



CCIF Vancouver Meeting Report

**Canadian Collision Industry Forum
Renaissance Vancouver Hotel Harbourside
Saturday, May 15, 2010**

Industry Fact Finding

Tom Bissonnette referred to several collision repair industry surveys that have been carried out recently, suggesting there is work to be done in distilling the key findings and highlighting the facts that are relevant to the viability and sustainability of the industry. Tom cited three recent surveys, the CARS 2009 Labour Market Update Study, the Manitoba Collision Repair Industry Study and AIA's Collision Repair Shop Survey. Tom introduced Scott Smith of the Automotive Industries Association (AIA) to provide an overview of the latter.

The purpose of the AIA Collision Repair Shop Survey was to establish some business benchmarks against which the results of future surveys could be measured in order to identify and monitor trends. Shop owners would be able to compare their own data against the survey data and any trends. Of the 6700 collision repair shops invited to complete the survey, AIA received 402 responses. Some of the key points were:-

32% of the shops reported sales growth, 23% a decline in sales and 45% said their sales were flat. More shops with annual sales under \$0.5m and over \$5m reported growth, while fewer shops in the \$0.5m - \$2m range reported any growth. The average gross revenue per employee was approximately \$27,000, with some wide variations between the smallest and largest shops. The average number of repair orders per month, approx. 100, was close to the number of estimates written, but, not surprisingly, the survey showed wide variation in the numbers between shops with sales under \$0.5M and those in the \$5m+ range.

Scott provided further detail on parts type usage, sources of shop revenue and shop affiliation, i.e. network type. He advised that the survey results will be published within the next two months and available on-line at www.aiacanada.com.

Tom Bissonnette concluded this session, saying that at future CCIFs his Industry Fact Finding Committee will report on the other studies mentioned and look at the impact of compensation levels on the sustainability of each shop size category.

I-CAR Canada – The Future is Here

Followers of industry training issues will be aware that for some time I-CAR International has been developing a plan to better meet the training needs of collision repairers in Canada. It has been a long time coming, but at last the new organisation is in place with Andrew Shepherd, AIA's Director, Collision Training, heading up the new I-CAR Canada, operating under licence from I-CAR international as of May 1.

Andrew acknowledged the dedicated volunteers and staff who have supported I-CAR over the years and particularly through the transition period. With the eye of a seasoned training manager and the unencumbered view of someone with background in a different industry, Andrew saw many opportunities for change. One of the first steps will be to switch from paper-based to web-based processes for information, student/trainer administration, payment/ordering and more.

There will also be changes in policies and procedures, for example, in course booking confirmation and no-shows. Over the next few months I-CAR will be re-launched in Quebec and plans developed for a re-launch in British Columbia. Efforts will also be stepped up in Alberta and the Greater Toronto Area to meet the needs of those markets. Other action items include the training of I-CAR trainers, establishing a process for gathering customer feedback and making a start on reviewing certification changes. Longer term plans include developing the training alliance, identifying training gaps and considering on-line training possibilities.

Acknowledging the high level of interest and passion about I-CAR at his first CCIF, Andrew was encouraged to press ahead with his plans, commenting that changes will take time, but it won't be long before the first ones begin to take effect. This will show that I-CAR Canada is clearly on the way to rebuilding a strong Canadian collision repair training organization committed to meeting the needs of its customers.

Repair Planning for Rapid Throughput

"What's wrong with the traditional repair process", asked Steven Feltovich of Sherwin-Williams Automotive Finishes, as he began a down-to-earth presentation full of practical advice on repair planning. In a business climate where customers and insurers want it "fast, free and perfect", following the traditional process can make it hard for a shop to be profitable. There are so many factors squeezing shop profit, for example, paint caps, rental car absorption, total loss vehicle storage, insurance administration costs, to name just a few. Unless these can be made to go away, the onus is on the repairer to reduce those costs that are within his/her control. Cost reduction can be achieved by increasing efficiency and that comes from changes in the way that repairs are planned, said Steven. Reducing the number of supplements through more accurate estimating will cut administration costs and speed up cycle time. Attention should be paid to items such as radiators, bumper brackets, hood hinges and AC condensers that are frequently missed in estimates and have to be processed as supplements.

Non-productive time is time wasted on waiting for parts, checking inventory, waiting for job assignments, locating missing parts and on other delay factors

built into existing processes. The goal should be to reduce to zero the time that a vehicle is sitting idle. With the right process it will be possible to reduce 80% of repair and production issues up front. This will make better use of time and space, reduce administration, reduce inventory needs, reduce stress and create greater consistency, reliability and quality. Steven suggested several criteria for repair planning, including a sales process for customer-facing staff, job prioritization, dedicated space and dedicated personnel for each task. Within the workshop environment consideration must be given to each of the key elements – staff, equipment, tools, IT, supplies and process. Steven showed many photos illustrating how to set-up working areas in the most efficient and user-friendly ways. These clearly made the point that in the complexity of collision repair, it is essential to establish consistency of process and to keep refining the process. A company culture of innovation and continuous improvement will dramatically increase the chances of success in refining the process to make each repair simpler and smoother to execute. Team involvement in process development, process discipline and consistency are essential to success. Don't forget that external help is always available for managers who recognize the need to break with traditional repair processes and who want to introduce new processes that will improve profitability, concluded Steven.

CCIF Skills Program

With CCIF Skills Program Director, Leanne Blackborow, busy at Provincial and National Skills Competitions in Waterloo, Ontario, Larry Jefferies of CARSTAR Automotive Canada took the opportunity to report on the growth and success of this CCIF initiative. Since partnering with Skills Canada in 2008, the CCIF Skills Program has caused car painting to be reinstated in the National Competition, facilitated the presence of a Canadian competitor in the WorldSkills International Competition held in Calgary and grown provincial involvement to the point where Alberta, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Newfoundland are all sending competitors to the 2010 National Competition.

While the competitions themselves provide a source of pride for contestants and the collision repair industry, the key focus of the CCIF Skills Program is to raise awareness of collision repair as a career opportunity among the many thousands of students and influencers attending the competitions. With the support of many industry partners and volunteers, a professional and informative booth has been developed with brochures, big-screen TV and the attention-grabbing computerized Virtual Painting machine. This ensures that "Collision Repair" is a top attraction and stands out from the 40 other trades on display.

Larry thanked Koebel's CARSTAR of Waterloo for donating the use of their shop for the Ontario and National Skills Competition. He also thanked those who have provided hard cash, paint, materials and equipment, as well as the many volunteer helpers and judges. This continues to be an example of how the industry can work together, raise money, focus on a specific goal and succeed. The next step is to raise funds to pay for a purpose-built spray booth and high-tech trailer that will enable painting at the National Competitions to be held on-site, close to the other trades, rather than at an off-site facility.

Rick Berg

It was with great sadness that Tony Canadé spoke of Rick Berg and his recent passing. Rick was well known as the Canadian Business Manager for 3M's Automotive Aftermarket Division. Rick was a keen volunteer, always supporting the industry with his time and energy. He will be sorely missed by all his friends at CCIF, but we'll always remember his friendship and the difference he made.

British Columbia Industry Situation

Dale Finch of the Automotive Retailers Association (ARA), reported that British Columbia repair volumes were running below 2008/9 levels, but that there were signs of recovery. This would be a good time to invest in training and best practices, he suggested. CSI scores in the province were running at 95.4% against a target of 95% and a North American average of 97.8%. Dale quoted performance targets for cycle time, average repair hours per claim and severity. He also showed that the average age of bodymen was 42 and painters 41, commenting that many will change career or retire before the regular age for retirement at 65. This suggests that a skills shortage is looming, he observed.

ICBC – A View from the Top

The Insurance Corporation of British Columbia (ICBC) is more than an auto insurer, said Jon Schubert of ICBC. It invests in road safety, in reducing auto theft, in designing the enhanced driver's licence and it even carries out auto related fine collection for the provincial government. ICBC also handles vehicle registration and licensing. On the human side, ICBC runs a special division to look after the rehabilitation of those severely injured accident victims.

Turning specifically to vehicle accident issues, Jon stated that dry weather drives claims frequency and that each snow day in British Columbia can be counted on for \$5M in claims. Although there has been a decline in bodily injury claims, due to improved safety technology in vehicles, driver education and higher deductibles, the average claim cost has risen by 75% in recent years. Nevertheless, in 2009 ICBC managed to produce a surplus of \$563m from total revenues of \$4.2bn. This enables the corporation to maintain low and stable premiums for its policy holders.

Jon commented on ICBC's relationship with the collision repair industry, saying that the Corporation is working closely with it, particularly under the Collision Repair Industry Agreement. Common goals have been agreed in the areas of producing safe, quality repairs, minimizing total costs and compensating repairers based on performance.

Managing the Customer Experience

Customer satisfaction is not enough. The real issue is, will they return and will they recommend you to others. This was a key message from Kevin Machell-Cox of Craftsman Collision. Loyalty is more important and it's essential to build a customer loyalty culture internally, said Kevin. That means establishing ways to manage the customer experience and knowing how to measure and interpret customer loyalty scores from after-sales feedback. Of course, satisfaction is part of the issue, but it is loyalty that drives business growth through repeat visits and referrals.

The key elements of a customer loyalty culture are in being a customer-friendly business where all share the same attitudes, values, goals and best practices, knowing and truly understanding your customers, delivering great service and managing the customer experience. In order to manage the experience, it will be helpful to identify what drives customer loyalty, recognizing the contact points and how to best manage them. Recognizing and seizing opportunities to convert unhappy customers to loyal customers is also important, as is training and empowering staff to deliver excellent service.

Measuring loyalty is done through informal feedback, often conversational, and also formal feedback from customer surveys. An example of the formal survey type is Net Promoter Score®, a measurement and action-based program available through Mitchell International's AutocheX division. Kevin explained how the Net Promoter Score® survey identifies customers likely to return and refer, those who were satisfied, but might easily defect for a better deal, and those who were dissatisfied enough to spread bad news about their experience. Based on the survey score for a given customer, Actions are identified and taken to reinforce the relationship with loyal customers, find ways to convert marginally satisfied customers and understand what to stop doing that made a customer dissatisfied. Reviews of customer loyalty surveys have indicated that the key drivers are; being kept informed, on-time delivery, service, shop quality and repair quality. Listen to your customer, identify and act on your key loyalty drivers and do it from the heart, concluded Kevin.

Sustainability from Profitability

Successful and profitable businesses are able to innovate, respond to changing needs, provide an excellent customer experience, attract and retain quality staff and create value in their business. The same is true for industries as a whole. Recognizing collision repair in Canada as a mature industry, Tony Canadé moderated a panel of industry professionals to discuss the future sustainability of a shrinking business. With baby boomers reaching a time when they might wish to cash in on their lifetime's work, would their businesses be able to show sufficient profit to make them saleable? What would happen if businesses cannot retain staff because of uncompetitive wage rates? What would happen if shops close, leaving no adequately equipped and trained shops in the area? These questions should not just be of interest to collision repairers themselves, said Tony, but to their insurance partners who have a vested interest in a strong and prosperous collision repair industry.

Glenn Hickey, owner of Collision Clinic, St John's, was concerned that compensation was inadequate to pay competitive wages and that as staff were lost to less skilled jobs at higher wages, any new entrants to replace them were not lasting long. Dana Alexander of Dana's Collision, Fredericton, supported Glenn's view, saying that he knew of first year apprentices being lost to local metal fabricator willing to pay \$18-20 / hour. With apprentices gone, there was no alternative in older, experienced labour, particularly bodymen, because that source was drying up, too.

Ken Friesen of Concours Collision Centres, Calgary, reminded participants of the Alberta industry's inability to deliver repaired vehicles in 2007, when staff abandoned the industry for lucrative oil industry jobs. While it was a temporary situation, it provided an example of the impact on all stakeholders when an

industry can no longer meet its customers' needs. Ken quoted Toyota as an example of leadership in the auto manufacturing business, where they illustrate the kind of enlightened co-operative approach that needs to be taken by insurers and collision repairers. Working with its suppliers, Toyota has demonstrated understanding of the true meaning of partnership, sharing common goals and joint development activity. Ken felt that there is still waste that can be taken out of the collision repair process, but that there was a tendency for the insurance industry to add waste through its reluctance to standardize many non-competitive policies and procedures. While paint suppliers, consultants and presenters at CCIF exhort collision repairers to reduce waste and standardize processes, insurers are adding waste through constantly changing non-standardized policies and procedures. The result is that collision repairers may have to add staff to handle such administration, but receive no compensation, e.g. \$x per file, for doing so.

David Cant of Craftsman Collision, Vancouver, added a different perspective to Ken's point, saying that in British Columbia there has been a willingness between ICBC and the industry to agree common goals in areas such as performance measurement, process and severity control. He implied that the BC model of partnership and co-operation might be one worth considering in other provinces, acknowledging the greater difficulty of co-ordination in private insurance provinces. The BC model isn't perfect, said David, but at least insurer and collision repairer have a process for strategic dialogue and have declared common goals.

Tony Canadé concluded the session by stating that a goal for CCIF is to produce an independent study to examine the viability and sustainability of the industry. With Tom Bissonnette's Industry Fact Finding Committee now in place, Tony would be looking for their input and recommendations, based on information currently available and their view of what else might need to be included. The analysis of hard data would provide a firm platform from which to engage the insurance industry in objective strategic discussions on how to meet the short and long term needs of insurers, policy holders and collision repairers.

CCIF would like to thank the sponsors that made this meeting possible. It is only through their generous contributions and support that CCIF is able to provide a dynamic forum for discussion, inspiration and camaraderie:-

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