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PART

2

RESULTS
OF WMABA'S
EXPANDED
LABOR RATE
SURVEY

Page 39

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FILLING IN THE BLANK: INSIDE WMABA'S LABOR RATE SURVEY - PART 2*

Last month, *Hammer & Dolly* revealed the first part of the results of WMABA's latest Labor Rate Survey. This month, we continue the discussion by presenting the rest of this extensive undertaking. As evident in the following pages, the industry faces a difficult road ahead in 2015.



“The majority of surveyed repairers take issue with insurers’ interference of repair methods, the overall process and the systematic reduction of reimbursement rates.”

*This article is for informational purposes only and should not be considered legal or business advice.

RESPONDENTS SHARE THEIR VIEWS ON STANDARD PROCEDURES

	DO YOU BELIEVE THIS IS A REQUIRED OPERATION?	DO YOU CURRENTLY PERFORM THIS OPERATION?
"Tint" the color	90.63%	94.53%
"Materials" to tint the color	90.16%	87.70%
"Color, sand and buff" and/or denib surface blemishes	93.02%	90.70%
"Materials" needed to denib or buff a vehicle	91.60%	85.71%
To remove tape or painted stripes before refinishing	94.62%	91.54%
Feather, fill, block and prime on repaired panels	92.74%	87.90%
Feather, fill, block and prime on welded panels	88.03%	85.47%
"Mark-up" or "admin" on sublet (towing, upholstery, mechanical, pdr, etc.)	94.66%	87.79%
Disable and enable "interlock" devices to move vehicles	89.72%	85.98%
"Clips and fasteners" needed in the repair process	92.42%	93.18%
"Bagging" vehicle to "prime" and for "final refinish"	93.02%	90.70%
"Bag" opening to "prime" and for "final refinish"	92.56%	87.60%
"Bonding materials" in the repair process	90.00%	93.08%
"Undercoating," installation and removal	92.06%	92.86%
"Structural foam," installation and/or removal	92.91%	92.13%
"Check and test seat belts" being used in the accident	88.39%	84.82%
"Pressure test" cooling systems after front-end damage	89.91%	81.65%
"Prep raw plastic" when recommend by paint supplier	92.37%	94.66%
"Set up and pull" to access repairs	93.89%	88.55%
"Weld thru primer" and/or "cavity wax" when needed	93.94%	93.18%
Replacement of information labels, parts and labor	92.37%	93.13%
Removal and replacement of protective coatings	92.50%	85.00%
Reset memory functions (e.g., radio codes, sensors, etc.)	91.06%	88.62%
"Jig" rental when recommended by vehicle manufacturer	88.06%	56.72%
Repairing "weld burn, including grinding and prepping"	90.60%	88.89%

When reviewing these Survey results, it is apparent that the vast majority of respondents have come to the same conclusion when it comes to required operations performed on the shop floor. As shown in the table to the left, there is not a single operation that falls below 88 percent.

"The results of the survey were significantly conclusive," explains WMABA Executive Director Jordan Hendler. "Nearly all operations received a more than 90 percent necessity response, and a similarly significant percentage of respondents identified that they currently perform these necessary operations. What this demonstrates is that the 'You are the only one' defense that some carriers would like the market to believe may not be so accurate."

Elsewhere in the results, it is clear that the insurance industry continues to have considerable control over the collision repair process. When looking at the results in the blue box on the opposite page, it is impossible to ignore just how strong this outside party's influence has become.

"These results speak for themselves," Hendler says. "The majority of surveyed repairers take issue with insurers' interference of repair methods, the overall process and the systematic reduction of reimbursement rates. There are issues with parts, whether it is a byproduct of the parts themselves, or the manner in which insurers require – or imply – the measurement of the repairer utilizing them. The straightforwardness of many of the results here shows that our industry has overwhelming opinions on the issues presented, but it's important to remember that this doesn't address the possible solutions. This Survey is focused on the current conditions. In today's marketplace, it is becoming nearly impossible to believe that there is a wide enough capacity to reinvest in training, tooling and equipment to fix the consumer's vehicles properly."

Interestingly, 98 percent of respondents noted that inadequate or poorly written estimates by insurance company representatives delay the repair process and cost the shop time and money while they rectify mistakes. This leads to an intriguing question: Why should shops incur costs if these were not *their* poorly written estimates to begin with? What should the insurer's responsibility be in these instances? In Hendler's mind, the most obvious answer to the problem of poorly written insurance estimates is to not accept them. If that turns out not to be a viable solution to actually fix the problem, the "glass half full" approach would be to better educate the carriers.

"Take the time to show the adjuster what they missed, how to estimate it properly and how to do it more completely," she advises. "It must be done in a way that is positive and helpful, rather than combative. Give them the tips you know, and show

continued on page 43

HOW DO OUR SURVEY PARTICIPANTS FEEL ABOUT INSURER/SHOP RELATIONS?"

	<u>YES</u>	<u>NO</u>
Do you believe insurers rate you on the use of alternative parts to OEM, such as used or aftermarket?	89.84%	10.16%
Do you feel many insurers try to control or insert themselves into the repair process, including selection of parts and repair methods used?	96.09%	3.91%
Do you have an insurer who requires you to order parts from a particular vendor or through a particular online procurement system?	62.50%	37.50%
Do you believe insurer reimbursement rates are fair to support adequate profit for continuing education, certifications and new equipment?	9.68%	90.32%
Would [or does] ordering parts or materials through a required third-party bidding system increase your cycle time and customer dissatisfaction?	71.07%	28.93%
Have you been told "you are the only one" who charges for what you feel is a legitimate, reasonable and necessary operation?	86.51%	13.49%
Do appraiser(s) tell you "we can't pay for that because it is against insurance company policy," even though you knew it was a fair, reasonable and necessary item?	96.06%	3.94%
Do you feel that after an insurer is notified, that two business days is an adequate time frame for an insurer to come to your shop to inspect, appraise the damage and provide an estimate?	86.61%	13.39%
Is it your experience that a good portion of insurance company representatives will intentionally write "low ball" estimates that omit obvious visible damage?	89.06%	10.94%
Do inadequate or poorly written estimates by insurance company representatives delay the repair process and cost your shop time and money while you rectify mistakes?	98.44%	1.56%
Do you feel appraisers intentionally omit vital processes in hopes the shop will not correct and amend the mistake, giving the insurer unfair financial gain?	90.55%	9.45%
Have you feared retribution from insurers if you charged for a job performed that you feel is fair, reasonable and necessary, but they may not approve of?	66.67%	33.33%
Do you feel insurers are using their "power," together with a weak economy, in an attempt to coerce shops in accepting less than a fair amount?	88.19%	11.81%
Have you experienced an insurer(s) who has declared a vehicle a total loss when you felt the vehicle was an easy, safe repair and the vehicle owner wanted it repaired, but did so because the insurer got a high salvage value?	72.00%	28.00%
Do you experience insurers retaining payment, but tell you that you are "holding the car hostage" when they had more than adequate time to issue payment?	68.50%	31.50%
Do you feel many insurers' initial estimates lack proper repair procedures necessary to fix the car to pre-accident condition?	91.34%	8.66%

"The stark reality is that the technology will tattle on them if they didn't fix it right. Things long hidden will leak out as time goes on."

SURVEY TAKERS REVIEW A NUMBER OF QUESTIONS THAT RELATE TO THEIR DAILY BUSINESS.

	<u>YES</u>	<u>NO</u>
Is it your experience that blending a panel takes as long, or longer, than refinishing a new undamaged panel?	94.49%	5.51%
Does it take more skill and materials to "blend" a panel versus refinish a full panel?	90.55%	9.45%
Is "clean up" time necessary on most "LKQ" or used parts?	98.44%	1.56%
Can you blend or melt clear coat within a panel and give a lifetime warranty?	8.73%	91.27%
Is it necessary to pre-clean most vehicles prior to entering the shop?	67.72%	32.28%
Given the advancements in system compatibility, should you have the freedom of choice for your estimating system provider?	99.21%	0.79%
Do used structural parts (e.g., quarter panel, hinge pillar, rocker panel, radiator support and apron or frame rails) take more "trim" time than new parts?	99.21%	0.79%
Do you feel that modern vehicles (with boron steel, structural aluminum, multiple airbags, collision avoidance systems, laser welds, etc.) are more difficult to work on than older vehicles without those similar characteristics?	96.85%	3.15%
Do you feel colors on newer vehicles are more difficult to match than those 5-10 years older?	77.78%	22.22%
Do rental car companies unnecessarily contact you about the status of vehicle repairs, requesting numerous status reports and completion dates?	73.23%	26.77%
Would you prefer an itemized calculator for materials based on a computer software program (e.g., Paintex, PMC Logic, etc.) versus compensation based on current random multipliers using an hourly rate?	73.39%	26.61%
Have you been able to provide across-the-board increases in the pay and benefits of your employees in the past five (5) years?	24.80%	75.20%

WHICH BENEFITS DO RESPONDING BUSINESS OWNERS PAY FOR?

	<u>Yes, fully paid</u>	<u>Yes, partially paid</u>	<u>No</u>
Health Insurance	11.90%	61.11%	26.98%
Dental Insurance	6.40%	40.80%	52.80%
Vision Insurance	7.20%	35.20%	57.60%
Long-term Disability	2.42%	18.55%	79.03%
Life Insurance	15.32%	16.94%	67.74%
Paid sick leave (after a set period)	40.32%	22.58%	37.10%
Paid vacation (after a set period)	78.57%	15.08%	6.35%
Personal leave (after a set period)	30.65%	20.97%	48.39%
401K or retirement program	18.40%	28.80%	52.80%
Performance Bonus	34.13%	15.08%	50.79%
Yearly cost of living increase(s)	2.42%	5.65%	91.94%



them more about the P-Pages. It can be an opportunity to improve the relationship and the efficiency of both parties."

Obviously, the data revealed in this section has a tremendous impact on the benefits that auto body business owners are able to provide to their employees, as evident in the results displayed in the table on the opposite page.

"Many other industries have experienced the same issue, with the rising costs of health-care being a major factor," offers Hendler. "However, the stagnancy of the rates in the marketplace and the reduction of reimbursement lends to the slow degradation that we're seeing over time."

Hendler adds that if we're going to talk about fair compensation, perhaps the concept of joining a "Professionals" association - like nearly 100 percent of doctors and lawyers - deserves consideration by more of our industry. If there was a way to differentiate those who subscribe to the ethical business practices (similar to the WMABA membership code), then it may lend to improvement in the overall customer experience and vehicle safety.

"You can all send me your mail on this, and tell me what you think," she suggests. "Those repairers who are future-oriented and committed to education, safety and quality are like a 'Professional' shop that attracts more quality people. Those who are trying to 'make it up in volume' aren't going to be successful in the long term with the advancements in vehicle technology. The stark reality is that the technology will tattle on them if they didn't fix it right. Things long hidden will leak out as time goes on. Our industry is going to have a rude awakening."

Already a bumpy road, the current WMABA Survey concludes with a somewhat lukewarm summary of the current state of the industry. In answer to the question, "How would you describe the general economic state of the collision repair industry on a scale?" 88 percent of respondents felt that the industry economic state was "Average" or "Below," leaving only seven percent at "Pretty Good" and five percent at "Very Strong." Fifty-eight percent believe that the industry is "Poor" or "Depressed." If you wanted to have a very small glimpse of how your trade is doing, *this is it.*

"It seems like just a simple question, but it does speak volumes as to the current state and future for the business owners and technicians," Hendler says. "How can we attract good people to a repair industry that believes it is in disrepair?" **H&D**

WHAT ARE YOUR THOUGHTS ON THE SURVEY RESULTS? DO THEY REPRESENT WHAT'S GOING ON AT YOUR BUSINESS?

Let us know what you think. Contact WMABA Executive Director Jordan Hendler at (804) 789-9649 / jordanhendler@wmaba.com and/or

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