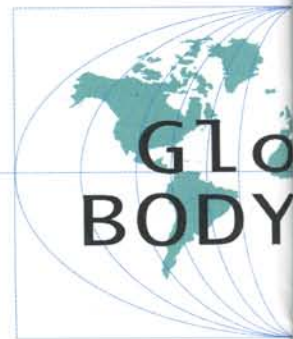


Inkerman Panels



This month, we take a close look at the Australian body repair industry.

Thanks to Thatcham for supplying the bodyshop details, and to Andy Holzer of Inkerman Panels who provided the comprehensive answers.

1. What is the biggest influence on the profitability of your business?

Leadership - Culture.

The biggest difference between successful and unsuccessful organisations in my view boils down to leadership and culture. True leaders view innovation as the life blood of business. They seek change rather than resist or wait for it. True leaders use the old as a basis to create the new. They are doers not just dreamers. They have high expectations and they create high expectations in others. I believe in the old fashion values of honesty, integrity and hard work. It is essential to understand the importance of people and involving staff at all levels of decision making so that all employees become empowered and are then held accountable for satisfying both their internal and external customer needs. The role of management should be to lead and support in that process, with integrity, honesty and appreciation for their efforts and input.

I also have the firm belief that the successful company of the future will be the one that is able to harness all the skills and knowledge of all the people that work there. This will create an environment and culture within the business whereby dedicated, loyal, quality staff are able to work together in teams to deliver a higher level of customer satisfaction and thereby secure both their own and the business's future.

Equipment, training and technology is available to all who have the vision and foresight to participate in it. However, I believe that in the new global village of the 90's, the only commodity that we have to trade is the mindset and the culture of the staff that work there.

2. How big a role do insurance companies play in your business? How important are insurer approvals?

Insurance companies play a huge role in our business. I believe that in the crash repair industry we are different to most businesses in that we have two customers. One, the person who is actually driving the motor vehicle and, two, the person who is actually paying for the repair - the insurer. Two different people with different demands and priorities. It is essential that we keep both customers satisfied.

I believe that business in the 90's is all about building a climate of long term relationships. I further believe that no long term relationship is sustainable without a very high level of trust and all this must be underpinned with honesty, integrity and professionalism. If an insurance broker or insurance company refers the driver of a vehicle to a crash repair centre, that centre is seen by the driver as an extension of the insurer. So any lack of professionalism by the repairer will impact on the relationship the driver will have with the insurer, and in turn, the insurer has with that repairer. So

insurers are the customers that refer the drivers of the vehicles to our business, thus approvals are critical.

3. Would you say you control your own destiny or it is controlled for you (if, so by whom)?

After many years in business one sees many changes in the acceptable behavioural pattern of conducting business. Behaviour that was acceptable in any business in the 50's and 60's is certainly no longer acceptable in business in the 90's. All in the panel industry do not live in a sheltered cocoon, this impacts on us. It is also fair to say that as the majority of our repairs are insurance repairs, it is essential that both the insurers and the repairers understand that a win/win situation must be achieved. It is essential that the insurers have good quality, professional and financially viable repair centres to partner with. It is equally important that the repairer fully understands that the insurer they partner with must remain viable and competitive in the marketplace. There is no doubt we should be aiming for a partnership culture with insurers, rather than a them and us situation. Whilst we are witnessing major changes in the relationship with insurers, a further paradigm shift by both sides is desperately needed.

4. How much support do you get from your suppliers, such as paint manufacturers and distributors? How important is good support?

It is amazing to see how relationships with manufacturers and distributors have changed in the last decade or so. Traditionally, our view of suppliers were that their interests conflict with ours, they charge too much, they do as little as they can get away with, they are a cost to us, they are dispensable. Our current thinking has totally changed, in fact we are now of the opinion that our suppliers are part of our system/operation. Their long term success benefits our business, their performance impacts on ours, fewer suppliers produce fewer problems, we must build a relationship of trust and loyalty with them.

For example, the relationship that we have with our paint supplier, ICI Autocolour, we believe is second to none. Even though there are many paint suppliers in Melbourne, we use and have used ICI Autocolour exclusively for 30 odd years. To this day, our opinion is that their product, training, support, caring and expertise of all their staff is second to none. In fact, ICI Autocolour is the epitome of a trusting, caring partnership relationship that one should aim for and in most cases, one can only dream of.

5. How widespread is the use of computer technology in your country?

In the past, we have focused our finances and

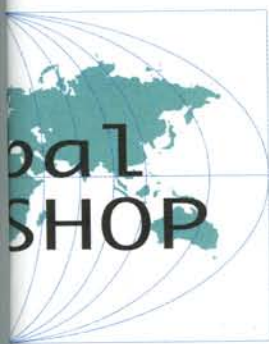
innovative skills to the panel beating and painting areas of our business. Two years ago we installed an AutoQuote system and our office is now entirely computerised. With the benefit of hindsight, we should have done this years ago. Today, we cannot imagine running an office without our AutoQuote system. In fact, we clear the computer screen before ever answering the 'phone, our ten screens in constant use. The next step of our computerisation was the installation of the AutoQuote Clock which allows us to do live job costing and management. This has been embraced by all our staff willingly. It has allowed us to generate reports, track real time, real materials, real profits and record everything live as it happens. The feasibility and reporting facilities provided by our computerised office is essential to running a profitable panel shop of the 90's as what the chassis measuring system, paint baking ovens and other essential repair equipment are.

6. Do you offer your customers a courtesy replacement car whilst you are repairing their vehicle?

Most insurance policies do not provide for a replacement car for the customer while their vehicle is being repaired. The only time an insurer will pay for a replacement vehicle is if the customer is claiming Third Party, i.e. against the negligent party, and needs the vehicle for their line of business, e.g. salesperson, doctor or a specific vehicle that is outfitted for special service use. However, at Inkerman panels we have a motto of "Yes, we can" and we try to exceed our customers' expectations every time. At times, this is at the expense of the present repair not being profitable, but we will still subsidise a rental vehicle for our customers and thereby build a relationship. We treat this as advertising, relationship building or part of a customer loyalty programme. We are long term players. It would be nice to make a profit on every repair, however, if this is not to be, we look to make a profit on either the next repair this customer brings or any referral business they are able to generate. This long range relationship building with both our customers and our staff has been the corner stone of our crash repair centre since its establishment in 1950. It is, perhaps, for this very reason that many of our staff and long term customers have been with our organisation for up to 30 years.

7. How much of a role does the relevant trade association play in your business? Do you see membership as very important to a successful, profitable bodyshop?

The entire landscape and relationship between insurers and crash repairers in the last number of years has changed dramatically, and not always for the better, thereby the need for the trade association to negotiate a



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fair and level playing field for both the repairer and the insurer has become paramount. Traditionally, insurers were reluctant to refer customers to crash repair centres because they felt that should the repair not be to the customer's satisfaction, it would also impact on their relationships with customers. Recently, however, the insurers have now introduced a direct repair programme, whereby they refer the motorist to a preferred crash repairer and some insurers have introduced a tow out policy.

In essence, this means that at the time the motorist insurers with an insurance company, the motorist subrogate the entire control of the repair process to the insurer in the event of an accident. The insurance companies involved with this scheme have the vehicle towed out from all workshops and have the vehicles transported to large assessing/tendering depots. Select crash repairers are requested to tender for the repair of these motor vehicles and at the discretion of the insurance company, the vehicles are then repaired. The drivers of these vehicles have no say in the selection of repairer and more often than not, are even unaware as to who repairs their vehicles. This system makes it impossible to build a rapport with the driver of the vehicle.

The tendering process has had far reaching effects on crash repairers in our State. So having an active trade association that is in tune with the insurers', motorists' and repairers' needs, has never been more important.

8. What role do non-original panels play in the repair process?

Some five to 16 years ago there was a great influx of non-original panels into this country and most of the repairers found them to be substandard, their use required many hours of adjustments and minor repairs and they thereby proved uneconomical. Today, they are mainly used by repairers at the lower end of the market and they are only used on older vehicles. At Inkerman Panels, we have never used non-genuine panels in the past and we have no plans to use them in the future unless the quality improves to an acceptable standard.

9. How much does environmental legislation affect your business?

Different from Europe and the UK, the only environmental legislation we have in place is regarding the disposal of our waste products, etc. High solids paints are now available in this country and our paintshop is now equipped with the ICI Aquabase paint system.

Prior to the installation of Aquabase, I toured many shops in the USA and feedback I received was extremely favourable in so far as the paint coverage

and the accuracy of the paint formulas. We are looking for a cleaner environment and outstanding repair.

10. Are all the bodyshops required to Register with a Government department?

There is no government registration of crash repairers in our State.

11. What are the key requirements for a profitable business in your country?

Staff - Culture.

The key requirement is the ability for management to gather a team of dedicated, loyal, quality, professional staff members in all areas of the business and having the ability to marry this with a total quality management culture and leadership.

We all must realise that the days of the insurer/customer paying us more money to repair a vehicle are gone and it is therefore essential that we have procedures in place that are agreed to, and adhered to, by all staff all the time. Crash repairers in my opinion must break out of the paradigm of thinking that our industry need not be as sophisticated or as professional as any other business. There is no reason why we should not be benchmarking to international standards. It is essential, however, that we do not pursue ISO 9000 purely for the shingle on the wall, for this would be not only costly, but counter-productive.

The implementation of the principles of total quality management to our business underpinned by ISO 9000 has catapulted our business from being just another business in the marketplace, to an excellent business actually leading the market. The structures we now have in place has led to management, staff interaction and co-operation only dreamt of in the past. The fact that at the end of the day, we will have ISO 9000 accreditation is an added bonus. In the meantime, our business has prospered unmeasurably from the new thinking of all who work here.

Equipment, training and new technology is available to all and sundry. However, I believe that in the new global village of the 90's, the only commodity that we have to trade with is the mindset and culture of our staff. I often state that staff are my most valuable asset.

12. Have customer demands changed in the past five years; if so, how?

Customer demands and expectations have changed in all walks of life, but in the crash repair industry where vehicles have become much more expensive, more customers and indeed fleet managers have come to the realisation that the quality of repair has a direct linkage to the resale value of their vehicles. Fleet managers have also come to the understanding that building

loyal, trusting relationships with professional and efficient crash repairers will also reduce their staff inconvenience and off-road time greatly. It is perhaps for this reason that we are one of only a handful of GE Capital Fleet Services Aust/JMJ Fleet Management approved crash repairers in Melbourne.

In order for us to maintain our status with GE Capital Fleet Services/JMJ, we undergo regular auditing of their quality and customer satisfaction surveys, who demand an exceptional high level of professionalism. Understanding their customer needs, anticipating their future needs and requirements and being able to deliver them is made easier by the cross training of our staff with the GE Capital/JMJ quality training teams.

13. How would you characterise the current refinish industry in your country?

It seems like only yesterday when my father was spray painting cars with lacquer and then with acrylic paint. There was no advice given by the paint manufacturer and the paint representatives were seen as a nuisance and a disruption to our business. Today, however, this has totally changed. No sooner had we installed the 2-pack system, we installed Dulux Cobra, the Shopwatch paintshop management system and Aquabase waterborne paints. Representatives today are not only welcome in our organisation but we seek their input and advice all the time. Our relationship with ICI Autocolor is a partnership that goes beyond paint.

14. Finally, how do you see the refinish industry in your country developing over the next five to ten years?

I can see that changes are going to be even more dramatic and there will be more training and partnering with our suppliers than ever before.

A busy business is probably no different to a woodsman sawing wood in a forest and sawing just as hard as he possibly can. A passer by says: "Isn't it time you sharpened your saw?" and the woodsman replies: "Look, I am so busy sawing I have no time to stop." Fifteen years ago, we had little training if any, however today, we seem to have someone on some sort of course on a regular basis.

It was only very recently that I closed down my entire paint shop for two days and booked out the ICI Autocolor Refinishing Training Centre for a high efficiency course. It is interesting to note that some of my painters who are very experienced and highly qualified had reservations about how valuable the course would be for them, and understandably so, because they are high quality tradespeople. However, after the training, everyone gained something and as a team, we unanimously agreed that this training has put us even further ahead of our competitors.