

Wanted: Knight in Shining Armour

The following anonymous letter was received by VBRA and thought worthy of a wider audience as it reflects the frustrations felt by many body repairers operating in today's challenging – some would say dysfunctional – market.

For years bodyshops have been struggling against the odds: government, insurance companies and now worst of all, management companies. They are bleeding us dry and only encouraging garages to cheat to make ends meet.

Firstly they set the labour rate, then the discounted paint rate, then where the parts come from and then they hit you with bottom line discounts - eg one insurance company wants 21.3% and as most parts only come with 10% we are forced to give away a discount we don't have.

We are required to use a paint supplier of their choice and this supplier is forced to pay the management company for each of the paint jobs a garage undertakes. This is calculated on the total of paint the garage buys per month. If a garage does not meet a total of £85 per car this is investigated. So instead of saving the environment we waste paint to meet our target. The patten parts we have to use are price capped and that company has to pay the management company as well.

Even now a certain management company out there has bought a credit hire company and if their garages can't

send enough referrals through then the work put through that garage is slowed, stopped or terminated. Nothing in our contract states we have to do this but as they bought a failing company we, the garages, have to prop it up. So even if you are a top repairer you could lose your work for all the wrong reasons. Some repairers have been charged £500 per referral they have not sent through even though the labour rate is less than others AND they take a bottom line discount as well. Most insurance companies get in first with referrals.

The cost of insurance goes up each year not because the garages are living like millionaires but because the insurance companies are putting non-fault clients in hire cars. Not a bad idea if it's not your fault but what they do is put their clients in a car on a Thursday, we estimate and send off but it's not authorised till Tuesday. Parts not in till Thursday so it's a week later, at the cost of hundreds of pounds, before we start work.

The monopoly is that the management company holds groups of companies and most garages cannot so no although they would like to... we rely on this work. What we need is a trade union to stand up for us, to make sure

the garages that are good are looked after and supported not screwed to the ground and trampled on.

They hold audits and we have to pay for this on a sliding scale and if you don't complete all the requirements you are charged for this too. Again, not in our contracts but they change the goalposts all the time to suit the latest 'grab for cash'. I actually feel they don't care about the companies they look after only what they can screw out of the deal.

I really value my customers and the insurance companies I have worked for, some for many years, and I want it to continue.

I know this is the coward's way. I really wish I could put my name and address to this but I rely on this work and need to continue for now at least. RBS used to be the most hated company but now WNS have taken top spot.

Please, please investigate this or put it in print – other garages out there will reply.

Thank you for your time.

As the longest standing trade association for body repair, VBRA replies:

Dear Repairer

Thank you for your letter. It will not have escaped your notice that many of the issues that you refer to are the same issues that have been the bane of repairers' lives for many years. The degree of influence of work providers varies from time to time but the onslaught is nonetheless never ending.

Your letter is anonymous but I feel sure very many repairers will identify closely with the issues that you raise in terms of labour rates, discount expectations, non original parts and introducers' fees/commissions.

There is no direct response to the issues that you raise that do not sound trite. Over the years each of them has been addressed in trade media by trade association, with work providers, with legislators and pretty much anybody who will listen!

The fact remains that despite the problems you highlight there are repairers who tell us they are at least doing ok and in some cases doing very well – often on the back of putting right repair work that has been incorrectly completed by some of the factory style repairers up and down the country. Equally in the now dim and ever distant past when groups of repairers have agreed to stand firm against insurers within a few days one or more has broken ranks with perhaps the inevitable result of 'no improvement'.

You suggest what is needed is a trade union to stand up for repairers and to make sure the garages that are good are looked after and supported and not disadvantaged and trampled on.

Here perhaps is the crux of it:

The repair industry in the UK and indeed throughout mainland Europe primarily comprises small, often family owned businesses or corporations each with its own business model and ethic, each with its own issues

and, most of all, each fiercely independent.

It is this very independence which means, as has been proven many times, the industry finds it difficult to stand together to present a united front against forces seen to be doing it down. Sometimes members of a trade union can work to rule or have the sanction to withdraw their labour. This stance is unlikely to work for a sector that is made up from such different businesses with different ideas, with different overheads and different business models and indeed, no central fund for the payment of 'strike pay'.

It is no compensation to you that there are many who share your views and many who face the same problems you allude to. As a trade association VBRA works solidly to support its members however it may – though inevitably there are limitations on the sway any trade body can bring to bear given that they represent the disparate views of a disparate group of businesses who do not have the same financial clout as the insurers and work providers.

As you may have noticed VBRA has been working with colleagues from across Europe on the issue of insurer dominance and consumer choice. This is a long and tortuous process being undertaken through the European institutions as our own Office of Fair Trading openly equates cheapness of premium with consumer satisfaction. As I have pointed out before, the sector does not have sufficient weight of customer testimony on detriment, mainly because customers who are dissatisfied are also wary of allowing their names and details to be used in evidence as they feel they will be discriminated against in the event of a future claim against their insurer.

So maybe not a knight in shining armour but certainly a willing servant indentured to many masters all with slightly different needs, desires and aims.

An Insurer Responds

Phil Brailey, Motor Damage Supplier Manager at Allianz Insurance is a well-known and respected manager within the sector. He is always happy to debate and examine issues of concern to both repairers and insurers.

'Allianz enjoy an excellent relationship with all our repairers because we deal with them as partners not as a supplier. I can understand some of this person's frustrations. From an Allianz perspective a lot of the things mentioned, we don't do.

When asked if he thought it was worrisome to see repairers go out of business, Phil replied, 'Of course it's a concern, I don't like to see anyone go out of business. You have to ask why do they go out of business? It's all too easy to put the blame at the door of others. Was the business well run; did they have a clear business strategy and pursue it vigorously?'

Both insurance and repair are competitive market places. Insurers suffer a lot more regulation than repairers. Over the years the insurance industry has been scrutinized to ensure we treat the customer fairly and we've always come out with a clean bill of health. Repairers can say anything they like to a policyholder but insurers have to stick to the rules of treating the customer fairly.

The margins that we are all working to are so narrow there is no room for fudging. If you pick the wrong business strategy you won't survive.'

Talking around this point, Phil explained that repair shop owners need to understand not just the technical side of repairing vehicles they need to understand the commercial dynamics within their business. 'Take a simple thing such as "do we repair or replace this panel" – what effect does your decision have on your bottom line? Use this type of business management data to skilfully manage your business and you will do well. The other key is to continually look for and take out inefficiencies within their business'.

What about repairers new to management? Can these skills be learned? 'If you need help ask the trade associations, they will be able to guide you along the right path. There are many management consultants – again ask the trade associations or other repairers. You should be able to find someone that comes highly recommended'.

Credit hire is one of the crisis points alluded to by the anonymous repairer. A general downturn in the number of vehicle accidents combined with increasing insurer scrutiny of the cost of credit hire / non-fault repairs has caused many of the non-fault and accident management companies to change their terms with repairers.

Is this going to bring down the industry? Phil comments that regulation of credit hire has been tried in the past with limited success. 'There are those companies that are more transparent and we are happy to engage with them. We prefer our network repairers to refer credit hire cases to us. We don't think it's a core area of the repairer and we don't want added cost, so at Allianz we prefer to deal with these claims directly.'

'This past year has been extremely difficult for all businesses and particularly for the insurance and body repair sectors where nothing ever comes easy'.