

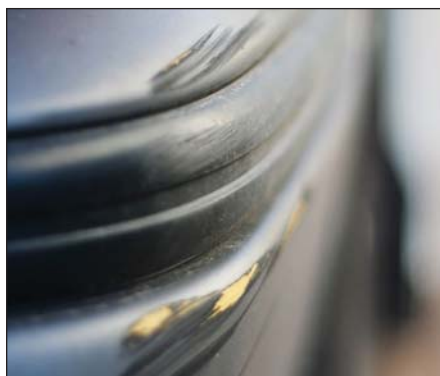
• MANAGEMENT
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STRENGTH THROUGH Eclecticism:

Reshaping Services in Hard Times



With the economy on the rocks and less repairs coming through the door, shops across the country are attempting new ways to generate alternate income. This month, *Hammer & Dolly* reaches out to owners and consultants far and wide to see how fresh ideas and left-of-center thinking may save the day in uncertain times.

Raise your hand if you're pleased with how much money your shop is making these days.

In addition to the always-present struggle to secure profits in the collision repair industry, more and more shop owners are now contending with increasingly slim service bays as a result of the national recession. With everything from dealership closings to employee layoffs hitting home, shop owners may find themselves expanding their services to include things they would have *never* considered in the past. But as the

successes and experiences explored in the following article clearly show, there is considerably more to making money in the collision field than fixing the vehicle damage in front of you.

Escaping Tradition

For former Connecticut shop manager John Shortell, the idea of diversification came to him earlier than most. Fed up with not receiving proper compensation for his professional expertise, Shortell took a massive jump out of the traditional body shop

business model and began designing computer software that would enable him to better track his sales and potential profits.

With no prior computer programming experience, Shortell slowly began building his BodyShop Office management system, a comprehensive program that assists in scheduling jobs, organizing repair orders, estimating, arranging supplements and noting Diminished Value.

"There was absolutely nothing available at the time for scheduling," Shortell recalls. "People mostly do it by shooting from

the hip. My shop was so busy that I was just getting very inefficient. As I developed that [program], I started adding to it.”

Soon, Shortell developed a number of supplemental items, including a Tow Bill Helper and “Dollars & Sense,” a program designed to be used with estimating software that prints out a shop’s estimates with dollar amounts only.

After finding success with these creations in his own business, Shortell introduced his programs to the collision repair marketplace. He also launched a website, www.bodyshopsolutions.com, to market these products. Additionally, he used the site as the means to express his views and opinions on his industry via a regular online column, which has been known to draw up to 5,000 hits a month. Naturally, Shortell has also been able to sell a few of his programs along the way.

“It’s a nice sideline for a few extra bucks now and then,” he says.

Travel a few hundred miles from Shortell’s home base, and you’ll find Mundelein, Ill. shop owner Jeanne Silver offering free safety seat installations on neighborhood vehicles. A trained child passenger safety technician, Silver has tied in her service with area fire departments, police departments and hospitals to secure regular referrals and make a unique introduction to potential new clientele.

“Almost 100 percent of the people I’ve installed car seats for have come back afterwards with repairs,” Silver says. “It brings people into your store, and it really does create such a bond with those people that they’re not going anywhere else. If you can trust me with your child, you can trust me with your car.”

In addition to securing *humans*, Silver has branched out to offer restraint systems for dogs – yet another oddity that is draw-

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– Industry consultant Tim Ronak

ing new attention to her business.

“There’s a limited market for it right now, but there’s some legislation out there to make it illegal to have dogs on your lap [when you drive],” she says.

A constantly working industry presenter and advocate, WMABA Board member Mike Anderson has a unique opportunity to see how other shop owners across the country are managing the current financial crisis. In his travels, he has seen shops do everything from restore art for museums to paint gun safes to earn a few extra dollars.

“I was in a seminar two weeks ago, and there was a guy there who paints funeral caskets,” he recalls. “There are definitely people out there who have looked outside the car industry.”

The End of Outsourcing?

With the US economy placing new strains on the collision repair industry, many auto body shops are incorporating services that were previously open only to sublet sources. Now more than ever, things like wheel alignments, tune-ups and glass work are finding their way into auto body businesses’ everyday services. According to industry consultant Tim Ronak, this “disintermediating” mindset has also seen an increase in shops taking on reconditioning work.

“Right now, with people not wanting to go and buy a new car, they may be choosing to spruce up their old car,” he

says. “In a down economy, there is the whole reconditioning side to the business that can open up. One of the big opportunities for that would be small damage or cosmetic repair.”

“Some shops have gotten into powder coating, which is becoming the new chrome,” he adds. “Many of the new wheels nowadays look like they’re chrome, but they’re really powder coated.”

While there is certainly an increase in auto body shops bringing in mechanical services and other non-collision money-makers in recent times, Ronak notes that the industry has always had a knack for thinking outside the box when times got tough.

“The housing industry is slow right now, but in the past, painting things like front doors and garage doors were a great use of the equipment that [shops] have, especially when they had a big facility with the ability to contain and paint and coat all kinds of different items,” he explains.

On the *odder* side, Ronak notes a growth in shops expanding their custom services to include painting football helmets and other personalized items.

“In this tough economy, it’s going to be hard to get people spending money on personalizing things, but there is still a little bit of money out there,” he says.

The Ding Dynasty

When a vehicle leaves your shop, are you *sure* that you were able to repair everything wrong with that car? At a time when every penny is important, shops are looking to make the absolute most profit from every job that comes through the door. At Anderson’s two Alexandria-based shops, successfully weathering business life circa 2009 means upselling as much as possible.

“We always had two full-time mechanics, but we had always just used them to do

mechanical work that was accident-related,” he says. “We’re definitely making a much more concentrated effort to upsell mechanical work – brakes, tires, alignments and things of that nature.”

As anyone who has attended one of Anderson’s “Estimating Best Practices” seminars either locally or at NACE surely knows, he stresses the importance of mapping out all pre-existing dings, chips, scratches and other old damage to the vehicle as a possible source of additional cash. Currently, upselling the small stuff adds 20 percent to Anderson’s overall business.

“There’s been a 57-percent increase of customers carrying \$500 to \$1,000 deductibles, and a 95-percent increase of customers carrying more than \$1,000 deductibles, so there’s much more opportunity to sell customer pay work now than probably ever before,” he says.

Changing the MSO Mindset

Even the big guys are sailing unknown waters in an effort to increase cash flow. Last July, Ill.-based multi-chain Central Collision Centers added a new, 4,000-square-foot Express Center to its five existing traditional repair shops. The green-centric Oak Forest location utilizes waterborne paints and specializes in light-to-medium hits – *as well as a same-day or 24-hour return time.* But with so much monetary stress circulating in the field these days, why in the world did a business owner start *another* location, especially one boasting such an incredibly short turnaround time?

Because the gamble worked. Big time.

“We have a 20,000-square-foot traditional shop on the same property,” explains Central Collision owner Mike Caruso. “We segmented [the smaller] work and sent it to the Express Center. The new building has a totally different pay plan than what we’ve

experienced in the industry, so our labor margins are much higher than in a traditional shop. The technicians love it, because even though their flat rate is at a reduced amount, they’re getting so much more volume with the lighter hits that they can turn around much quicker. They’re making money, we’re making money and, most importantly, my traditional shop on that same property has cut their cycle time from 12.2 days to 5.6 days by de-cluttering that facil-

ity of small damage.”

In addition to not having to issue layoffs this year, Caruso was able to drastically improve revenue without adding a single new employee.

“This location is so efficient, it’s unbelievable,” he says. “The revenue we’re turning in there is more than that of locations I have with three times the square footage.”

Additionally, Caruso is proud to note that the new enterprise currently boasts a

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With so much to celebrate this holiday season, Caruso credits his upswing in trying times to a simple philosophy: “People are still going to have accidents, and you just have to create separation between you and your competitors.”

99-percent CSI rating. “Our insurance partners who have experienced this Express Center come back with monthly reports with puzzled looks on their faces,” he says. “They say, ‘We must have a reporting problem here, because your average return ratio is 1.6 days.’ I tell them there’s *no* mistake.”

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The success of the Central Collision Express Center was the result of a two-year campaign to implement more Lean-based thinking in the chain’s day-to-day operations. By moving the needless elements – in this case, smaller jobs – to a new area, Caruso was able to both refine his main source of revenue and build an entirely new stream of work at the same time. Such practices are nothing new to consultant Matthew Ohrstein, whose company, Symphony Advisors, LLC, works with MSOs like Caruso in developing better ways to make the most of what they have. And in this day and age, that often means taking out the trash.

“The key initiative most businesses are focused on is getting more Lean and more productive in their existing operations,” Ohrstein offers. “It really starts with people and leadership in that new product or service area. For example, if you were a collision repairer who decided to get into mobile glass or put glass operations in your business, there is a fair amount of flexibility and nuance to be

successful in that business in terms of the core technical competencies as well as getting on the networks with insurance companies. Those who have been successful at it have set up separate business units with separate leadership effectively running that business within the multi-location operation.”

Proceeding With Caution

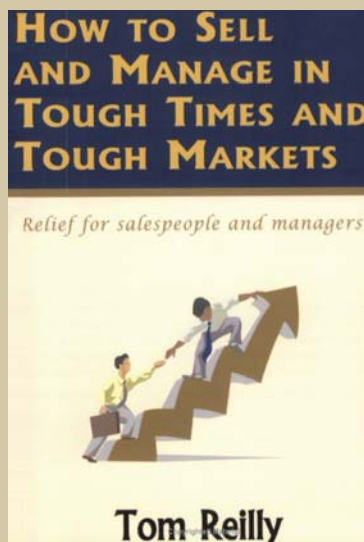
Whether you’re gleefully raking in the dough or struggling to make ends meet, ongoing success on *any* level depends on following the most appropriate course of action for your business. In the mad rush to introduce new revenue sources in a tight economy, a business owner could very easily focus too much attention on the new idea and *not enough* on the business he or she already has.

When this happens, shops may end up with little more than another rotten egg in an already full basket.

“Most of what we preach to MSOs is that it’s so important to execute and stay within your core competency,” offers Ohrstein. “When you start to deviate into some of those outer rings of opportunity, they can distract your time and attention away from what you’re really good at, and you end up not performing well in those new market areas while at the same time destroying some of what got you where you were in terms of your success.”

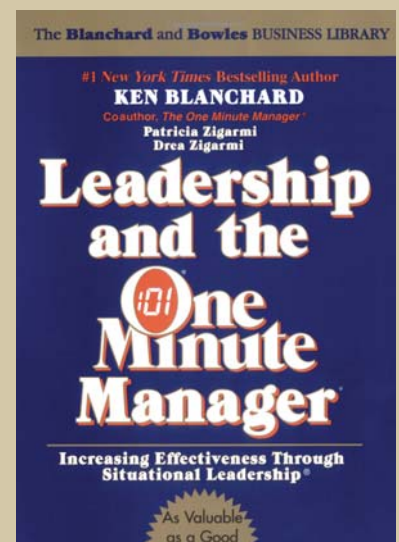
Ohrstein’s comments certainly ring true for Ronak, who has also seen businesses stretch to the point where they lose sight of their original intent.

“Some guys start doing restoration



How to Sell and Manage in Tough Times and Tough Markets

By Tom Reilly
Motivation Press, 2001



Leadership & The One Minute Manager: Increasing Effectiveness Through Situational Leadership

By Ken Blanchard,
Patrick Zigarmi & Drea Zigarmi
William Morrow, 1999

work because they can get some cars in,” he explains. “Well, you have to be careful not to get too heavy in some diversified work. When the economy turns around, some of that diversified business that you’ve done may not be as profitable as the auto body business and you’ll lose the opportunity of future work because you’ve committed yourself to this low-margin work.”

Of course, positive change takes time and willingness to stay the course. When asked what might hinder a shop’s ability to branch out into new areas, Shortell points to a surprising enemy – *the shop itself*.

“One of the problems is that many [shops] lack education,” he offers. “It’s difficult to get them to see different ways of doing business, especially when it comes to efficiency. Most people in this business think they’re doing everything the right way. Even when you give them a better way to do something, change is too much work.”

Sadly, even when some shop owners embrace change for the better, they may be reluctant to even talk about it. As *Hammer & Dolly* quickly learned when soliciting input for this story, more than a few shop owners are afraid to reveal what might be up their sleeves in fear of seeing their plans jump off our pages and into another shop’s business plan – a fact not lost on Ohrnstein’s Symphony Advisors partner, Marcy Tieger.

“A lot of people are in self-preservation mode,” she says. “There’s that sense that even though [shops] may locally – or through an insurer – advertise that they have some new bells and whistles, there’s also a part of them that’s afraid there’s someone who is going to take it away or compete with them. It’s a little bit naïve, but it’s understandable.”

While talk of getting shop owners to adopt new ways of thinking and working

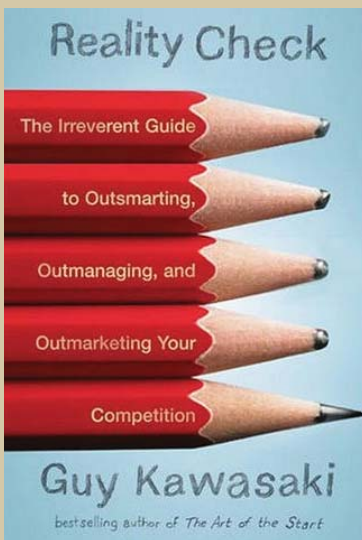
is all fine and good, a discussion on business diversification is useless unless those who are seriously considering it actually follow through. In Silver’s mind, effectively incorporating new revenue streams is all about maintaining *focus*.

“The thing that collision repairers need to wrap their brains around is that when you do something like that, you have to take the approach that it is another business,” she says. “It is not something you can turn on or off. You have to say, ‘Okay. I’m going to allocate these resources and this much time to do collision repair,’ and then you have to stick to that commitment.”

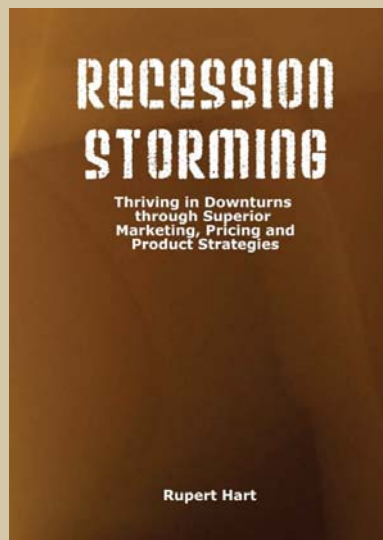
“You can develop any plan you want,” adds Caruso. “But if you can’t implement and sustain it, the plan goes down the toilet.”



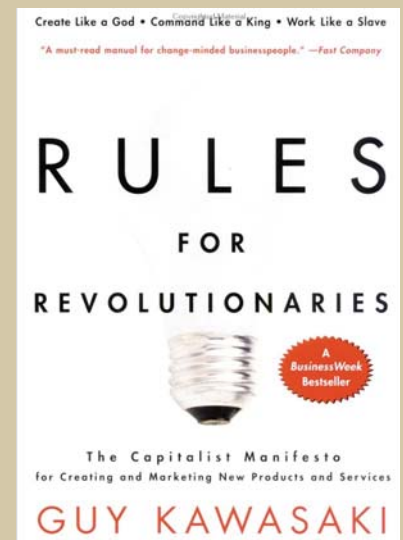
RECOMMENDED READING



Reality Check: The Irreverent Guide to Outsmarting, Outmanaging and Outmarketing Your Competition
By Guy Kawasaki
Portfolio, 2008



Recession Storming: Thriving in Downturns Through Superior Marketing, Pricing and Product Strategies
By Rupert Hart
Createspace, 2008



Rules For Revolutionaries: The Capitalist Manifesto for Creating and Marketing New Products & Services
By Guy Kawasaki & Michele Moreno
Collins Business, 2000