

THE INSURANCE COMPANY MADE ME DO IT:

How DRP MANDATES HAVE CHANGED OUR INDUSTRY

by Marcy Tieger, J.D.

Despite where one stands on the DRP debate, it is difficult to deny that such programs come with a fair share of positive attributes. This month, Marcy Tieger explains why some DRP requirements are nothing to fear.

Collision repairers who choose to participate in insurance company Direct Repair Programs (DRPs) are sometimes required to implement processes and standards that they would not otherwise implement but for the DRP mandates. So when these shops drop their relationship with a DRP, it is not uncommon for them to drop an insurer-required estimating system, the regular purchasing of aftermarket parts and the use of third-party customer satisfaction tracking or vehicle-status imaging.

But is it possible that shops that give the heave-ho to a DRP are also throwing out the proverbial baby with the bath water when they also say goodbye to some of the standards that the DRP imposed?

Some collision repairers believe that insurers, through their DRPs, unduly insert themselves into the repair process and try

to influence the way they do business. The reason these repairers feel that way is because DRPs are designed to influence the way they do business. And while DRP requirements may be costly and seemingly redundant (like, say, installing another estimating system), others are a critical feature of the competitive business environment that exists both inside and out of the collision industry. The two most notable would be the emphasis on reduced cycle time and the systematic tracking and trending of customer satisfaction indexing (CSI).

Most of us learned the economic motivation for insurance company insistence on reduced cycle time and customer satisfaction tracking in Body Shop 101. Policyholders are just as dewy-eyed about their insurance companies as collision repairers. With insurers spending over \$4 billion in advertising dollars, it is no surprise that insurers want to get their money's worth to lure new customers and retain existing policyholders. As such, when a claim arises - often referred to as the "moment of truth" - they want their customers to be happy. *Very* happy.

According to the *J.D. Power and Associates 2006 Collision Repair Satisfaction Study*, nearly one out of every five customers considers switching insurance companies after experiencing the collision claim process. Three factors were identified as driving



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the customer satisfaction experience: Claims/estimation (62 percent); body shop (36 percent); and rental car (two percent). The point is that 36 percent of the customer loyalty equation is linked to the body shop. For this reason, insurers want their customers quickly returned to their repaired vehicle and (hopefully) so pleased with the overall “experience” that they give a high CSI score, which tends to be a good indicator of the likelihood of that insured sticking with that insurer (policy retention).

But are there any other advantages to a shop that turns

around repairs quickly and tracks (and learns from) customer satisfaction feedback other than complying with DRP rules? Of course there are. That same happy customer will be the kind of person who returns to the shop for future repair needs (whether through insurance or direct pay), and will also be a source of referrals to the shop. And with “customer pay” repairs on the rise (and approaching 20 percent in some markets), keeping the vehicle owner coming back and recommending the shop to family and friends is an opportunity that should not be overlooked.



WMABA PRESENTS Snapshots



TOM BROWN

Territory Manager, Washington Metro Market, PPG Industries
WMABA Member



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When and how did you first become involved in this industry?

I started in 1990, and went to work with ICI Autocolor in 1992. PPG bought them out, and I've been with them 15 years. Before that, I did paint for a while and ran a body shop.

What sparked your interest in pursuing this line of work?

All of the different opportunities available. There are a wide variety of jobs that involve the auto-body process.

What led to PPG becoming so active in helping WMABA achieve its goals?

We felt it was necessary to be a member for relationships and information. We're always there to support our customers.

From your perspective, what are some of the biggest issues you see your customers

Some detractors argue that cycle time requirements in the DRP environment encourage corner cutting. Does this occur? No doubt it does, particularly for those shops that have signed on to DRPs, but have not modernized their production flow. But the real question is, does it occur with any greater frequency in the work performed under a DRP vs. non-DRP? Moreover, if reduced cycle time is really about fast and dirty repairs and not greater efficiency, the avoidance of redundancy, repair blueprinting, etc., is the systematic practice of knowingly and willingly performing substandard repairs a sustainable business model for a repairer or, for that matter, an insurer's DRP?

But for insurance company insistence on increased touch time on their customers' vehicles and an overall reduction in cycle time, it is arguable whether repairers would be as far as they are today. Forward-thinking repairers have retooled,

often with the help of their paint vendors, and have implemented Lean processes and other methods for reducing waste and increasing productivity. Best in class shops are now fixing cars in half the time they did five years ago, without degradation in quality.

No, the insurance industry didn't invent Lean processes or the Theory of Constraints, but they did start insisting that if a shop wanted to be on their programs, they would need to be able to guarantee an efficient turnaround on repairs. This has been a significant driver in the adoption and implementation of today's enhanced production models which have ultimately benefited repairers, who now know how to drive more business through the shop in less time and less space. It has benefited consumers who want to be returned to their repaired vehicles sooner rather than later. And yes, it has also benefited insurers. As a result,

even shops who do not participate in DRPs, but who want to compete in this new environment, have come to realize that to survive, they too must be more efficient in the repair process because that is what consumers have come to expect.

Similarly, with respect to CSI, for those shops that drop CSI tracking when they sever ties with an insurer, it begs the question: Why wouldn't you want to know? More specifically, if you *do* want to know how you are doing with your customers, then why stop tracking CSI? And if you don't want to know, then how

requirements, unstated requirements, regional idiosyncrasies and ease of interaction with certain insurers, wise repairers who are open to DRP work should read agreements closely, conduct their own due diligence and choose programs that most closely resemble the "partnership" that insurers espouse.

Whether you are a devotee of DRPs or not, if there is anything to be learned from these programs, it is that quickly getting people back into their own properly repaired car and cultivating a positive customer experience with the collision

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will you ever know what to replicate (what you did right) and what to stop doing (what you did wrong)? Although some repairers claim they cannot justify the cost of third-party CSI once they part ways with a DRP, these same shops often completely abandon *any* form of customer satisfaction tracking – even a follow up "How'd we do?" call – missing out on valuable feedback that could help them refine their business.

Not all Direct Repair programs are created equal. Between stated

shop is good for everyone. Shortened cycle time and tracking customer satisfaction are not the brainchild of insurance companies; however, insurer "pressure" to institutionalize these practices has likely accelerated the development of a more nimble and responsive class of collision repairers, both inside and outside of the DRP segment, all to the benefit of the consumer.



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facing in today's industry? How does PPG work to help its customers get through some of those issues?

I think the biggest issue they have right now is getting new technicians to come into the industry. Also, there is a need for office training for managers and estimators. We have our MVP programs to help our customers learn more about their businesses.

What has been the funniest thing that has ever happened to you in this industry?

One time, I did an all-over paint job. I turned the spraybooth on, and it had a bad sprinkler system and went off on the entire car! It's kind of funny when I look back on it now, but I wasn't too happy at the time!

What are some hobbies you enjoy away from the industry?

I'm active in motor sports and jet skiing with my family.

What kind of movies do you enjoy watching?

Action movies like the *Die Hard* series.

Where is your favorite place to go after a long day at work?

My favorite place to go is the Outer Banks, but that's a little far, so I just stay in the backyard.

