



Special Presentations Committee

Chair: Tony Passwater
AEII

Vice Chair: Tony Molla
ASE



The Cost of Quality

Special Presentations Committee

9/14/2005



Special Presentation Committee

- Tony Passwater
- Tony Molla
- Jeanne Silver
- Dan Risley
- Tom Moreland
- Bob Smith
- Farzam Afshar
- Janet Chaney





Future Special Presentations

NACE Meeting – November 1st

- ◆ Total Losses ... Lost Opportunities





Cost of Quality

■ Presenter

◆ Mark Olson

- ◆ Founder and COO - VeriFacts Automotive and Certifacts Automotive
- ◆ Former Technician, Shop Owner , Adjuster
- ◆ I-CAR Instructor
- ◆ 23 Years of Collision Experience





Cost of Quality

■ Issues

- ◆ Lack of Understanding of ...
 - ◆ What is Quality
 - ◆ How It Affects Industry
 - ◆ Why Quality is Cost Effective
 - ◆ Why Poor Quality Costs More



Cost of Quality

■ Current Conditions:

◆ Shops:

- ◆ “Give Me a Fish So I Eat Today”
- ◆ Rather ... “Learning How to Fish”





Cost of Quality

■ Current Conditions:

◆ Shops:

◆ Estimators Challenges

- Skills and Understanding
- Affects Work Flow Process





Cost of Quality

■ Current Conditions:

◆ Insurers:

- ◆ Differences Between Policy and Application in Field





Cost of Quality

■ Common Repair Issues:

- ◆ Lack of Proper Measuring – Pre and Post
- ◆ Improper Welds – Skills and Practice
- ◆ Improper Corrosion Protection
- ◆ Poor Repair Methodology

***Many Shops focus on short-term QUANTITY
rather than long-term QUALITY***





When Process Fails ?





Cost of Quality

- **Cost of Comebacks:**
 - ◆ Cost of Materials
 - ◆ Cost of Rental Cars
 - ◆ Management Time
 - ◆ Customer Satisfaction Index
 - ◆ Reputation in the Community
 - ◆ Loss of Productivity





Cost of Quality

- **Hard Cost Factors:**
 - ◆ Customer
 - ◆ Repair Facility
 - ◆ Insurance Company
 - ◆ Industry





Cost of Quality

■ Customer:

- ◆ Time Off - Work and Personal
 - ◆ Loss of Money and Productivity
 - ◆ Loss of Family Time
 - ◆ Gas

**Why Can't It Be Done Right ...
The First Time !?**

- ◆ Frustration





Cost of Quality

■ Repair Facility:

- ◆ Labor and Parts
- ◆ Customer Trust

**Freebies to Make Customer
“Happy”**

- ◆ Administrative Expense





Cost of Quality

■ Insurance Company:

- ◆ Claims Adjuster Time
 - ◆ Adjuster Productivity
- ◆ Friction - Shop and Customer
- ◆ Clerical/Administrative
 - ◆ Cost to Issue Payment
- ◆ Policyholder Retention





Cost of Quality

■ Industry:

◆ Customer Perception ...

- ◆ Poor Image of Automotive Industry
- ◆ Reduces Confidence in Insurer
- ◆ Reduces Confidence in Collision Repair
- ◆ Reduces Confidence in Manufacturer

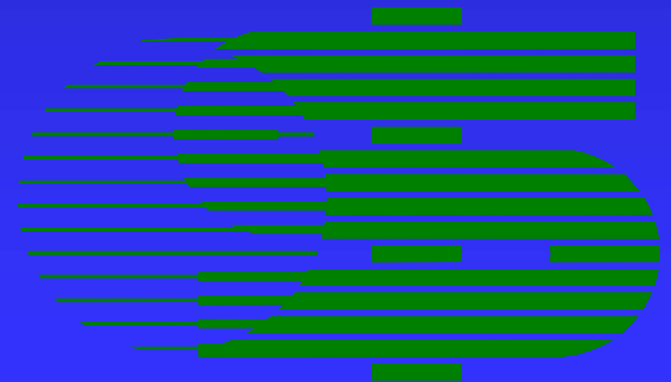




Cost of Quality

■ Recovery (Shop):

It Can Cost \$7000.00
in Additional Future Sales to Offset Just
One Comeback !

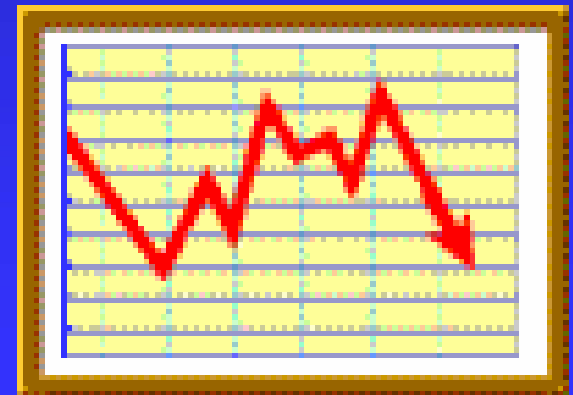




Cost of Quality

■ Recovery (Insurer):

It May Take Thousands of Dollars to Replace Just One Current and Loyal Policy Holder ...





Cost of Quality

■ What Is ... What Is Not Quality?

- ◆ Corrosion Protection ... Not an Elective
- ◆ Sectioning Rails and Structure
 - ◆ Repairing Cracked Rails
 - ◆ Improper Locations Used
 - ◆ Manufacturer Says “No”
- ◆ Welds ... 96/100 done correct
- ◆ Bolts ... 19/20 Tightened
- ◆ Overheating a Rail or Just Heating it





Quality Choices

Left Quadrant

■ Cost

- ◆ Potential Negative CSI
- ◆ Potential Liability Issues
- ◆ Loss of Sleep
- ◆ Lost of Market Share
- ◆ Redoing Things

■ Payoff

- ◆ Faster Perceived
- ◆ Higher Profitability
- ◆ Being Righteous
- ◆ Do not have to be Accountable for your Business or Actions

Right Quadrant

■ Cost

- ◆ On-going Training
- ◆ Take Longer
- ◆ All Procedures May Not Get Paid For
- ◆ Being Accountable for Actions and Business

■ Payoff

- ◆ Higher Profitability – In the Long Run
- ◆ Less Marketing
- ◆ Own Customer for Life
- ◆ Doing it Right
- ◆ Sleep Well



Quality Choices

Left Quadrant

- ◆ Only Do What Paid For ...
 - ◆ Insurance Company Did Not Pay to Properly Repair Vehicle
 - ◆ Quality is Function of Dollars Received
- ◆ Today's Gamble ...
 - ◆ Nobody Will Look at it Tomorrow
 - ◆ I Will Get Away With it ... Maybe



Quality Choices

Right Quadrant

- ◆ Cost of Doing Things Right is – Payoff
- ◆ Doing it Right – Then How to Make Money
- ◆ Can't Make Money Doing it ...
 - ◆ Then it Should Not be Done
- ◆ Quality is Function of Doing it Right First
- ◆ Not Enough Money to do it Right –
 - ◆ Choice to Make: Do the Job or Not...



Cost of Quality

How Severe is the Issue ?

- ◆ National Comeback Averages
- ◆ CSI Reports
- ◆ Unreported Issues





Improve Process

■ Four Key Areas of Improvement

<i>Thorough Damage Assessment and Customer Communication</i>	<i>Internal Quality Control Stage Checks and Peer Inspections</i>
<i>Pre-Delivery Inspection and Estimate Review</i>	<i>Well-Defined Customer Delivery Protocol</i>



The Cost of Quality Supersedes the Cost of Supplements



Questions ?

Thank You