



# TECHNICAL FEATURE

## WHERE IT ALL WENT WRONG: STEERING, PARTS ISSUES, LABOR RATES, TRAINING, EQUIPMENT AND MORE

We are hearing all sorts of confusion over information provided about equipment, parts issues and a lot of other stuff. We never seem to understand why so many people in the business - many of whom are hugely successful - fall prey to the rumors and let others outside of their business tell them how to run it. The funniest thing we heard was from the DRP facility owners who complained about steering more than the non-DRP facility owners. We asked, "What has you so upset?" They all answered the same: "The programs we are not on. We are losing a lot of business due to steering." We then asked, "But isn't that how you get business from the insurers you are working with?" "Yeah," they replied. "But that's different." Well, that conversation gave us an idea for an article.

### Steering

Steering is the direction or redirection of customers to a particular repair facility. This, as many of us know, is illegal in most states and is next to impossible to prove. One main reason is that most of the repair facilities have no audio recordings and no corroborating witness, and the other main reason is the facilities allow this to happen. How? That is an easy one. Most of the facilities allow the customer to go home and call in the claim, which allows the call center representative to read off their word track to get the customer into one of their controlled DRP facilities. Moreover, even in the case where the shop has the customer call from the facility, most shop personnel do not know the law and how to handle the call-in center representatives. Losing a customer to steering is 90 percent the fault of the shop - *not* the insurance companies. The insurance companies are



only doing what they need to do, while you are not. Setting up SOPs and word tracks are not hard, but the change to using them must be installed. Take control of your business.

### Parts Issues

Parts usage, OEM, aftermarket, used, procurement... The topics go on and on. Parts are a main component in the repair of a vehicle, as almost every job will require them in some way. Over the past few years, we have heard about the online parts ordering system required for DRPs on some of the insurance programs. Well, parts should not be an issue for the following reasons (which are all directed at the facility owners):

1. Most of the OEMs have position statements against using aftermarket or used parts. Being forced to use aftermarket and used parts - even though the OEM says no - is solely your fault. In many cases, the repairs may be classified as inferior or unsafe due to your choice of parts usage.
2. Being required to order parts from an online system is your own choice, not someone else's. Nobody is forcing you to do anything except you. You decided to be part of a program and you agreed to those terms.
3. Employing used structural non-bolted components is not only stupid, it is unethical and, in some cases, potentially criminal (negligence).



**BY LARRY MONTANEZ III, CDA  
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### Labor Rates

If you are not happy with what you are getting paid, then change it. One of the biggest misconceptions in the industry is that insurance companies pay repair facilities and have a say in how vehicles get repaired. Insured individuals and claimants receive money from insurance companies to reimburse themselves for the amount charged by the repair facility. The repair facility is solely liable for the repairs. Training and equipment investments have risen dramatically over the past few years, and Labor Rates have remained stagnant in the same time period. Another mistake many repair facilities make is not knowing their true cost of business and what their hourly rate needs to be to cover their costs. We have seen in some areas a \$20-\$25 swing in Labor Rates between insurance companies. For example, in one area we know of, the lowest amount an insurer is attempting to pay is \$44 per hour and the highest is \$65 from another insurer. That is a \$21 swing or 32.4-percent difference. That is a lot of money that you potentially are leaving on the table. We recommend talking to your accountant about what you need to charge to pay your overhead and make a profit. You may be surprised at the amount they tell you.

### Training

Training has been imperative for the past eight years, and each year the importance increases. We are in an era of the most technologically advanced vehicles, requiring the most advanced materials and equipment we have ever seen; all the while, insurance companies are trying to force unrealistic repair and cycle times to keep rental costs down. Many repair facilities do not want to waste money on training their employees, and technicians don't want to train because no one will pay them. Both entities complain they don't have the time to train, and insurers will not pay for the procedures anyway, so why bother? This is the major reason we are seeing a rise in improper repairs and post-repair total losses. A certain amount of training should be required to simply apply for a job. We suggest that I-CAR create a package deal on some of their online classes that techs must take prior to applying for a job. Facility owners should then enforce a basic amount of training to work in the industry. Facil-

ity owners must raise the bar and hold their employees - and themselves - accountable.

### Equipment

During many visits to repair facilities across the country, we feel like we are in an episode of *American Pickers*. Many of the shops are like walking into a time warp back to the 1980s, because most of the equipment we see belongs in the Smithsonian Museum of American Collision Repair History. In a recent article, we saw some scary survey results. Some of the results are as follows:

- 30 percent do not train at all.
- 9 percent do not have an electronic estimating system.
- 12 percent do not use OEM repair information.
- 11 percent do not own a frame rack.
- 47 percent do not own a three-dimensional measuring system.
- 45 percent do not own a resistance welder.

How can you repair vehicles with no measuring equipment, frame equipment or a resistance welder? Many repair facilities are still trying to structurally repair vehicles by anchoring the vehicle by the rocker panel mating flanges. Forget the German vehicles; look at some of the Dodge and Jeep automobiles that say in their repair information that their pinch welds are not strong enough to hold those vehicles during structural realignment, as the mating flanges will fail. Those select vehicles, like the European and German vehicles, require six- to eight-point anchoring.

### Procedures

Every OEM (except Hyundai and Kia) offers repair procedures. And starting with the model year 2015, Hyundai and Kia will offer repair information for their vehicles, too. The OEMs produce repair information due to the complexities of the replacement processes and substrates they are using. All of this is done to ensure safe, proper repairs. Not following the OEM repair procedures could cause the vehicle not to react in the manner in which it was designed in a subsequent collision event.



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Ignoring OEM procedures could cause a shop owner and/or technician to be held liable for any injuries from a collision event. If an insurer refuses to pay for a procedure or follow an OEM position, then you as the shop owner must take action to ensure those OEM requirements are followed. You can never say, "They didn't pay, so I didn't do it." Remember that insurance companies *never* have a say in the repair process. Do you have a say in how much coverage is offered, or how much premium is charged?

We implore you as industry owners, technicians and leaders to take control of what you actually have control over: Your business and how it operates. Please, never lose sight of the main reason you are in the collision repair business - to ensure the consumer/vehicle owner and any occupants who are in a vehicle that it was repaired in a safe and proper manner to make sure it will react the way it was designed to in a subsequent collision event.

We hope this article has helped the industry to better understand what went wrong, who is at fault and who can change it.

Feel free to contact us if you have any questions. **H&D**

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**Executive Director's Thoughts**

Larry and Jeff have an excellent call-to-action plan in this article. As an executive director, I get a lot of calls from those shops participating and believing in the proper procedures, practices and equipment to return the vehicle to their customer safely. The growing chasm between shop philosophies is startling and increasing at an alarming rate. Soon, it will be blown wide open.

- Jordan Hendler