

Negotiating is An Activity Not a Strategy

By Keith Manich, Director of Collision Services

As seen in [Hammer & Dolly Magazine](#)

Although some consultants in the industry would lead you to believe that negotiating is a long-term strategy for your store, it's not. It's an activity. Although it's an important activity, it's not as important as the actual strategy that the negotiation efforts are supporting. The activity, preparation for it and its execution are all steps in the process that support the strategy. The strategy is and should be the formulating of plans that support decisions that improve the overall financial health of the business. Keep in mind that the opposing strategy typically doesn't support the financial well-being of the business as is evidenced by; forced unrealistic discount demands, arbitrary reductions in assessed damage times, arbitrary removal of operations without facts or contrary documentation, and the age old phrase, "they don't charge for that down the road".

Recently some very highly respected industry consultants have come up with the idea that it isn't necessary to identify and segregate structural realignment from other sheetmetal labor within the damage analysis process. This has immediately resulted in the insurers leveraging this "new position" against those that are meticulous in their wanting to ensure that all damage on the vehicle is properly identified. It is also contrary to the proper development of times are consistent with the operations that will be performed. The outlay for structural realignment equipment, the skills associated with structural realignment, the welding certification for structural technicians, these are all rational considerations when developing both pricing and time calculations for the repair activity. Why then do some now say that this shouldn't be a consideration? What is the rationale behind this and why should repairers allow this new approach by some be rolled out among all repairers? Unfortunately, because they let it happen. This is one reason that we aren't seeing a cost differential for aluminum repairs in most cases. Even given the fact that there are required expenditures that are required under the OEM aligned "certification" processes.

There comes a time in financial strategy development when boundaries need to be established which have to be carefully constructed so that negotiation activities are reduced. If an MSO or a “certified” OEM facility chooses not to identify structural repairs as a separate line item, that is their strategy. It doesn’t necessarily translate to all repairer strategies. What would be the benefit of that strategy to an independent repairer? There is no benefit, it is actually a detriment. For example, the independent repairer wants to buy structural realignment equipment and is seeking out financing, it is a much better strategy to be able to cost justify the purchase using experiential data created within the repair plan. Establishing answers to questions such as how many structural repairs have been completed, how many billable structural hours were paid, how many dollars were identified specific to structural repairs etc. No data creates less support for the purchase.

The other side of this argument is the fact that if all of the hours are lumped into one category. When an insurer or TPA looks at the total billable hours uncategorized and says “there’s too many billable hours, reduce by “X”. X or course being the reduction amount that has been determined for that particular week, month quarter etc. Depending on how well the claims department is managing their business during a given timeframe the “negotiation” demand can change significantly. Then of course the insurer is also considering the peripheral impact of tagging a vehicle as requiring “structural” realignment listed as it creates a “stigma” with the consumer that the “frame was damaged”. This of course knowing full well that proper structural realignment will restore the vehicle back to pre-loss performance, appearance and safety system functionality. The most significant point here is the restoration of the structure to pre-loss performance. It takes dedicated equipment, dedicated staff and dedicated training that this same entity, the insurer, is saying all times should be compressed into one labor type. Their strategy is divide and conquer by making some repairers do one thing and others doing another and then using each against each other during the “negotiation”.

Yes, it is a strategy which some have honed to a razor’s edge so they can continue to work it to their advantage. How do you guard against this? Preparation. Making sure that your strategy is backed by facts. Making sure that you have documentation that provides irrefutable evidence that supports your position. Making sure that you control the conversation by keeping it on track using the information and controlling the “emotion” so that the facts “float to the surface” repeatedly making them be the conversations focus. Negotiating is a tactic, the strategy is to

maintain the facts in such a way that they can't be circumvented by emotion and leveraged against the collision repairer. This supports the overall financial strategy.

So going back to the first paragraph of this article, consultants may have many ways that they approach a particular topic. Owners and managers in the collision repair industry have to decide the approach that it is best for them using all available information. That starts with knowing the numbers and what is affordable and more importantly what is affordable. One size doesn't fit all when it comes to DRP agreements, business models or negotiation scenarios. They have to be individually tailored for the specific needs of the business. The business strategy starts with knowing what is needed to cover expenses and what is a predetermined profit margin that needs to be achieved. Knowing what is required to go into any business negotiation allows for better decision making and more importantly when push comes to shove, what is tolerable. Remember that negotiations are an activity based on the overarching business strategy.

Keith Manich began his journey through the collision repair industry as a body technician and painter over 30 years ago, progressing through management, insurance claims, automotive engineering, testing and training and technical oversight at an industry MSO. He held roles in senior management in training and research at one of the nation's premier collision research facilities as well as traveling worldwide in his role as the center vice president. As a trainer and coach in damage analysis and damage blueprinting, he has also been responsible for developing SOPs, financial impact models, job aids and repair personnel job descriptions for collision repairers. He brings unique skill sets to the Automotive Training Institute as well as the industry. He regularly participates at collision industry events delivering immediately impactful information for collision repairers. His passion for repair process efficiencies, oversight of established processes and the designing and implementation of new repair and production procedures are never ending. He has an unquenchable thirst for knowledge which has helped to provide decades of properly repaired vehicles for their owners. He works with and is an active participant in many industry organizations such as CIC, SCRS, ASA, I-CAR, AMI and WMABA (just to name a few), and he has been a guest speaker at NACE, SEMA, AASP and other industry conventions. His productivity tips can be seen in Hammer & Dolly, where he is a featured writer. He can be reached at mkmanich@autotraining.net.

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