



BUSINESS SENSE by TIM KELLY

Separation anxiety

For the repair industry, there is a large elephant in the room, which is the fear of challenging insurers, telling them that you have had enough of their rubbish rates and of them running your business.

But why? Is it the fear of losing the very work you don't want? Or the possibility of upsetting a relationship that could one day bring better rates, even some profit – but never actually ever does.

Donkey? Carrot? Stick? Is this the repair industry dichotomy?

I recently had a conversation with a very well-respected industry colleague who runs a large business with various work providers. This colleague called partly for advice, partly to update me on what is happening in the industry. I was informed that they had discontinued one of their primary work providers which works with multiple insurers. In short, it wasn't a profitable contract, they said, and they are not the first to tell me this. What could have been a contract with potential five or 10 years ago, has not changed with the times. The offer of paying small sum per job to offset rising fuel costs was seen by the repairer as the work provider not grasping the current economic climate.

But the most interesting part of the conversation was that some of the insurers, with whom this company works, have directly approached repairers to ask why they are turning down these contracts.

I would argue that these people acting for insurers seem to be from some dystopian world in a parallel universe, not

grasping fully what is happening in the body repair industry.

Or are they? They then proceeded to agree a "gentlemen's agreement" at £50 per hour compared to the less-than £30 per hour on the contract.

I reminded my industry colleague that I've been saying this for two years as least and they should have acted ages ago. Even though the repair industry is in very dire straits, capacity issues are no longer on the horizon – they are right in front of us.

Business dynamics are most certainly shifting to the repairers, but what was said next had me scratching my head. Due to the size of the business, the owner was still concerned about making waves and upsetting insurers.

My question would be why? If ever there was a time that insurers need repairers, rather than the other way around, it is now.

The other question is, "Why do you fear upsetting insurers?" If you market areas that are not reliant on insurers, then you have less to fear by upsetting them. And how many insurers do you think have said, "We cannot do that, it will upset repairers"? I would wager not a single one.

If you own a bodyshop, is it truly yours if others are dictating their terms of business to you?

The next couple of years are going to be tougher than this industry has ever seen. I can see many repairers not being around. The only way many will survive is when they start to take running a business very, very seriously. For those that do, don't be scared of saying no to crap contracts, and don't be

scared of upsetting them – they need you more than you need them.

For the intermediaries, if you don't have repairers doing your work, you also won't have a business. Revise your business models, pay repairers labour rates in the £50-plus per hour region rather than £30, and make your profit by charging insurers for your claims administration.

The argument that insurers want savings not costs, does not wash. It costs insurers a lot more to not use you than it does to use you. But what happens when insurers change to another business model? And they take it back in-house?

The cycle of business in insurance goes around and comes around. Someone somewhere will be making a profit. If you are a repairer, it's time to make sure that is you.



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