

## DRP Dependent vs OEM Focused

There is a lot of discussion about whether a shop should maintain their dependency on Direct Repair Programs (DRPs) or focus more on Original Equipment Manufacturer (OEM) certifications. Some believe they can do both while others believe they need to make a choice. Both have strong (sometimes really strong) arguments for both positions. There are DRP shops that say they are meeting OEM requirements and staying within their DRP program guidelines while others are struggling in that environment.

I am seeing a gradual transition by independent shops to an OEM certified focused platform while national multi-store operators (MSOs) are concentrating on DRPs. I see this happening for two reasons: MSOs have the benefit of special agreements with insurance companies that give them an advantage over independent collision centers. The second reason is that I believe independent shops are becoming OEM certified as a way to improve their market share. I believe we will see this trend continue as independents work to better position themselves in their markets.

Moving from being DRP dependent to OEM focused is not something you do overnight. It takes some strategic planning to determine which DRP to move away from and which OEM certification to pursue. To begin, I suggest reviewing each DRP and determining the volume of work you receive, discounts/penalties paid and overall profitability of repairs. Through this review I am confident you will find one DRP that is costing you more to repair vehicles than others. This is the first one I would reduce the dependency on. As you begin to recoup the business lost by the dismissed DRP through OEM certification, you can focus on the next DRP to reduce dependency on.

As I coach shops in their transition to OEM certifications, I encourage them to carefully select their choices. It is important to focus on OEM certifications that are plentiful in their market. Acquiring certifications have costs involved and you must be able to recoup those costs through vehicle repairs. The purpose of gaining OEM certifications is to draw volume to a collision center that will replace the amount of work lost to the national MSOs through DRP agreements. Using market surveys and vehicle registration numbers will help you determine which OEM certification is the right fit for your collision center.

I also suggest that when researching OEM certifications, training/equipment requirements are reviewed and compared between different certifications. It is best to select certifications that have similar training/equipment requirements to reduce cost and maximize the benefit of obtaining them. Most certification programs have their training/equipment requirements published on their websites and equipment vendors also have equipment lists. I-CAR also identifies training requirements.

The benefits of being OEM certified focused versus DRP dependent is immediately visualized in gross profit. My audits have shown that OEM certified focused collision centers appreciate 5 - 12% increase in gross profit per repair order. They also realize a higher average repair order which affords them the ability to make more money while repairing less vehicles. I believe these are positive improvements and worth the expense of certifications. The key is to make the transition calculated and methodical to ensure you maintain profitability during the move from DRP

dependency to OEM certification focused. Rushing into the changeover can cause disharmony as it is a culture change which always takes patience. Do your homework and make the investment once. It will pay off in big dividends and ensure that your business has the sustainability needed to succeed well into the future.