



SMALL CHANGES, BIG DIFFERENCES IN THE BODYSHOP 2019

HOW MARGINAL GAINS CAN IMPROVE THE BOTTOM
LINE OF MODERN VEHICLE REPAIR BUSINESSES

Solera

Audatex

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INTRODUCTION

“Great things are not done by impulse, but by a series of small things brought together”

- Vincent Van Gogh



This saying rings true for modern bodyshop owners. With so many factors to contend with, it is easy to focus on the bigger issues at hand and make large-scale changes in an effort to fight fires before they pose too much of a threat to the company's bottom line. However, 'reinventing the wheel' at a large expense to the bodyshop is not always the easiest or most viable solution.

That said, the market value for UK primary car body repairs is expected to rise 14 percent to £5.43bn in 2023¹ and the stakes are undoubtedly high for bodyshops to maximise profits and take their slice of the future market. The question is, where do you start?

In years gone by, we've seen just how valuable small changes can be to a company's long term success. From Starbucks' pioneering use of customer names on cups, to the Amazon employee who developed its '1-click' ordering initiative and increased its sales by an estimated 5 percent², making simple improvements to existing processes have driven some of the most effective business decisions to date. Today, repair decision makers can replicate this approach in order to stay profitable and competitive.

¹ <https://www.fleetnews.co.uk/news/fleet-industry-news/2019/02/04/uk-crash-repair-market-value-increases>
² <https://digiday.com/marketing/end-era-amazons-one-click-buying-patent-finally-expires/>

With repair costs having risen by an average of 33 percent over the past four years³, efficiency is king for today's bodyshops. Vehicle repairers operate within such fine profit margins that one small inefficiency can be the vital difference between making a net profit or a net loss. On the other hand, making even the smallest change to your operations presents an opportunity to fine-tune an existing everyday process and enable crucial cost savings which, over time, can drive value through efficiency and positively impact your bottom line.

In reality, change is not always a sprint to the finish line. For bodyshop owners, it often requires a marathon-like approach, focusing on the small efficiencies that can be gained in different areas of the shop which, when combined help owners to protect the pennies whilst the pounds look after themselves.



Assessing exactly where your business 'could do better' is the first step to making incremental improvements; the key is simply to know where to look. In this eBook, Audatex investigates the small changes which can be driven from the top to streamline existing processes and maximise profit margins amidst ever growing repair costs.

³ <https://www.insurancetimes.co.uk/news/insurers-face-rising-repair-costs-due-to-new-car-technology/1429866.article?adredir=1>

STREAMLINE WORKFLOWS

With the workshop placed firmly at the centre of high-value work, it is easy for owners to pigeonhole their focus on how quickly and effectively technicians are completing repair work. The danger here is that any costly inaccuracies within the shop's wider assessment or administrative processes can quite easily fall by the wayside and impact the overall profits gained on each job entering the workshop.

Although every repair is different, every bodyshop typically works towards a horizontal business line which, when deviated from, will impact the amount of collective resource it takes to carry out repairs. That said, the complex and unpredictable nature of vehicle repairs makes it almost impossible to operate without occasionally falling under the profitability line and affecting the already small profit margins. When this occurs, it is crucial that all staff understand the exact process to follow in order to rectify discrepancies and get back into line with minimal time delays and impact on the overall profit.

Consider whether any areas of your bodyshop are still running on outdated processes. These may have been introduced as workarounds for issues created by one 'bad egg', but are not necessarily the best and most effective way to work today. **For example, when a repair cost doesn't add up correctly, some bodyshops employ a lengthy procedure which sees paperwork passed through various departments before the Vehicle Damage Assessor (VDA) is able to review the issues at hand.**

A quick solution might be to take a 'many hands make light work' approach and invest heavily in bolstering the team to try and prevent errors from slipping through the net. However, these employees will still only be as efficient as the processes they follow. While it may seem obvious, the crux is now to streamline the entire repair workflow from estimate to completion, to eliminate as much non-value work as possible and protect every pound made on each repair.



THE BODYSHOP VIEW

“Integrating management systems across the bodyshop has significantly streamlined our repair workflow, making processes such as moving from point of estimate to job allocation in the workshop slicker than ever before. This task was previously time-consuming and often required multiple staff to move the job through each stage of the repair cycle. Now, it is seamlessly automated and saves staff valuable time which can be reinvested back into high-value work on repairs.”

- Jason Gough, Operations Director,
D Walton Limited

Having clear and fully documented standard processes, and ensuring all employees are trained accordingly can also significantly reduce the margin for error, and maintain operational continuity - particularly when integral members of staff are not present in the shop. For example, each bodyshop will typically employ one designated Parts expert. When they are away, the bodyshop can only function if other members of staff can complete this work correctly in their absence - work which can be completed successfully if others have access to a step-by-step process.



Achieving this can be fast and simple. Implementing an accessible central intranet or FAQs document for staff to access quickly and easily can provide the ongoing support required to minimise periods of downtime which threaten the progress and overall profits made on repairs. While the impact will not be immediately visible, the small efficiencies gained will amount over time, shaving essential seconds, minutes and eventually hours from repair work to improve productivity and cost efficiency.

What's more, employing fewer staff, but those that are well-trained and trustworthy helps bodyshops to offset the added expense of increasing wage bills - a factor which can so easily cripple a business when problems occur or work streams depreciate.

PROTECT THE ESTIMATE

Responsible for ensuring the correct value is achieved for each repair, the VDA is at the heart of bodyshop profitability. Every estimate must be carried out with maximum accuracy, to ensure that technicians have a clear blueprint of the exact work accounted for within the cost of the estimate.

With bodyshops already operating within extremely tight margins, any work completed in addition to that accounted for in the original assessment inevitably eats into the valuable pounds the VDA has worked to find on the job. When this occurs and the VDA needs to go back and revise the estimate, repair times become drawn out and the opportunity for profit is minimised.

Putting this into context, **if the average bottom line profit on a car repair is £30, the opportunity to add another £10 to the estimate, for a missed task, or work operation, increases the total profit made by a third.** These gains might seem marginal on a case-by-case basis, they must be protected in order to positively impact your bottom line when accumulated over time.

Taking simple steps to provide a constant flow of communication between the VDAs and technicians can improve the clarity over the exact work required and allow workshop staff to raise questions to avoid any additional work being carried out at a loss. As an owner, or manager, you need to create an environment where it is natural, not confrontational, for the technician to raise his or her hand when something is missing from the estimate. For example, introducing digital communication channels which allow bodyshop staff to communicate quickly and effectively with each other can minimise downtime on productive repair work.

This also ensures that the VDA has the correct information and images to build a true justification for engineers that the additional time and parts were critical to complete a safe repair based on the correct methods. Saving a small amount of time 'here and there' with regards to communication, could ultimately determine whether a profit is lost or gained on a job.



THE BODYSHOP VIEW

“Audatex’s PlanManager solution has accelerated us towards a new level of digital management for the vehicle repair industry. Enabling increased efficiency and reduced key-to-key times, PlanManager helps us to achieve a cleaner, paperless future and deliver an exceptional service to our customers, every time.”

- Jamie Smithyes,
Managing Director of Artis Accident Care

GET SMART WITH PARTS

The systems and materials now used to power newly-manufactured vehicles are becoming more sophisticated by the day. The global autonomous vehicle market is set to reach \$36 billion by 2025⁴ and Advanced Driver Assistance Systems (ADAS) are now featuring in over 66% % of new cars⁵, forcing the next-generation of vehicle repairs upon a sector grappling with change. The cost of parts needed to complete more complex jobs will inevitably hike as a result, as your suppliers fight to remain competitive on price as repairs evolve with modern vehicle standards.



Naturally, parts account for a large portion of all costs on each repair job. **To mitigate against the rising costs and protect their bottom line, owners should not only prioritise improving repair cycle times, but consider the incremental gains which can be made on the parts and materials that they are using everyday.** For example, it is easy for bodyshops to overlook common lesser value materials, such as bulbs and coolant, on the final invoice. When missed regularly, these small costs cause a sizeable addition to a total bill of materials - impacting the bottom line with unnecessary costs which could be easily avoided through a greater attention to detail.

This level of care must also go into ensuring that the parts and materials used for a repair are the most suitable for that particular vehicle. If a bodyshop makes an error with the paint colour, or quality control is poor and an unsatisfied customer returns, the additional costs of paint, labour and time almost certainly means that the job will be completed at a loss once the vehicle returns to the shop floor. This also damages the chances of repeat business from a customer.

4 <https://www.statista.com/statistics/428692/projected-size-of-global-autonomous-vehicle-market-by-vehicle-type/>

5 <https://www.trakglobalgroup.com/the-latest-ad-as-of-note-and-remarkable-systems-in-the-pipeline-as-showcased-at-ces-2019/>

Small yet effective gains can also be made on vehicle parts. While the margins to be made on more substantial parts largely depend on the contracts with suppliers, decision makers can adopt 'better buying' practices and find ways to purchase parts at a lower price point than retail cost.

For original parts sourced from vehicle manufacturers, it is then simply a matter of negotiating the best deal possible. There are various factors which impact suppliers here. For example, the physical location of vehicle manufacturers might impact the availability of specific parts. If demand is high, these parts will inevitably increase in price and cost a bodyshop more to purchase from a supplier.

Can you tap into your relationships with longstanding industry partners, or utilise work provider discounts to negotiate a better deal? Does your bodyshop management system allow you to check prices and discounts between suppliers quickly and easily? If so, trying this approach can be hugely valuable for securing an enhanced buy price and improving the bottom line in the long term.



IMPROVE WITH ADMIN

In the same way that a restaurant relies just as heavily on a high standard of customer service as it does the quality of its food, the bodyshop's success is measured by more than its ability to repair vehicles. Completing jobs to a high degree of customer satisfaction involves a vast number of smaller processes beyond the workshop floor, which must all be streamlined to create that well-oiled machine which operates effectively and profitably.



Maintaining regular and productive communication with customers during repairs, as well as the insurance companies often responsible for delivering the work to the shop after a policyholder makes a claim is key admin work for bodyshop staff. Finding easier and less time-consuming ways for employees to communicate at every stage as alternatives to traditional time-intensive phone calls - such as an automated text service or web-based portal - can save precious minutes on admin work which can be reinvested back into productive work on repairs.

The use of courtesy cars is also another substantial profit drain. Collecting a damaged vehicle and delivering a courtesy car in its place is now a standard bodyshop practice. While this incurs a substantial cost, repairers are not paid to carry out this additional service, which is funded out of the existing profit made.

Making this process as efficient as possible is a valuable way to protect your business' already tight profit margins. For example, investing in transporters to collect multiple damaged vehicles at one time, and ensuring that this is done in the most efficient order, will reduce the number of trips required and expense on resources, such as fuel for the carrier vehicles. It will also improve the rate at which jobs enter the bodyshop and maintain the rate of productive work being carried out.



Just as drivers take out insurance policies to protect themselves when an issue with their vehicle occurs, bodyshops must have safeguards in place to safeguard their fleet of courtesy cars against any unexpected damage. Having a clear and robust system which records the good condition of a vehicle before it goes to a policyholder, and captures any damage which may have been sustained during the repair time helps bodyshops to avoid paying for repairs caused by anyone external. These processes should also help to protect against repairers becoming liable for non-accident related damage on customers' cars, as it can be identified and notified as close to the point of collection as necessary.

The same can also be said for any additional charges, such as speeding and parking fines, as well as congestion charges for those operating in cities such as London. Setting the right processes does not require an overhaul of staff and systems, nor does it have an instant impact on overall revenue. However, implementing these small changes over a period of time will help bodyshops to avoid unnecessary charges and make steady, incremental gains on their bottom line.

KEEP PRODUCTIVES PRODUCTIVE

“The true price of anything you do is the amount of time you exchange for it.”

- Henry David Thoreau



With the demand for faster and smarter repairs growing constantly, bodyshops can only perform at their best when productive staff are utilising their time in the most effective way. For decision makers, this means assessing the tasks that each productive carries out when completing a job, and finding ways to reduce the time spent on non-value work in the process.

How are they collecting parts or checking availability? When a job is complete, do they have to find the workshop controller to be allocated their next tasks? If so, how long does this take them - and are they at risk of getting distracted from work while doing so? Asking these questions can give managers a better understanding of any areas where the opportunity for high value work is being overshadowed by other workshop formalities.

Minimising this potential for unproductive downtime amongst productives, by enabling technicians to complete lower value tasks quickly and independently can be achieved with the right technology in place. Integrated management systems, which utilise information from other solutions to automatically move assessments into repair jobs when an estimate is approved, can save valuable time previously spent on processing this manually.

These systems can also help to streamline job allocation across the bodyshop. Having a centralised portal, which can be accessed from anywhere, enables and encourages staff to log job updates in real-time and allocate any tasks for technicians at the next stage of a repair, without input from workshop controller or lengthy breaks in between productive work.

For bodyshop owners, this level of visibility is vital for maintaining an essential 360-degree view of all work being carried out by productive staff, to help identify areas which could be improved for a greater impact on repair performance and overall operations.



As with any technology, implementing new systems and ensuring employees are up to speed will require an initial investment of both time and resources from the decision maker. Yet, keeping your 'productive staff productive' and focused on completing physical repair work at hand will not only ensure that these systems eventually pay for themselves, but will free up time for even more repair work and deliver those all-important marginal gains to your bottom line.

THE BODYSHOP VIEW

“Audatex’s bodyshop management system delivers the increased visibility of bodyshop operations needed to assess the efficiency of our workflow at any given time. By providing one accessible report and the option to drill down into specific areas when necessary, this small but important feature offers a new level of visibility and control for high-level management within the business.”

- Jim Monteith,
Managing Director, D Walton Limited

ADAPT YOUR WORKSTREAMS

With so many factors to account for, there truly is no one-size-fits-all formula for longstanding success in the vehicle repair sector. That said, all owners will share the same desire to maximise the amount of work entering their bodyshop and future proof their sources of work to stay competitive - particularly with the UK seeing a steady decline in its number of accident repair centres⁶ as the sector continues to consolidate⁷.

Are you relying too heavily on one work provider, for example? This is something to watch out for, as it could cause you problems later down the line should that particular pipeline ever begin to dry out. A small change in your outlook on workstreams and gradually exploring other potential sales opportunities may well be the change that open doors to a more consistent flow of repair work both now and in the future.



Start small by evaluating the mix of work currently entering your bodyshop. What other ways can you bring work into the shop, beyond work provider contracts? For example, your VDAs could use their role to assess whether any additional service and maintenance work could be upsold to customers already using the bodyshop for repairs to their vehicle. Setting incremental targets for the number of hours worked on retail jobs per week can provide you with a benchmark on which to keep building.

⁶ <https://www.businesswire.com/news/home/20190212005568/en/Future-UK-Car-Body-Repair-Market-2019-2024>

⁷ <https://www.bodyshopbusiness.com/battling-the-big-boys-a-survival-guide-for-the-small-independent-body-shop/>

When compared to the level of work completed through insurer contracts, many bodyshops fail to acknowledge the potential of customer walk-ins. More often than not, this is down to potential customers simply not knowing your brand and the services you offer.

Taking small steps to market your business, through channels such as social media or advertising can increase your profile locally and broaden your customer base - even generating referrals to bolster your in-bound workstream over time.

This selective approach to repair work does not only apply to the work you source independently; it is also about the work that you actively decline. Having avoidance programmes in place, whether technology-based or otherwise, can help to vet all potential work and prevent any total loss vehicles from entering the bodyshop's workload and causing an immediate loss in profits.

Striking the correct balance of work which can utilise your staff and equipment in the most effective way will result in reduced repair lifecycles and increasing profit margins. While you are unlikely to see dramatic changes overnight, a more varied approach to the way that your bodyshop sources its work could be the key to sustaining profit and growth as the sector enters the next phase of its evolution.



Want to find out more?

Contact the Solera Audatex team at servicedesk@audatex.co.uk, or visit <http://audatex.co.uk/>.