



JANUARY 2010

Will You be King This Year?

Market changes create challenges and opportunities.

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With new collision repair trends emerging, now's the time to ramp up business for 2010. Here, a few industry experts weigh in on what trends you need to know about right now—and why it's so important to take advantage of a changing market to ensure future growth.

INSURANCE SHIFTS

Important trends are emerging in insurance. "Insurance companies will continue to try to ensure their key providers—DRP shops—are the ones that come up as options for the consumer when the consumer is interested in having the insurance company provide them with a list of collision repair choices," says Vincent Romans, founding partner of The Romans Group in Chicago. "[Insurers] want to work with fewer select providers." The impact for repairers? "More business to fewer collision repairers," Romans says.

This means competition will continue to increase between auto body shops. "Requirements to meet key performance indicators (KPIs) or other performance metrics that insurance companies measure as part of their DRP program [will tighten]," Romans says. "There will be more local market collision repairer peer competition to be at the top of the list."

Your New Year Opportunity: Tune up your business operations, then toot your own horn a bit, making sure insurers and customers alike are aware of your improvements.

TOTAL LOSS CLAIMS

A trend repairers can expect to see continue in the new year, says Jordan Hendler, chair for the CIC Industry Trends Committee, is an increase in the number of total losses. “The trend numbers for total losses show they are rising,” she says. “This reduces the number of available vehicles for repair in the market. If that number continues to increase, there will be a direct correlation to a decrease in the number of repair facilities.”

According to Greg Horn, vice-president of Industry Relations for Mitchell International Inc., and editor-in-chief of Mitchell’s Fall 2009 Industry Trends Report, folks hit hard by the recession are opting to reduce—or completely drop—their collision and comprehensive coverage. So if they’re involved in an accident, they’re likely to either drive a damaged vehicle or deem it a total loss. At the same time, Horn says, we’re also seeing a “surprising decrease in the percentage of total loss claims as a percentage of all claims.”

Your New Year Opportunity: Better the basic functions of your business a notch, such as improving your closing ratios and raising your customer service, so business comes to you.

LITTLE CARS, BIG BUSINESS?

Looking to 2010 and beyond, Horn says repairers will need to embrace the influx of new vehicles entering the U.S. market. “[Down the road, expect] the arrival of new cars that haven’t been here before,” he says. “They’re predominately smaller cars, [and] we all got caught off guard with them.” He explains that while these smaller, more fuel-efficient cars may boast lower sticker prices, they house expensive parts. “The price [of the vehicle] might be \$14,000, but it may have \$1,500 headlights. So when the car gets in a wreck, that’s \$3,000 worth of headlights.” The problem with costly parts? “The parts supplier benefits, but not the shop,” Horn says.

Your New Year Opportunity: Tend to the relationships with your parts supplier and your processes around parts now. Keep a good rapport with your key contact, and be sure you have a standard operating procedure for getting the right parts in the door at the right time, as well as for quickly claiming credits.

Despite new challenges that repairers will face this year, Romans stresses the importance of taking advantage of the changing market to poise your business for future growth: “It’s an opportunity to strategically plan where you want to be in the next three to five years.”