF task force to establish best practice in how to identify, share, agree and measure KPIs.

Creating a Proper Repair Plan

Sounds simple enough, doesn't it, but Ken Friesen of Concours Collision Centres suggested that instead of "eventually getting it right," there were cycle time benefits to be had by applying a greater focus on accurate and complete damage analysis at the start of a job. The goal should be to create a 100% accurate repair plan, identifying all parts required and any sub-let operations. Meetings between the technician, parts co-ordinator and repair planner are essential to ensure the level of communication necessary for the repair process to run smoothly. Ken advised using a parts cart and dismantle table so that re-usable parts can be bagged and tagged and broken parts can be clearly laid out for "mirror matching" to new parts when they arrive. All dismantling should be carried out at the earliest opportunity so that the full scope of the job can be assessed. Only after delivery of all parts is confirmed, can the vehicle delivery date be calculated and advised to the vehicle owner and insurer.

For the insurer the benefits of thorough repair planning include the simplification of the administration work by producing just one estimate to the imaging desk, less adjuster management and faster closing of the file. For the vehicle owner, higher customer satisfaction comes from a predictable or guaranteed delivery date, and pricing that doesn't keep changing. For the collision repairer there are no more start/stop jobs, there are predictable delivery dates, faster paperwork handling, happier technicians and lower costs. When it comes to parts, there is just one parts order, one delivery, one invoice and reduced parts returns, all of which saves money and makes life easier for all involved. "So it's all in the planning," concluded Ken. "By applying a methodical and organized process to this initial stage, you'll have taken a positive step towards higher customer satisfaction, faster cycle times and increased profit."

Newfoundland Update

Sharon Wells of the Newfoundland & Labrador Collision Repair Association encouraged collision repairers to join the association and get involved in working together on issues that matter and will make a difference for them. Indeed, there was plenty to be gained from CCIF in providing inspiration for topics that could be addressed at provincial and local level e.g. local initiatives to attract young people into the industry, adding weight to the Right to Repair campaign and raising repair time issues with estimating system providers. To borrow a well known statement, "Don't ask what the association will do for you, but what you can do for the association," said Sharon. Successful associations are good at asking and understanding their members' needs and then engaging those members with the skills, energy and passion to identify goals and the actions necessary to achieve them.

Low VOC Conversion - Great News From Those Who Have Made It.

Brian Edwards, in his Canadian Paint & Coatings Association role, advised CCIF that meetings had been held with Environment Canada to request a delay in the implementation of new low VOC regulations proposed for January 1, 2009. There was no certainty that Environment Canada would agree to this request and collision repairers were advised to plan their

conversion well ahead of the proposed date. The conversion will not be optional, so there is little point in risking business disruption and all the obvious problems that would arise if too many shops wait until the last minute to convert. The firm implementation date should be known by the fall of this year.

In Europe the manufacture and import of non-compliant products was stopped on January 1 of this year. On January 1, 2008 the sale of these products will no longer be permitted. Already some current products are out of stock and *cannot* be replenished, so those shops that have not already converted are now facing business disruption as they all rush at once to buy equipment and get technical support. In parts of California the stop manufacture and sale date is January 1, 2009. With only about 5% of the shops currently converted to low VOC products and processes, the remaining majority will need to plan and reserve their equipment and technical service needs in order to avoid the situation that some European shops now find themselves in. These updates from abroad provide a clear message for Canadian collision repairers to prepare and plan their conversions now.

Brian welcomed two collision repairers who had already made the conversion, Nick DiLuca of Cars Collision, Burlington, ON and Frank Gobbato of Formula One Collision, Windsor, ON. Both reported that they had followed their paint suppliers' advice to make a clean break from solvent-borne basecoat and switch to 100% waterborne basecoat. They had taken time to consider their needs for additional equipment and plan the installation. Recognizing that the conversion was not optional and would have to be done sooner or later, both operators decided to beat the rush and get into their stride with waterborne basecoat now. "These products have been available for some time in Europe," said Frank, "so they are well tried and tested." Nick added that his painters love their waterborne basecoat system and had no wish to keep using the old solvent-borne products. "It took some training and a little adjustment, but it's been well worth it," said Nick. "The colour match and appearance are superior to solvent-borne basecoat and once you get used to it, there's nothing difficult about using the new products and processes." "By switching early, we're also playing our own small part in reducing VOC emissions before we have to. We feel good about that and so do our customers when we tell them," added Frank. On being asked what advice they would give to other shop owners, both suggested that they contact their paint suppliers and ask for help with the initial audit that will tell them what equipment, if any, and process changes will be needed for the conversion and what steps they need to follow. The paint companies are well prepared and keen to help, but remember they don't have infinite resources and will need to schedule product conversion and training ahead of time, so that all their customers receive the support they need.

National Accreditation

A survey had been carried out to gather reaction to the shop rating system proposed at CCIF Vancouver. Jay Perry thanked the trade press for their coverage of progress on the national accreditation project, particularly the one to five star rating system. Survey results showed a high level of support for the proposal that would establish a population of accredited collision

repairers, enabling customers and business partners to identify repair facilities that meet their needs. The principle is similar to that in the hotel industry where customers have learned what to expect from the different star or diamond ratings. Respondents to the survey commented that this system would provide recognition and the ability to promote themselves to the public, as well as insurers. Others felt that it would make it easier for the public to recognize dedicated professional repairers. However, among the few negative comments was one that there would be no benefit, since the insurance companies dictate "accreditation" and that collision repairers are just pawns. An outline of the proposed star rating system is as follows:-

- ☞ One Star - Legally operating shop that wishes to be included in the system (no cost).
- ☞ Two Star - Voting member who has registered and paid a nominal fee.
- ☞ Three Star - Involved in a 5 year process to meet the standards of National Accreditation.
- ☞ Four Star - Meet all criteria of National Accreditation program. On-site audit completed.
- ☞ Five Star - Surpass all criteria of National Accreditation program. On-site audit completed.

The next steps for the accreditation committee are to flesh out ideas on the organization and structure that will be required to administer the national accreditation program. The committee, which as Jay repeated, invites more collision repairers to join, will also be looking at the people element of accreditation, including both licensed and non-licensed staff and a continuing education component for technicians.

Paint and Body Skills Competition

With due recognition to those local areas and provinces already active in supporting this competition, Larry Jefferies outlined the importance and value of industry participation in paint and body skills competitions at all levels. Although some 500 students compete annually in the local, provincial, national and international body competitions, painting has not been represented at national level since 2002. Other industries such as catering, hospitality, construction, plumbing and electrical strongly support these skills competitions. By doing so, they raise awareness of career possibilities, creating a buzz and interest level that influences the best and brightest of those young people seeking a trades career. The same opportunity exists for the collision repair industry, but it will require the involvement of collision repairers and suppliers willing to volunteer their time, locate facilities and raise funds to facilitate paint and body competitions in every local area and province.

This is a practical project with clear goals, needs and actions (see CCIF Vancouver report). After CCIF Vancouver several people stepped forward to volunteer their help in this project. No collision repairers were among them, so there is still a need for shop owners to step forward and become involved in this project to attract the next generation of workers that will keep the industry strong. Collision repairers interested in learning more about what they can do to help, should contact Larry Jefferies or Mike Bryan.

The next CCIF will be in Calgary on October 20th and the theme will be "People". Learn about new ways to attract and keep staff, the secrets of good staff management and how skills and training increase profit. Hold that date and register now for another great CCIF.

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