



CCIF Calgary Meeting Report

Canadian Collision Industry Forum
Hyatt Regency Hotel, Calgary, AB
Saturday, September 24, 2011

Innovating to be Unique and to be Valued

Robert Schmidt (reBox Creative)

Robert asked CCIF participants to consider why their customers buy from them. The reasons are often functional, such as convenience, price or habit, but if there is no emotional attachment, the customer may be easily lured away by the competition. For profitable growth, a business must stand out and appeal to the customer in its own unique way. Examples of businesses that have created their own playing field include India's Tata Motors, when it introduced the Nano as the cheapest mass produced passenger vehicle in the world. It marketed the Nano less as competitor to other vehicles, but more as an alternative to walking or bicycling, opening up the exciting possibility of vehicle ownership to millions who could previously only dream of it. "It's really about understanding what drives people's buying decisions and looking for ways to create an emotional attachment", said Robert. Best Buy recognised that the hassle of arriving home with a new electronic item and not being able to get it to work, was actually hindering sales growth. By launching the "Geek Squad" service, they solved that concern and won loyal customers who could see that Best Buy understood and cared about their feelings.

Relating these examples to the collision repair business, Robert suggested simple ideas such as slogans and images in company literature that make customers smile and show that the company is in touch with how they feel. In collision repair this would mean showing empathy with the vehicle owner and an assurance that everything will be fine. Collision repairers should recognize the need to not only market themselves to the vehicle owner, but to potential staff, too. Connecting at an emotional level is likely to yield better results than typical "help wanted" ads. For example, a line saying, "You bring the resumé, we'll bring the coffee and donuts" will tell prospective applicants that you know what people like and that you have a smile on your face. That's enough to differentiate your ad from the competition and to set a tone for the interview.

How I-CAR Canada is Meeting Repairer and Insurer Needs

Andrew Shepherd (I-CAR Canada)

Progress is being made in increasing availability and attendance levels in I-CAR classes across the country, although there is still room for improvement in provinces such as Alberta and British Columbia. With the

recent posting of a new Alberta schedule, Andrew looked forward to providing more training to Alberta technicians in the coming months. Indeed, in conjunction with this CCIF meeting, some 70 Alberta technicians were attending I-CAR classes along the corridor at this hotel. The idea had been to help businesses save time and money by running CCIF and I-CAR training simultaneously, so that owners could attend CCIF while their technicians took I-CAR training classes. Andrew reported on positive discussions with SAIT and NAIT, welcoming their input and support as I-CAR works to meet the needs of the province's technicians. Training availability is being enhanced through on-line and CD-based courses, of which there are now 70 available.

Looking to the future, Andrew advised that I-CAR Canada would be seeking industry input on the organization's potential role beyond its core purpose of providing technical training. For example, should it acknowledge other types of industry training and broaden its equivalency granting as part of a recognition system for individuals? "We believe there is interest in understanding what skills are required to be a true professional in this industry, so that individuals may see the path to personal growth and be able to pursue a chosen career path", said Andrew.

Facing Up to the Labour Shortage ***Leanne Blackborow (CCIF Skills Program)***

"Catch and release" is OK for fishing, but not the best policy for the collision repair industry, said Leanne. With the average age of technicians at 48, it is essential that we use strategies rather than hope to raise awareness and attract young people who will replace retiring staff. They must be attracted, secured and provided with career prospects and opportunities for growth in order to keep them as long term employees. The CCIF Skills Program focuses on raising awareness and attracting young people and has brought collision repair from obscurity to become a major feature among the 40+ trades on show at provincial and national Skills Competitions. The CCIF Skills Program display showcases the industry in a positive light with professionalism, quality handout materials and welcoming volunteers. Indeed, some 40 volunteers did a tremendous job in promoting collision repair to many of the 25,000 young people who attended this year's National Skills Competition in Quebec City. Since the launch of the CCIF Skills Program in 2008, the industry has been exposed in this way to over 500,000 visitors at Skills Competitions across the country.

If the industry is to successfully replace leaving/retiring skilled staff, the number of apprentices must rise by 60%. With next year's National Skills Competition returning to Edmonton, in a province that has suffered more than most from labour shortages in collision repair, it would be good to see a positive local impact that causes young people to look at the pre-employment and apprenticeship programs available. A key to success will be the willingness of employers to invest in apprentices and grow their own staff for the future.

Strategies for Developing and Keeping Skilled Staff

CCIF chairman, Tom Bissonnette, led this panel discussion with Brad Bjarnason (Concours Collision Centres, Calgary), Frank Duffin, (Career and

Technology Centre, Calgary), Darryl Hemstreet (Carstar Red Deer) and Brian Williams (SAIT, Calgary). After hearing from three inspiring young people just entering the industry at the last CCIF in Moncton, the purpose of this discussion was to hear from established professionals on how to ensure that such new entrants are prepared, nurtured and retained. In considering how future skilled staff will be attracted, Frank suggested that this must start at high school level where the career opportunities must be presented in the right way – not just through “shop” classes in outdated and underfunded facilities, but in schools with a technical focus, the latest equipment and with established links to the industry. Brian advised that SAIT will be producing just 13 technicians this year, a fact that seems to support the premise that the industry must be better showcased at school level in order to draw more young people into apprenticeship programs. Indeed, Frank confirmed that links are being forged between Calgary’s Career and Technology Centre, SAIT and some leading collision repairers, as they develop a model that could perhaps represent best practice and an example for others to follow.

As a young journeyman, Brad commented on the importance of having goals and a sense of career path options. Without these, an apprentice may see the future to be the same as the present, for example, always limited to being a prepper or washer. Schools, colleges and employers must help young people see collision repair as a career with opportunities for personal growth in the various aspects of the business. At the shop level, owners must share their vision, strategy and their values if they are to fuel the passion and pride that will cause young people to stay and develop their skills. Owners must invest time in working with their staff, discuss career paths and find ways to encourage older technicians to share their knowledge and help develop their young colleagues.

Darryl commented on the importance of maintaining the passion and interest in older staff. Ways to do this would include asking their opinion, involving them in thinking through issues, keeping their skills current with new training and encouraging them to become mentors to younger staff.

Is the Industry Ready to Cope with New OE Technology?

This panel session began with a short video produced by Assured Performance Network in the USA (<http://www.youtube.com/watch?=&T6zULQhBaSI>). It portrayed the widening gap between OEM technological developments and the capability of the collision repair industry. Although the focus of the American video was on training, its broader perspective raised questions on the industry’s capability to repair vehicles laden with new technology. Tom Bissonnette led this panel discussion with Wade Morency of TD Insurance, Steve Leal of Fix Auto and Scott Kucharyshen of SIAST. It was recognised that the CASIS agreement, through which OEMs agree to make technical information available to independent repairers, was working well, but the issue here was not *willingness* to provide information, but *the ability to provide it*. Wade commented that part of the insurer’s role is to understand what is required to repair vehicles and to work with repairers to find solutions. He recognised the amount of time that both parties must sometimes invest to ensure accuracy, often to complete a task that may only take a few minutes.

Scott observed that in order to make SIAST's apprentice training as relevant as possible, staff are constantly researching OEM information to ensure accuracy and currency in their training programs. In the same vein, Steve was conscious of the need for repairers to have more resources available for research.

Tom asked the panel if it was reasonable to expect all repairers to be capable of carrying out all repairs. The responses suggested that vehicle complexity will cause a trend towards greater specialization among repairers, some investing in the equipment, tools and training necessary to carry out repairs on vehicles or even specific brands built with new technology materials, while others may focus on smaller, non-structural repairs. Repairers will find their niche according to their capabilities. It was felt, though, that it might help if OEMs became more conscious of the need to provide repair standards information as soon as the first new/updated model rolls off the dealer's lot. Unlike mechanical repairs, there is no time lag before parts and information are needed, since a new vehicle can be damaged with minutes of taking to the road for the first time. The panel suggested opening new discussions with OEMs to identify areas of common interest, the availability of information and its timeliness. It was recognised that some OEMs are accrediting certain repairers outside their dealer networks and although this is bound to cause issues in local markets, it is not hard to understand their logic in directing repairs to shops that are known to be equipped and trained to handle the high strength materials, welding techniques and processes required to return vehicles to pre-accident condition. OEM accreditation would certainly provide assurance to insurers that a repairer had invested in its capability and this may lead to a wider adoption of the labour rate differentials already being applied to accredited and non-accredited repairers in some provinces.

Looking to the future, Steve felt that repairers unable or unwilling to invest, will have to find a niche for themselves or go out of business. Only large independents and MSOs (Multi Store Operators) will have the resources to invest in improving their repair capability to handle the continuing flow of new vehicle technology. Repairers must decide what market segment they wish to pursue and then keep learning, investing in equipment and maintaining their team of skilled staff.

It was pointed out that models already exist for facilitating the flow of the right information to the right (accredited) repairers. In the UK, Thatcham's PAS125 standard is an ISO-like program in which about 700 repairers are accredited. More than half the UK's insurers work only with PAS125 accredited repairers. In the USA, there are moves to introduce an accreditation program and various other countries around the world are looking at ways to establish repair standards. The dynamics of the collision repair industry are changing fast and the question of who can, and who cannot, carry out repairs on mainstream vehicles, looks as though it's going to be a major issue that will have a dramatic effect on the industry in Canada and around the world. It was recommended that the topic of repair standards be discussed at CCIF Toronto in January, when input from collision repairers, insurers and OEMs would be sought to identify common interests and goals, as a first step to addressing this major issue.

Making Recycled Parts a Viable Option

Larry Jefferies (CARSTAR Automotive Canada) & Mike Kaplaniak (Fix Auto)

CCIF and ARC (Automotive Recyclers of Canada) held a joint meeting in June to identify the benefits of using recycled parts and the barriers preventing greater use of them in collision repair. The outcome of that meeting, attended by 120 recyclers, collision repairers and insurers, was that a task force should be organised to work on the issues identified. In fact, two task forces had been set up, one with a repairer focus to work on "profitability", (margins, cycle time, parts availability), led by Larry Jefferies, and one with a recycler focus to work on KPIs, benchmarking, inventory and communications technology, led by Mike Kaplaniak. It was recognised that the recycler/repairer dynamics varied widely across the country, but that there was commonality in the underlying strategic issues that would be the focus of the two task forces. Both leaders reported on their first steps:-

Mike's task force had started by identifying the KPIs for recycler performance to be reported by repairers and insurers in each province or region. The KPIs will provide benchmarks against which future performance can be measured:

- ▶ Cycle Times (order to accurate delivery)
- ▶ Accuracy of Delivery Date vs. Promised date
- ▶ Accuracy of Description vs. Actual
- ▶ Returns %
- ▶ LKQ usage as a % of parts
- ▶ TL Ratio
- ▶ Customer Satisfaction Index (Survey)

The benefits for all stakeholders will be in obtaining an objective view of the recycling industry's current performance, identifying areas for improvement and facilitating the setting of goals and targets to achieve improvements.

Larry's task force had set out to understand the current cost-plus model and how profitability compares to OE and Aftermarket on a basket of parts. They were aiming to find and propose an alternative model that puts gross profit of recycled parts on an equal footing with OE and Aftermarket, while still saving insurers money. The task force had found that insurer mark-ups on recycled parts varied between 20% and 30%, which of course means gross profits, or more accurately, margins, of 16%-23%. The next steps would be to analyse the data, comparing selling prices and profitability of Recycled, OE and Aftermarket parts and how this affects the parts usage decision of repairers. The task force will also investigate alternative models of 'mark-up' for recycled parts and its overall effect on repairer profitability and insurer severity, compared to OE and Aftermarket choices.

Collision Repair in British Columbia – The Next Chapter

Martin von Holst (Automotive Retailers Association)

Over the years, ARA's 330 collision repairer members have benefitted from the agreements made on their behalf by ARA (Automotive Retailers Association) with ICBC (Insurance Corporation of British Columbia), the province's public auto insurer. Among others, CRIA, the Collision Repair Industry Agreement, stood out as an example of the solid relationship that

had developed between the two organizations. Recently, though, ICBC became concerned about the Competition Bureau's view of the agreements and took steps to suspend further liaison activities. Martin was pleased to report positive developments and that discussions with several ARA committees had been reopened, with the exception of any issues that included the negotiation of labour rates. Despite this, ICBC has committed to continue working with the various ARA liaison committees to tackle challenging issues facing the industry and to find ways to improve program standards and processes that support its customers.

Martin provided a snapshot of the British Columbia industry: –

- 650 collision repairers, of which 440 are ICBC Express Repair shops. Remainder are "Base Suppliers" or "Accredited" shops.
- Approximately \$450 million in ICBC Material Damage claims per year
- Over 90% of Material Damage claims are handled at ICBC Express Shops
- Claims steadily declining for last ten years – 2009 - 293,000, 2010 – 266,000 and continuing to fall in 2011.

With the industry in decline and facing new challenges as it adjusts to the new reality, the need for strong trade associations to represent their members' interests has never been stronger, concluded Martin.

CCIF would like to thank the following sponsors who made this meeting possible and whose support ensures the continuity of CCIF in bringing industry stakeholders together:

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