



# Shop Showcase

with David M. Brown

## Auto Body World: Lean-ing Toward the Future in Phoenix

### A Phoenix-area Shop Improves on Success

Assiduously and passionately, you have built a shop your father opened more than a half century ago into Arizona's largest independently owned collision repair company—with more than 10,000 vehicles



(L) David Fait, CFO and (R) Bryan Hutfless, COO.

repaired annually for “delighted” customers.

During this time, you and your brother have opened six large facilities. Today, you live well with your wife and family; the community and your industry regularly awards you; and customers, suppliers and national insurance giants are consistently satisfied with your company's work.

So, after 50 years of success, you indulge your love of motorcycle riding, and just coast?

No, says David Fait, owner and CEO of Auto Body World—in 1999 the Phoenix Chamber of Commerce's “Small Businessman of the Year.” A few years ago, he asked himself the same question CynCast asks his customers just days after accepting delivery of their repaired vehicles: “Are you satisfied—delighted—with the way we are doing business?” Anaheim Hills, Calif.-based CynCast is an independent company that performs customer-satisfaction surveys as well as other services for the collision-repair industry.

After some thought, he responded: “No, we can do our jobs better. We can do our work with better results—for ourselves, our employees, our providers and, most importantly, our customers.”

### Burn the Ship and Set Out for Better Sales

Through reading, visiting other collision centers in the United States and Canada, Fait and his team learned about Lean, the business philosophy that focuses on end value to customers by eliminating waste in the process of delivering increasingly superior products.

The result: Just three years after beginning the Lean implementation process in its six facilities—Peoria, Phoenix, Gilbert,

Tolleson, Mesa and Casa Grande—Auto Body World has reduced cycle time (vehicle drop-off to customer delivery) and increased satisfaction levels with suppliers, insurance companies and customers.

“We knew that we had to improve the operational model of the company to maintain stability and health as well as to allow us to fulfill our vision of ‘Arizona's Leader in Collision Repair,’” says Fait, whose dad, Warren, moved the family business from cold Canton, S.D., to Phoenix in 1962. Five years later, he built Warren's Body and Paint in Phoenix; Fait and his brother, Larry, opened the Peoria store in 1987 as Auto Body World.

“Our Lean initiative meant not only a rewrite of the way we would do business but how our industry does business,” says Fait, who notes that other owners are visiting ABW to learn how their collision-repair companies might benefit. “We ignored the current industry process and focused on ‘how it should be’ to repair cars in the best method possible—built around the needs of the customer.”

He and ABW management created design and implementation plans and moved forward. That team, now in an ownership/management role, includes Fait's daughter, Lorie Kinman, Bryan Hutfless, COO, Dave Bybee, CFO, and Mark Turner, who became president two years ago. Larry has since retired.

“It was a ‘burn the ships’ mentality,” Fait says. “We had to resist the pull of familiarity and comfort of old habits; we realized that going back to the old operating model was not going to be an option.”

### Consuming Lean for Better RPM

Fait and team attended Lean training at Arizona State University as well as courses taught by Lean guru, Toyota. The concepts, in fact, are often connected with Toyotism or the Toyota Production System (TPS) because of the success the world's largest carmaker has had in implementing them. The writing of James Womack, Daniel Jones and Daniel Roos has popularized the concepts, but much of the core thinking is traceable to the factory system of Henry Ford and even to the practical aphorisms of Benjamin Franklin.

“Lean principles are both a consolidation of previous operating guidelines, like just-in-time and quality management and an introduction to newer ways of management, like defining value streams and relentless perfection,” explains Thomas J. Kull, assistant professor of Supply Chain Management at ASU's WP Carey School

of Business. “Just in time” is a component of TPS in which each process completes only what the next process requires.

“Lean principles have now entered into many standard business textbooks and have been accepted as important concepts



(L) Chris Dumdei, Process Manager and (R) John Crecelius, Repair Planner. They are reviewing the production flow.

to teach, if not also important tools to learn,” he says. Kull cautions, however: “Lean principles can provide a coherent structure for organizations to make changes, but the unique needs of the organization should remain a top priority.”

Central to the Lean methodology is the elimination of waste or “muda,” in Japanese. Lean articulates seven types of waste, Fait notes, adding that ABW targeted eliminating it in all areas to develop a “customer-centered” Rapid Production Model: overproduction—producing more, sooner and faster than required by the next process; excess transportation—any transport that adds cost but no value to the product; excess inventory—which is waste and creates waste; excess processing—doing more work than necessary; waiting—operator or machine idle time; correction—repairs to products; and motion—walking or wasted motion to pick up or store parts.

For example, ABW facilities once proudly pointed to the many waiting cars in its large parking lots. Now, ABW lots are, by design, almost empty. “Repairing vehicles faster is really about controlling inventory,” Fait notes, explaining that, in the new ABW arithmetic, vehicles waiting = waste. Track card systems—color coded for each stage of the repair process—reduce the number of cars on site, enabling the repair team to focus on the vehicle until its satisfied customer accepts delivery.

ABW also moved people, product and materials close together: Small teams (in competition with each other) process fewer vehicles, improving efficiency through communication and movement. Administrative staff, who have worked in traditional office space, now join technicians on the production floor. Work areas have only the tools re-

quired. Fait: “With the complexity of collision repair, this atmosphere allows everyone to move faster and more efficiently.”

Teamwork is good. Rework is waste. “We created rigid quality control throughout the entire process,” Fait says. “These formal ‘handoffs’ are completed by the team members who complete and receive the work throughout the line.”

Being green is Lean, too. The company has also reduced hazardous waste. “Today we produce about 75 percent less waste—by producing less to start with and by recycling what we do produce.”

### Customer Satisfaction is Always the Driver

Every element of the repair process must serve ABW's two customers: the insurance companies and the vehicle owners.

This focus begins with the team: “Without our people, the Lean program would not have life,” Fait says. “The commitment and hard work of everyone—our customer-care receptionists, our technicians, our administrative staff—continue to make the difference at Auto Body World.”

As a result of the collaborative effort, the customer saves time and avoids inconvenience. Vehicles are repaired faster, and



Jennifer Davis, Repair Planner, sourcing parts that she is writing in a repair estimate.

promised delivery times are met almost every time. The number-one consumer complaint in the industry: “My car isn't ready when they said it was going to be ready.”

Everyone has noticed the improved product: suppliers, insurance companies and customers.

Tom Anderson is parts manager for Gilbert-based Henry Brown Buick-Pontiac-GMC, which for four years has supplied General Motors parts to the five ABW Valley locations and has its vehicles repaired at the Mesa location: “As each store embraced the Lean philosophy, the efficiency and quality of work increased dramatically,” he says, noting that cycle times have been reduced, and comebacks have essentially disappeared. Anderson adds that Lean is contagious: “It's helped

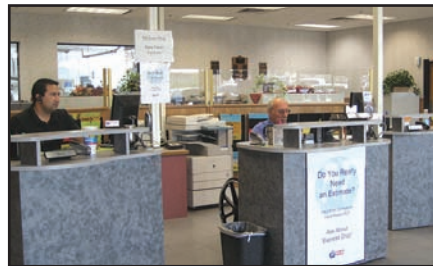
our organization's parts department operate in a more efficient manner as well by minimizing communication errors in parts needs and reducing returns."

Chicago-based LKQ, has been providing recycled, original, aftermarket and re-manufactured parts to ABW locations for a decade. Although Randy Smith, the company's district manager, has always been satisfied with the relationship, the changes have been significant: "They have been more refined on every detail such as less phone conversation between our sales staff and writers (do it right the first time); they've provided better descriptions of parts and their availability; and their drivers and techs are making sure that the product we deliver are correct at the time of delivery."

Insurance companies, which have reported outstanding relationships with ABW for years, are even more satisfied today. San Antonio, Texas-based USAA has been working with the Auto Body World for 17 years as well as with other quality repair shops Valleywide. Through regional offices, the company provides a variety of financial services to U.S. military men and women and their families.

"We have noticed a major transformation in the facilities' layout and appearance following the implementation of the Lean principles," says Mel Mork, physical damage specialist with USAA from the Phoenix

office. In comparing the first quarter of 2008 to the same period in 2009, he says ABW locations have achieved a two-day improvement in the average speed of repair—from 10 days to eight days—and have also met or exceeded USAA's customer satisfaction goals for 2008 and first quarter 2009.



(L) Sal Cantarella, Customer Care, (R) Bill Fait, Repair Consultant. They are the first point-of-contact with the customer.

The customers? CynCast reports that the 2009 year-to-date figures show continued customer-satisfaction improvement. The company's customer-contact percentage exceeds 95 percent, Fait says. For example, in response to the question—"Was your vehicle fixed right the first time?"—93 percent of the ABW customers said "yes" for the first quarter 2009. That's a 5.3-percent increase over the pre-Lean (and still very good) 88.3 percent for 2006.

Cycle time has also improved, from 12.4 average days in 2006 (about the in-

dustry average today of 13 days) to 2009 YTD 7.9—a 36-percent decrease, according to CynCast figures.

One customer, Dr. Lynne Pirie, an osteopathic doctor on the west side of the Phoenix metropolitan area, for 30 years, has been having her cars repaired at ABW for 10 years: "What I noticed most is how the people communicate effectively and thoroughly throughout the process. It's like salon service: They will

go to any and all lengths to make your car right."

"In the end, Lean seems to be common sense—although not so common," Fait says. "The application of the principles required an inordinate amount of thought and discipline—from how a bumper is painted to how the shop floor is cleaned each day and how they will ultimately link with each other—to offer the highest quality, in the shortest time, for the least amount of cost."

## The Sheen of Lean

"The transformation that David [Fait] and his team have accomplished inside their company is nothing less than remarkable," says **Rodes Brown**, manager of marketing—strategic programs for Warrensville Heights, Ohio-based **Sherwin-Williams Automotive Finishes**. "There are very few shop operators in the country that have accomplished a similar result across multiple facilities."

Brown, whose company has worked with Auto Body World for 20 years, tries to visit the company in the Phoenix area a few times annually. Even if the interval between visits is brief, adoption of Lean principles continues to show improvement, he says.

Consistency is one aspect he sees—Nothing is haphazard or unplanned. Commitment is another. "One of the things I respect most about what they've done inside their company has been their unwavering commitment to their Lean journey," Brown explains. "Regardless of the challenges, they didn't hesitate, and I think that they got tremendous buy-in from their people as a result."

Recently, **Zach Dykstra**, director of operations for Jacksonville, FL.-based **AutoCrafters Collision Repair** visited ABW's headquarters shop in Tolleson, just west of Phoenix. He spent a day watching all phases of the operation—from customer drop-off to delivery.

He was impressed with the cleanliness of the shop and the certain Zenlike aspect of how it functioned during the day — "calm, peaceful, relaxed, organized."

"It showed me that Lean is an adaptable program to the collision-repair industry," says Dykstra, who plans to begin a three-five-year program to institute Lean at the company's 13 shops in Florida.

"We can often lose sight of customer service," he says. "What impressed me with Lean is that if you follow the details, it will enable you to improve your profits while keeping your focus on your customers."

**Randy Stabler** and two associates also recently visited Auto Body World. Stabler is president of Los Angeles-based **Pride Auto Body**, with seven LA locations. Business partner **Robert Turchan**, is vice president.

"The ABW of old isn't even recognizable today," Stabler says, noting that he and Turchan have begun a similar process at Pride. Stabler notices three major changes at ABW.

The first is the culture of the people. "The staff is now fully engaged and focused on team objectives committed to providing value to the customer."

Secondly, process and regimentation are completely different. "Historically, success in the body-shop business was a by product of hiring talented and motivated individuals," Stabler explains. "In the Lean model that David and his team have implemented, the process, layout, measurement systems and communication loop are what drive the results."

Finally, ABW customers are getting better product. "Today, their repair quality and attention to detail is amongst the best in the industry—and it is produced on a consistent basis without increased cost to the consumer."

Says Stabler, "In all of my years in the collision-repair business, I have never experienced such a dramatic overhaul of a business."

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