Repair vs Replace Conundrum

Whenever I enter into a conversation about repair vs replace, I ask myself *why*. Repair vs replace has nothing to do with repairing a vehicle but is rather a metric designed to reduce cost. So why do we talk about it? The answer is that it's critical to those in direct repair agreements and they are looking for ways to improve their percentage. My answer to them is to document the repair properly and the issue will resolve itself. That sounds like a simple answer, but let's look at it.

If you increase your labor hours on a damage appraisal through proper documentation, you are narrowing the margin between repair vs replace. When reviewing damage appraisals in shops, I see the biggest opportunity for gaining labor hours in remove/replace (R&R) operations. These are not big gains but, in most cases, you do not need large gains to equalize the gap. R&R of a gas filler door for refinishing is one example. You can see that they are being removed even though it is not on the damage appraisal. Another common area I find is R&R of trunk interior trim to remove tail lamps or access bumper bolts. Again, the technicians are doing it and it's just not documented. I found items similar to these in a shop recently, and when we made the corrections and recalculated their repair vs replace percentage, we saw the needle move a couple of points.

Improving your repair vs replace metric can also be improved by replacing a part when it helps improve other performance indicators, especially those that focus on increasing profits rather than satisfying a direct repair requirement. Sometimes there are higher gross profit dollars in replacing a part than in repairing it. In the table below, I use a fender requiring 5.0 hours of repair to illustrate how replacing a part can impact gross profit.

	Repair					Replace			
Line Item	Billed Hours	Sales $	GP $	GP %		Billed Hours	Sales $	GP $	GP %
B-Lbr	5.0	$190.00	$114.00	60%		2.0	$76.00	$45.60	60%
P-Lbr	2.0	$76.00	$45.60	60%		2.5	$95.00	$57.00	60%
Parts							$200.00	$56.00	28%
P & M	(2.0)	$40.00	$14.00	35%		(2.5)	$50.00	$17.50	35%
Total	7.0	$306.00	$173.60	57%		4.5	$421.00	$176.10	42%

The table above shows that while the repair had a total of 57% gross profit and replacing the fender showed 42% gross profit, the replacement actually had $2.50 more in gross profit dollars. That doesn't sound like it will move the needle very much, but let's look at it a little deeper. Using technician efficiency of 170%, the fender repair would have been completed in 4.1 clock hours while the fender replacement would have taken 2.6. Reviewing the chart below shows you where the real value is.

	GP $		Clock Hrs	Total GP$ per Tech Clock Hour
Repair	$173.60	÷	4.1	$42.34
Replace	$176.10	÷	2.6	$67.73

I believe I would rather have a technician generating $26.05 ($67.73÷2.6) in gross profit per hour than $10.33 (42.34÷4.1). While this will not work on all repairs, I believe you will find enough repairs to bring the metric in line. Reviewing repairs for fast track is a good place to find repairs that will fit the process I described. Just think about the repair above: a 5.0 fender repair would probably require a higher skilled technician while a fender replacement could more than likely be accomplished by an apprentice. Building this mindset into your damage appraisers will move their line of thinking towards repairs that would benefit by parts replacement, lower skill level, speed of repair and increase in gross profit.

The suggestions I gave you to improve your repair vs replace metric in most cases will enhance the repair quality, improve pace of repair and increase your gross profit all while fitting within the guidelines provided by OEMs. Mistakes I see shops making is repairing a part that should be replaced in attempt to sway the metric. There are many parts that are designed to crush or collapse as part of the safety measures that OEMs are building into today's vehicles. Attempting to repair any of these parts would diminish the value of the repair and reduce the vehicle's capability to react the way they were designed to in future collisions.

Taking that into consideration, you will not win on the metric of every repair. However, being strategic with your work mix will improve the metric overall and that should be your goal. Focusing on each repair to ensure you have captured every operation required to complete the repair as specified in the OEM repair procedures is the key to improving the repair vs replace metric.

As I said in the beginning of this article, the repair vs replace metric is designed to cut costs. In reality, it is very antiquated in today's environment of thousand-dollar headlights and components that are designed to crush. Reviewing your damage appraisal documentation is the best way to put your shop on the favorable side of the metric all while improving your gross profit. So be systematic in your approach and review your damage appraisals, validating them against the items found in the SCRS Guide to Complete Repair Planning to ensure you captured all of the required operations. If after you follow my suggestions and your metric is still out of whack, refer to the first line of this paragraph and be satisfied that you are repairing the vehicle the way it was designed to be repaired.