

CAPA Meeting - 12/1/94

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Gillis

Purpose: 2 Basic Premises

1. Agreement that all participants benefit from CAPA's existence (insurers, shops, distributors, manufacturers).
2. Each individual is willing to assist in CAPA's on-going existence and success
  - shops no longer can say the only reason they use A/M parts is because insurers force them.
  - Auto Repair Task Force of U.S. Attorney General will issue report in January addressing whether there is a difference in quality between OEM & A/M parts (CAPA). They do understand that competition is good for consumers, however.
  - lowering "total threshold" will reduce # of repairable vehicles → need for lower priced parts.
  - Parts availability (CAPA) - CAPA sets standards for manufacturers only:
    - insurers don't buy parts, although they stimulate use of within collision repair industry.
    - distributors, insurers and shops want CAPA parts. but availability a problem.

Problems - issues of concern:

- no demand for CAPA parts
- not enough CAPA parts
- CAPA parts not delivered on time
- no differentiation between CAPA/non-CAPA parts
- insurers policies confusing, estimates don't clearly identify CAPA parts

Sub questions

Body Shop

is there demand?

- Cossette - OEM vs A/M decision between shop and customer; hence, shop is a source of demand
- Jerry Dalton - what's on estimate creates demand despite shop/customer.

Problem - Can't often get parts when specified

Ferrari - availability a problem in past, influx of new parts and more parts in last 6 months has improved availability.

- demand greater for LKQ than for A/M, insurers and shops looking for salvage alternative.
- if customer or insurer requests a CAPA part, I'd use (very uncomfortable with non-CAPA, however)
- I wouldn't volunteer LKQ or A/M unless customer requests a "cost effective" alternative.

Cossette - what is best way to fix car based on year, make, model? Decision should be made by customer and shop, particularly if borderline total

Ferrari - CAPA parts a bullseye for OEM price reduction strategies, hence, OEM parts tend to be competitive pricewise.

Gillis - based on survey we did, we haven't found that

ASA - one problem is many shops don't know difference between CAPA and non-CAPA parts

- good alternative parts will be well received

Kottschade - if consumer well aware of CAPA as "quality". would help increase demand

Hank Lewis (Morgan Distributors) - in insurance environment, shop not "the consumer" because

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Lewis - one good reason business is up in shops today is because parts prices are lower; however, shops also sell labor.

- My customers are shops and they want OEM because fewer problems and higher markup
- If CAPA equivalent to OEM and if shop has discretion to use or not use CAPA parts, there will be voluntary increase of usage.

Ferrari - if insurer's estimate calls for OEM, shop should use it. Does that always occur?  
Probably not.

- CAPA has to create the market by convincing shops of comparable quality as well as informing consumer
- One market driver is competition between shops in a given area - lower estimate will get the job, hence, will quote based on LKQ or A/M.

Hogarty - economics force the decision - consumer and shop have a financial disincentive because they're spending someone else's money. Decision point comes when estimate written - insurer's must drive increased CAPA usage.

Carlew - decision really made before individual estimates - determined in advance between insurer and shop when they agree to insurer's "profile" - what are guidelines and when are exceptions permissible?

- Insurers are inconsistent in their policies; sometimes, even in same city, an insurer's policies will vary.

Harn - if CAPA specified but OEM used, no one sees as inappropriate if no difference in price. However, if OEM specified but CAPA used, there is a perception of deception and fraud.

Cosette - "CAPA or OEM" on appraisal more cost effective for everyone; for shop because they don't have to spend hours tracking down appraisers for non CAPA or OEM. tying up my bay, etc. - very expensive; for insurer/consumer we can complete repair faster.

Cosette - CAPA's role is to certify quality of parts, not to market.

- Major problem - insurer management will dictate that "we will only use OEM & CAPA". However, we have appraisers from same company who come into our shop who don't even know what CAPA is - much inconsistency.

- Insurers should note on estimate, "order CAPA, but if not available, use OEM." Electronic providers can monitor whether CAPA part actually available. Problem now is when shop orders CAPA & supplier doesn't have but offers non-CAPA, shop will often use rather than call adjuster for use of OEM.

Randy McPherson (ABRA) - consumers well educated because of OEM's, will say "you're not going to put imitation parts on my car." Also, in many states (e.g., Mn) can't put CAPA parts on car w/o informing customer and having him accept.

Cosette - CAPA has big educational job with shops and consumer

McPherson - what is advantage for consumer and/or shop to use CAPA? For shop, we order many parts on each order from our supplier for a given repair job - much easier for us to order OEM, pay with one check, no parts available, etc.

Lewis - do shops make some distinction in other non-OEM parts, e.g., batteries, brakes, etc.?

Ferrari - certainly we readily use those because they've been around a long time and consumer has no hesitancy in their use - no question of their acceptability.

Gillis - consumer buys in because shop recommends NAPA mechanical part, or battery, condenser, etc. Why can't shop do same thing on CAPA sheet metal parts?

John Pitschi (N.Y. State Auto Collision Assn.) - one big difference: sheet metal parts can be seen (proper fit and finish) whereas mechanical parts can't - if it works, then no problem.

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Kim Wood (North Star/NECO) - bottom line is financial because shop has disincentive to use less expensive parts and the consumer and shop are "using" insurer's money. If consumer has to pay for job, they'll usually go with less expensive.

Jerry ? - When I can get that CAPA part with one phone call and always hang it on the car without fit/finish problems, the limited use of CAPA will disappear.

Kottschade - One problem for us is when we order a CAPA part to determine whether the part actually delivered is CAPA.

Gillis - we have new packaging that clearly indicates CAPA, just be sure seal on box hasn't been broken.

Wayne Browne (chairman of CAPA Board) - CAPA will shortly begin a marketing program.

Gillis - we'll need financial help from insurers for marketing program. OEM's resources far exceed CAPA's.

McPherson - CAPA should provide shop with point-of-sale material explaining CAPA program, quality of parts, etc., that shop can give to consumer.

Colbert - we have responsibility to train our people to explain use of CAPA parts and their quality. However, when our policyholder goes to shop and consumer says, "my insurer told me they want CAPA parts used", shop has to be supportive.

McPherson - we lack tools to convince consumer that CAPA parts are appropriate for use. e.g., when chromed bumpers were still used, if consumer indicated he wanted an OEM, we would tell him re-chrome just as good, plus it comes with lifetime warranty while OEM only has 90 day warranty.

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Lewis - OEM's have vested interest in not having cars repaired because they'd rather sell new cars

Hogarty - ultimate demand for CAPA parts will be driven by party who has greatest financial incentive. In present equation, that's insurance industry.

McPherson - non-OEM manufacturers haven't provided shops with the incentives to use their parts, educate the consumer, ensure distribution (immediate availability), image (quality). Manufacturers not doing their job! We realize that we have partnership with insurers, we don't have OEM propaganda against non-OEMs in our shops, we don't overtly discourage use of CAPA.

Ferrari - have insurance agent explain, "sell" his policyholder up front that his company encourages use of CAPA and why. Can information providers offer ability to act as central clearinghouse so that when shop orders CAPA part from its supplier and it's not available, that "market search" could be conducted electronically and immediately by them rather than require shop to make umpteen calls?

Ferrari - can distributors drop off a fender (or other part) to shops and ask them to hang it on the appropriate vehicle just to see how well it fits, then return to distributor, i.e., let us do our own quality evaluation program (other equipment manufacturers do this, e.g., paint gun manufacturers, etc.)

Harn - distributors must know which parts are being returned and which aren't - excellent source of quality information for CAPA and manufacturers.