# Market vs. Need

*By Scott Benavidez, AAM, and April Hernandez, AAM*

*ASA members Scott Benavidez, AAM, and April Hernandez, AAM, both volunteer leaders on ASA's Collision Division Operations Committee, have co-authored this article to ignite conversations about "Market vs. Need" within the collision repair industry.*

*Each day, repairers discuss with insurers what is needed to completely repair a damaged vehicle vs. the limitation from insurers due to "what the current market does" in repairing a vehicle. ASA's collision volunteers are bringing this conversation to the forefront on behalf of consumers and repairers. If you would like to share your thoughts with ASA on this important topic, send an email with your name, contact information and comments to info@asashop.org.*

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In the collision industry, we battle the age-old "market price" vs. "need" argument on a daily basis. Market price says we can only pay you "this much" to perform this repair, and need tells us how to repair the vehicle.

**Market price:** The process by which the prices of goods and services are established. Webster defines market price as "a price actually given in current market dealings."

**Need:** Requires (something) because it is essential or very important. Webster defines need as "necessary duty or obligation."

Now, need could be interpreted in many different ways ...

1. We need to turn on our headlights when driving at night.
2. We need to pay workman's compensation insurance.
3. We need to make sure we are in compliance with OSHA requirements.

But we are talking about need in a totally different way.

Let's say you are replacing a quarter panel on XYZ vehicle and the manufacturer of this vehicle tells us to reapply corrosion protection (cavity wax) for the vehicle to meet the manufacturer's safety standards. This would be considered a "need." Now let's say Johnny down the street at XYZ body shop does not charge for this and does not replace it. Is my "market price" now set by XYZ body shop, and can my repair facility continue to charge for reapplying the material? Should a repair facility get paid for procedures that need to be performed or parts that *need* to be replaced per a manufacturer's requirements?

Who sets the market price? Some say it's the shops setting the market, and some say it's the insurance company setting the market. We all know that it is both. You see, Johnny at XYZ body shop down the street may have different reasons why he did not reapply the cavity wax.

- He could have failed to verify the manufacturer's recommended repair procedures.
- He may have seen no need to reapply the cavity wax based on his experience or lack of experience.
- He may have been told by an insurance company that ABC repair facility does not charge for reapplying the cavity wax, so neither should he. So now he removes the procedure from his estimate and does not reapply the cavity wax to the vehicle.
- XYZ body shop may be on a direct repair program and must keep its numbers down to receive more work.

Each scenario is different, but now the "market price" for this procedure is set at $0.00.

Let's discuss the third example. The cavity wax was on Johnny's original estimate and the insurance company told Johnny "he is the only one charging for this," so Johnny removes the charge, believing he is the only one. Now down the street, ABC body shop is told the same thing and they also remove the charge. Now guess how many are charging for reapplying the cavity wax. Zero. So in this scenario, the insurance industry has manipulated the market. There could be multiple shops "needing" to perform this application, but the insurance company has now turned the procedure into a market-driven charge vs. paying for a procedure required by a manufacturer.

Who determines whether an operation is needed? The manufacturer of the product determines what is needed using data from the engineers who design and develop the vehicle or product, and results of the crash-testing performed. Whether it is a paint manufacturer, I-CAR or a vehicle manufacturer, their recommended repair procedures and standard operating procedures are written to repair a vehicle to perform the way it was designed by the manufacturer if involved in a secondary collision or accident. There should be no manipulation to procedures needed to restore a vehicle to its pre-accident condition relative to quality, safety, function and appearance. *You either need it, or you do not.*

How have we as an industry been convinced, or pressured, to accept that "market" is greater than "need?" Need should always come first because it is required for the vehicle to perform correctly and protect the occupants. If we were able to repair a vehicle with need first – and then consider market price – would our industry be better off? Would the consumer be better off? Are we delivering vehicles to consumers that will not perform the way they were designed by the manufacturer if another accident occurs because the claim was paid by market price vs. need? What if the consumer chose how they would like their vehicle repaired? Would they choose "market price" or "need" if the answer meant compromising the safety of their family and friends?

So our question to the insurance industry is, "Do you pay to repair your customer's vehicle by market price or do you pay to repair it based on need?" How does the insurance industry explain to its customers how they will pay to repair their vehicles? Will the insurance industry be solely liable for the results of repairing a vehicle based off of "market price" vs. "need?"

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