

Taking Back The Collision Repair Industry

A blueprint for reclaiming your business from the insurance companies.

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Recognize the problem.

Hint! It's not the insurance companies.

You are the problem ("You" means you and/or your industry)

- You lack education.
- You lack business training.
- You lack the resources.
- You lack the support.
- You lack the political power.
- You lack the cahones?

Steps to addressing the problem.

Admit you are the problem.

- Stop blaming the insurance industry.
- Stop blaming government.
- Stop blaming anyone but you and your fellow shop owners/managers.

Take action!

Get educated.

- The Internet.
- Books and magazines.
- Organizations and associations.
- Fellow shop owners.
- Formal education.

Know your business

Determine CDB (Cost of Doing Business)

- Gather all financials from past 3 years.
- Determine true gross and net profit margins.
- Determine average effective labor rate.
 - Total labor dollars earned / total hours actually worked.
- Understand how labor, parts, materials, sublet gross profits each affect your net profit.
- Determine break even gross profits on each of these areas.

- Determine desired net profits.
- Determine minimum gross profits to achieve desired net profits based on the last three years of sales.

Prepare for negotiating.

- Set gross profit goals higher than minimum.
- Do labor rate survey of mechanical repair shops in your area.
- Do labor rate survey of similar service business (bicycle, lawnmower, motorcycle repair)
- Do labor rate survey of dissimilar business with little or no overhead (electricians, plumbers, computer repairers, landscapers)
- Do labor rate survey of all body shops in your area (Posted labor rates)
- Determine fair and realistic labor rate for your business based on these labor rate surveys and results of your cost of doing business analysis.
- Post that labor rate. You cannot ask for more than is posted but you can always negotiate down from there.
- Determine the lowest you will accept.
- Hold your ground and prepare to lose some work.

Organize.

- Get to know all shop owners and managers in your area.
- Try to become friendly with them.
- Stop thinking of them as the enemy unless they refuse to cooperate.
- Don't worry about anti-trust issues. As long as you don't agree with another shop to set pricing, or conspire against an insurer you are not breaking the law.
- Join your association and attend the meetings. If there isn't one, start one.
- Don't rely on the other guy to do things. Step up.
- Being too busy running your shop is not an excuse. You are just being too busy running yourself out of business.
- Contact local shop owners and managers frequently to discuss problems with certain insurers and appraisers, or to discuss your successful negotiations. You should all know what the other is doing. If you know how the other shops operate, what they are willing to accept, what they charge for, etc, the insurers can't lie to you and trick you into accepting less.

Use Insurer tactics against them.

Steer customers away from bad insurance companies.

- Develop a list of good insurers and include it with every estimate.
- Explain to each customer why they should switch insurance companies.
- Be careful to avoid bad mouthing the bad insurance companies, but instead talk up the better ones.
- Explain the differences between companies to the customers.

- Give customers examples of real situations where having the wrong insurance company cost a person money and/or a quality repair.
- Get the customer on your side and shape their view of the insurer before the insurer gets the chance to turn the customer against you.
- Offer to help the customer fight for fair compensation, but also ensure the customer understands that this is his responsibility, his vehicle, his money and you are only helping as a courtesy.

Predict and amaze your customers.

- Explain exactly what the insurer will tell the customer, how they will want to use aftermarket or used parts, how they will try to steer the customer to a DRP shop, how they will badmouth your shop, how they will be handled by a certain appraiser, how they will not want to pay for certain things, etc. Your customer will be amazed by your accuracy and will feel more comfortable with you and your honesty than with the way they were handled by the insurance company.

Explain that only you can guarantee your work, an insurance company can not.

Debunk insurer propaganda about aftermarket parts, used parts, DRP shops and how they keep premium costs down.

Make headlines.

- Your association should have a media liaison. If they don't, contact newspapers and television stations yourself whenever you feel an insurer does something illegal or immoral. The media love stories that make big business look uncaring and greedy. See if you can find someone with a friend in the media, or try to develop one yourself.

Get Political

- Insurers are very politically connected and powerful. Our industry has to get into this filthy arena and get dirty if we expect to make any progress.
- Get to know your state reps.
- Meet with your state's Attorney General.
- Meet with your state's Governor (even if you have to approach him in an antique store like I did).
- Get your reps to introduce bills in favor of the collision industry.
- Choose a spokesperson for your industry and have that person speak for your industry at public hearings.
- Show the insurers that the collision industry can play politics also.

Be prepared for retribution

- The insurance industry is not going to sit back and accept these changes and challenges without a fight. And they will fight dirty.
- The insurance industry will

- Bad mouth your business and you personally.
- Step up their steering campaign against you.
- Increase pressure on their DRP shops to cut costs.
- Introduce ridiculous legislation to keep you too busy on the defensive to be able to mount a successful offensive.
- Use their influence with the agency that licenses body shops to have that agency harass you.
- Lie, cheat, steal, throw tantrums, bribe judges and politicians in an effort to stop your progress in taking the control of your industry back from them.
- You will lose business.
- You will see an increase in DRP business.
- You will have to have a backbone and tough it out until things start to move in your favor.
- You will never be able to relax and think your fight is over.
- You will begin to gain some self respect.
- You will begin to gain the respect of the insurance industry.
- You will eventually see higher gross profits.
- You will be a model for the entire collision repair industry all across the country.

Run your shop like a business and not a charity.

- **Read the section “Know your business” again.**
- **Use a computerized body shop management system and collect as much data as possible.**
- **Use this information to determine your prices and the health of your business.**
- **Know what your average gross profit is for each insurance company.**
- **Use job costing on every repair.**
- **Don’t be afraid of turning away unprofitable repairs.**
- **Learn ways of increasing gross profits on repairs that aren’t making you any money.**
- **You are entitled to make a profit on everything your shop produces or sells. This includes:**
 - Your labor sales.
 - Your parts sales.
 - Every sublet transaction.

- You are lending the insurance company or the customer money
 - You are spending time and money driving vehicles to dealerships for resetting electronics, or to the alignment shop.
 - You are doing the paperwork involved with the sublet repairs.
 - Your administrative labor.
 - Your paint and materials sales.
- **All invoices are private internal documents and the insurance company has no legal right to see what your costs are unless you have a signed DRP contract stating that you must make them available.**
 - Develop strategies to combat the insurers' insistence on seeing these documents.
 - **You can not discount labor and make up the difference in volume. This is the biggest lie and scam perpetrated by the insurance industry.**
 - Your shop can only produce a fixed number of hours per week, unless you hire more people, force your existing staff to work longer hours or increase your efficiency significantly. Once you have produced this limit any additional work only becomes backlog.
 - You cannot produce extra hours when you are slow and then sell them at some other time. Repairs have to happen in real time.
 - You cannot ship repairs overseas where labor is cheaper to save money.
 - Your CDB does not decrease if your volume increases like it would if you were manufacturing some tangible product and just had to run your machines longer.
 - Most body shops don't spend anything in marketing, so your marketing costs don't decrease by increased DRP volume.
 - **So I'll Say It Again! You can not discount labor and make up the difference in volume. This is the biggest lie and scam perpetrated by the insurance industry.**
 - **Giving discounts on parts is giving away net profit.**
 - A DRP contract that stipulates discounts on parts is a contract that steals cash directly from your wallet. Once the bills are paid, the gross profit from parts is 100% net profit. In other words it's cash. It's money you could spend or save for something important. A medium sized shop (1-2 million per year in sales) that is heavily involved in DRP's that require parts discounts is giving away about \$50,000 per year, cash. That's a years tuition at one of this country's best colleges. That's enough to buy your spouse a new Mercedes. That's enough to buy yourself a nice boat.

- **Always write your own estimate and be certain it is accurate and you bill your customer based on that estimate.**
 - Be honest and ethical and avoid possible legal problems caused by insurance company cost shifting by billing off of an accurate estimate.
 - Write your estimate at **your** labor rates and let the insurance appraiser break the law by cost shifting if needed to reach your bottom line.
 - Without writing your own estimate you have no idea how much it will or should cost to repair a vehicle. Working off the insurance estimate is just plain lazy.
 - Avoid more legal troubles by billing the customer in dollars and not hours. Charging \$80 for one hour's worth of work is more ethical than charging \$40 per hour for two hours of labor when the repair only takes an hour. Though it is the most common practice, some shop owners have lost in court for overcharging customers because of this. Consider yourself a "Car Doctor" and charge like they do. When's the last time you heard a doctor discuss his hourly rates?

- **Don't give in to the insurers.**
 - If you have a defeatist attitude, if you feel like and believe that you are powerless against the insurance industry, you have created your very own self fulfilling prophecy. You are guaranteeing your defeat. You are helping the insurers take over your business and the entire collision repair industry. If you are living with this attitude do the rest of us a favor and get the hell out of the business.