

Navigating Change in the Collision Industry: Challenges, Opportunities, and New Horizons

I have been in the Collision Industry for the majority of my life now, and one thing has always been exciting, challenging, and an opportunity to me is **CHANGE**.

I have recently been given this opportunity to write a new editorial monthly column for Auto Body Repair News that I am looking forward to. This is a great opportunity to reach our Industry with insights and value that I am very excited to share. I am internally grateful to Georgina and Denise at Body Shop Business Magazine for giving me the opportunity in the past as a contributing editor for their publication. Writing is something I enjoy, and the years I worked with Georgina, I will always be very grateful for. The transition to ABRN was a change that has brought new challenges, opportunities, new beginnings, and a new horizon for me. I look forward to what the future may bring.

An Evolving Industry

Growing up in the family business has taught me some very important lessons about not only business and people in general, but how much change actually takes place in our industry. The vehicle design certainly has not become stagnant. The repair equipment, materials, and procedures certainly too have not stopped to allow all of us to catch up. And certainly, the relationship and direction of the insurers around the world have too evolved and set off in many directions as well.

In the last few years, there have been many changes to how insurers conduct their business. Not only have insurers consolidated to better compete within their own industry, but many have departed from the norm of how their business is conducted. There are programs that have taken the Customer completely out of contact with the repairer and have been criticized by many worldwide. The response is that the customer must be able to choose. Well—for the most part—they have. Maybe they don't understand all the ramifications about their decision, but they have chosen by selecting that carrier.

What do you believe the Customer is thinking? Do they have to go and get estimates at repair facilities, only to listen to how good the shop says they are, and how bad their insurer or competitor is? How are they to choose with how our industry is often portrayed in the media? Now that everyone is so busy, there is an offering that takes care of everything? And it is often less costly than other insurance offerings? "*Where do I sign up?*" is what many of our customers are now thinking!

Shifting Business Models

I am certainly not trying to support the program, but looking at what we may have missed—what does the customer want, rather than what we want. This is a hard change for our industry and one providing insurance company has grown from literal obscurity to third in our Country. Believe it or not, this idea was not theirs but basically copied for the most part from AAMI in Australia that has had this type of program for possibly 15 years.

We also can look at the insurer that has begun to operate their own facilities across North America and see that the repair and administrative process can be done differently than most thought possible. Whether the insurer-owned facility is in your area or not, it does affect how business is conducted throughout North America. The call to get more efficient in administrative and production areas is very clear now to reduce your internal costs, and improving process is even more clear.

In other directions, some insurers have also begun to increase outsourcing of their claims process through companies that claim they can accurately audit claims through only pictures. One such provider also believes their staff are more qualified to dictate the repair process even if it is in direct contrast to published manufacturer or I-CAR procedures. From my personal experience actually listening and discussing such engagements with these providers, this is a major challenge for our Industry.

The New Horizon

But now we have the largest insurer in North America with over 18,000 repair facilities on their direct repair programs announce the need to be reduced approximately by 50%. To many, this will be the greatest change and challenge in their business history. The new program compares shop against shop in a market area in three areas: **Quality, Efficiency, and Competitive Pricing**. The top performers get the work—the others do not.

Many I have spoken with about this say, "*Bring it On!*" But be careful what you wish for—once in the game, it may not be what you expect. There are a great deal of unknowns with this new program that certainly will in time be stumbled through. Reading the current six-page agreement adds to the unknown in regards to the definition of privacy, pricing, and free services, and does not address issues in regards to how competitive pricing is currently and in the future will be determined, how each of three criteria is weighted, how is work distributed based on what formula, or the accuracy and independent validation of the data presented in the scorecard.

I have already heard first-hand from smaller facilities being coached as to what they can charge for or not, and at what levels. This certainly does not seem to be then independent market-driven conditions, but similar to survey questions worded to get the response you would desire.

These changes certainly have established a new horizon we all will be looking toward. In many ways, it is a new beginning for our Industry to begin to focus on improvement within, understanding our costs of doing business, and how to make sound business decisions based on your own business needs. I just hope it doesn't become a free-for-all and the most important entity in the equation is lost—the **Vehicle Owner**.

Please send your comments, questions, and future topics you would like to see in this column to Tony.Passwater@aeii.net. For additional information, you can also visit our website at www.aeii.net. Until next time—make good business decisions and treat every change as not just a challenge but an opportunity that most will not make until it is too late.