



## Key Performance Indicator (KPI) & CRIA 2009 Questions & Answers

April 20, 2009

### **Nine (9) Geographic Areas Replace Five (5) Regions**

#### **1. Why are there now nine areas instead of five regions?**

ICBC and Industry have agreed that nine areas provide a more fair comparison between shops based on geographic location. The areas were developed to provide better alignment of repair cost factors.

The nine areas are:

1. Fraser Valley
2. Greater Vancouver
3. Specialty Vehicle Shops (SVA)
4. North Island
5. South Island
6. Northern Interior
7. Northeastern BC (Peace)
8. Southern Interior
9. Kootenays.

Note: A shop's area continues to be assigned based on the location of the shop's ICBC servicing claim centre. The nine areas were developed for reporting purposes only.

### **Targets**

#### **2. How and when will the annual MD forecast target be adjusted in 2009?**

ICBC now adjusts the forecast quarterly to ensure Valet shops are not held accountable for factors that are out of their control, such as change in frequency, parts cost increases, a change in the mix of business, etc.

#### **3. Going forward, why does Industry have to meet two targets — the provincial MD target and the target for individual shop KPIs?**

ICBC's provincial MD target forecasts the anticipated costs for the calendar year, January 1 to December 31, based on repair costs from previous years. Since the first 'agreement' (Collision Repair Industry Agreement) was implemented in 2005, annually ICBC has forecast the average repair cost per CL-14 paid for Express Repair (Valet) shops provincially. In setting the annual MD target, long-term trends and expected short-term significant changes are considered and the Consumer Price Index is also factored in.

The expectation of the 'agreement' is that Valet shops will operate efficiently and that ICBC will reward shops based on efficient performance. So if Industry costs are higher than the MD target, ICBC would not pay any increase. By continuing to set a provincial



MD target that Valet shops must meet, ICBC is encouraging all Valet shops to continue to manage overall repair costs.

The new individual shop KPIs have been developed so that ICBC can recognize and reward efficient performance.

**4. Why is ICBC introducing individual shop KPIs targets?**

One of the main purposes of the ‘agreement’ has always been to reward shops for operating efficiently to manage overall repair costs. The previous ‘agreement’ rewarded shops based on group performance. Feedback from Industry indicates the more efficient Valet shops were pulling up inefficient ones. That’s not fair for the higher performing shops.

By developing individual shop KPIs, ICBC can determine which Valet shops aren’t operating as efficiently — the bottom 10% of all shops will go on a ‘watch list’ and will have the opportunity to improve performance.

**5. ICBC tried to introduce individual targets before and it didn’t work: why will it be successful this time?**

Last time, ICBC based repair cost individual shop targets on the Average Repair Cost (ARC) model. ARC was complex, difficult to understand, and hard to explain.

ICBC now has five years of repair results for Valet shops. We also have the technology and systems to support setting individual shop repair cost targets based on regional averages of the nine distinct, geographical areas that have been established.

**6. How are targets set for the new individual shop KPIs?**

All Valet shops have a provincial target for:

- Customer Satisfaction Index (CSI)
- Average Cycle Time (ACT).

Individual targets apply for three KPIs:

- Repair Cost Indicator (RCI)
- % Original Equipment Manufacturer Parts (excludes APV 286)
- % Total Labour to Gross (total labour cost includes Repair, Replace, R & I Paint).

The three individual KPIs targets listed above are set based on regional averages for each of the nine areas of the province. (Nine areas replace the former five regions.)

Here’s a recap of the individual KPI targets.

KPI	Description	Target
RCI	Repair Cost	Regional RCI Area Average



	Indicator	
% OEM Parts	% Original Equipment Manufacturer Parts (excludes APV 286)	Regional OEM % Parts Area Average
% Total Labour to Gross	% Total Labour to Gross (total labour cost includes Repair, Replace, Paint, R & I)	Regional Total Labour % Area Average
ACT	Average Cycle Time	3.0 hours Provincial Target
CSI	Customer Satisfaction Index	90% Provincial Target

**7. Why are two of the KPIs based on provincial targets?**

For all Valet shops throughout the province, the results for Average Cycle Time (ACT) and Customer Satisfaction Index (CSI) are consistent. Results do not vary based on the geographical area in which the shop is located or the Valet shop’s mix of business.

**8. Why is the Customer Satisfaction Index (CSI) target so low?**

During negotiations for the previous agreement, which ran from April 1, 2005 to March 31, 2008, ICBC and Industry agreed to move the CSI target from 86% to 90%. For the more recent negotiations, the target of 90% remained fair and reasonable. FYI – the average CSI results for Valet shops are above 94%.

**KPIs**

**9. How do the new individual shop KPI measurements work?**

ICBC has developed scores for each individual KPI to recognize performance. The scoring system balances the effort required to improve the score in each KPI category.

Because the five individual shop KPIs are weighted, each KPI score is capped at a maximum. The table below indicates the capped maximum scores for each individual shop KPI. ***The maximum total score is 120.***

KPI	Description	Weight/ Points	Maximum Score	Target
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RCI	Repair Cost Indicator	<b>20%</b> <b>20 pts</b>	<b>24</b>	<b>Regional RCI Area Average</b>
% OEM Parts	% Original Equipment Manufacturer Parts (excludes APV 286)	<b>30%</b> <b>30 pts</b>	<b>36 pts</b>	<b>Regional OEM % Parts, Area Average</b>
% Total Labour to Gross	% Total Labour to Gross (total labour cost includes Repair, Replace, Paint, R & I)	<b>30%</b> <b>30 pts</b>	<b>36 pts</b>	<b>Regional Total Labour % Area Average</b>
ACT	Average Cycle Time	<b>10%</b> <b>10 pts</b>	<b>12 pts</b>	<b>3.0 hours Provincial Target</b>
CSI	Customer Satisfaction Index	<b>10%</b> <b>10 pts</b>	<b>12 pts</b>	<b>90% Provincial Target</b>

#### 10. Why is there a maximum score in each KPI category?

If the scores weren't capped at a maximum, to use Average Cycle Time (ACT) as an example:

##### AVERAGE CYCLE TIME (ACT) RESULTS

- Shop's ACT results: 5.0 cycle hours
- ACT provincial target ACT 3.0 cycle hours

##### AVERAGE CYCLE TIME (ACT) SCORE

- Without capping, shop score: 16.7
- With capping, shop score: 12.0

Because ACT is weighted at 10% of the overall score, the highest score a shop can earn for ACT performance is a maximum of 12.0.

#### 11. If we continued to improve our cycle time, are the ratings eventually capped?

Yes. Like all KPIs, average cycle time scores are capped. Since Average Cycle Time (ACT) is weighted at 10% of the total score, ACT is capped at 12 points.

#### 12. How are the scores calculated?

To ensure the new individual KPIs are transparent, fair, and defensible, the calculations are available to any shop that is interested. However, so that shop personnel do not



have to do any calculations, the individual shop KPI report indicates how the shop can increase its score by one point in each of the five KPIs. This report is sent quarterly by email.

For those who are interested, here are the components of the total score calculation:

*RCI Score*

$$[((\text{Target RCI} - \text{Shop RCI}) / \text{Target RCI} \times \text{Scale Factor}) + 1] \times \text{RCI Weighting}$$

*OEM Score*

$$[((\text{Target OEM\%} - \text{Shop OEM\%}) / \text{Target OEM\%} \times \text{Scale Factor}) + 1] \times \text{OEM Weighting}$$

*Labour Score*

$$[(\text{Shop Labour\%} - \text{Target Labour\%}) / \text{Target Labour \%} \times \text{Scale Factor}) + 1] \times \text{Labour Weighting}$$

*ACT Score*

$$[(\text{Shop ACT} - \text{Target ACT}) / \text{Target ACT} \times \text{Scale Factor}) + 1] \times \text{ACT Weighting}$$

*CSI Score*

$$[(\text{Shop CSI} - \text{Target CSI}) / \text{Target CSI} \times \text{Scale Factor}) + 1] \times \text{CSI Weighting}$$

*Total Score*

$$\text{RCI Score} + \text{OEM Score} + \text{Labour Score} + \text{ACT Score} + \text{CSI Score}$$

*Scale factor*

$$(\text{Max Allowed} - \text{Weight}) / (\text{Max Unscaled Score} - \text{Weight})$$

i.e. The OEM Scale Factor is calculated as:  $(36.0 - 30) / (43.7 - 30) = 0.438$

*Effort*

$$\text{Target} / (\text{Weight} \times \text{Scale Factor})$$

i.e. GV RCI effort needed to earn one (1) point is calculated as:  
 $-\$2117 / (20 \times 0.7224) = -\$147$

Measure	Scale Factors
RCI	0.7224
% OEM	0.4381
% Total Labour	1.0256
ACT	0.3000
CSI	1.8000

**13. Why are the individual shop KPIs weighted the way they are?**

ICBC and Industry negotiated the weighting of each KPI. The weighting is designed to manage total overall repair costs and to guide repair/replace decisions by using a reasonable mix of OEM parts and alternate parts.



There is heavier weighting on financial decisions that are within a shop's control. The Percentage OEM Parts KPI and Percentage Total Labour to Gross KPI are each weighted at 30% for a total of 60% of a shop's overall score. The KPIs for Customer Service and Cycle Time are each weighted at 10% and are also within the shop's control. Mix of business has a minimal effect on the remaining KPI, Repair Cost, which is weighted at 20%.

**14. Why is ICBC using Repair Cost Indicator (RCI) instead of modified Average Repair Cost (mARC)?**

Industry feedback indicates mARC is quite complex, not readily understandable or transparent, and therefore difficult to defend. Repair Cost Indicator is a simpler measurement.

ICBC uses mARC as an indicator only and to determine the Valet shop's Earned Authority. Because of its complexity, mARC will not be an individual shop KPI.

**15. How is Repair Cost Indicator (RCI) defined?**

RCI represents the average cost per claim; it's the value of the shop's total repair dollars divided by the number of total repairs. RCI is calculated per claim rather than per CL14

**16. What is included in the Percentage OEM Parts?**

This KPI represents the percentage of OEM parts cost to total parts cost with APV286 claims excluded from the calculation of this measure.

**17. What is the definition of Percentage Total Labour?**

This measure represents the percentage of labour cost to gross vehicle repairs. The total labour cost includes Repair, Replace, R&I and Paint.

**18. When it comes to KPIs, will ICBC take into account all the factors that are beyond the control of the shop, like OEM parts shortages, poor performance from after-market parts suppliers and recyclers, shipping issues, etc. All of these issues affect CSI, parts usage, and Cycle Time.**

Factors of this nature will be discussed at the CRIA Committee meetings that are held regularly between ICBC, the ARA, and New Car Dealers Association.

## Reports

**19. What kinds of reports will shops receive?**

ICBC will email each Valet shop a quarterly report indicating individual shop KPI performance. The first quarterly report will be emailed in late April. Shops can expect to receive the quarterly report at the end of the month following the quarter, i.e. near the end of July 2009 for the second quarter of the year.



**20. Do the quarterly reports reflect a year's worth of data?**

Yes. The quarterly report illustrates individual shop performance based on a 12-month rolling average. For the first quarter of 2009, the quarterly report indicates shop performance from April 1, 2008 to March 31, 2009. In addition, a calendar year YTD (year to date) number will be provided.

**21. Are the shops going to have access to the KPIs on the CRIA Document Viewer?**

Valet shops will continue to view the existing monthly primary KPI report through the CRIA Document Viewer. Individual shop KPI quarterly reports, which will be sent by email, will not replace the existing monthly primary KPI results. Valet shops will receive both reports.

(Note: ICBC is working on standardizing the technology used to deliver the primary KPI report and the individual shop KPI report so that Valet shops don't have to look in two different places to find the reports.)

**22. Who should the Valet shop contact at ICBC regarding any questions about the new individual shop KPI report?**

Valet shop staff can contact the MD Manager from the servicing ICBC claim centre to discuss the quarterly individual shop KPI report.

**Watch List**

**23. For 2009 performance, how is the 'watch list' line determined?**

The 'watch list' is drawn at a point that separates the bottom 10% of performing Valet shops at a score of 96.4 out of a maximum score of 120. This line does not move throughout the year so that shops can track their performance against the line.

Shops that fall below the line go on the 'watch list' and are encouraged to improve their individual performance.

**24. Why is this line called a 'watch list'?**

Industry selected this name to indicate these shops would be notified that performance needs to improve and their progress would be 'watched.' Each Valet shop has the opportunity to improve performance and to move off the 'watch list.'

**Performance Outcomes**

**25. What happens if a Valet shop is on the 'watch list' at the end of the calendar year meaning the shop doesn't meet its individual shop KPI targets?**



Valet shops that do not meet their individual shop KPI targets will be eligible for a business review to determine if they will receive a door rate increase in April 2010 ***unless they receive a poor performance review between April and December 2009.***

The business review will be conducted to determine if there are extenuating factors that would allow ICBC to grant an increase to the shop. As long as ICBC's business review confirms a justified exception, the shop on the Watch List would be eligible for the increase.

Examples of extenuating factors:

- A Valet shop is next door to a new car dealership. If the replacement cost policies are excluded, all of the vehicle repairs involve vehicles three years old or newer.
- The Valet shop is a really small operation that experiences swings with large repair invoices.

**26. What does a business review look like?**

ICBC plans to implement an audit and reporting tool in late 2009/early 2010 that will help to identify a shop's mix of business and will provide details about the shop's individual KPI scores. If the reporting tool is not available by the end of 2009, ICBC will conduct "file Audits" for shops that have fallen below the KPI line threshold and that qualify for a business review.

**27. Which Valet shops would not qualify for a business review?**

Valet shops that have received a poor performance review between April and December 2009 will not qualify for a business review.

**Other**

**28. Shops seem to be getting more attention recently from ICBC about the administrative side of the business in terms drop-in visits and compliance. Wasn't the goal of CRIA to manage the shops at a higher level — we seem to be going in the opposite direction?**

ICBC is moving in the direction of establishing individual shop KPIs. ICBC anticipates that identifying high-performing shops will lead to increased earned authority and higher autonomy for these shops. But regardless of the level of earned authority or autonomy, all shops are required to follow the Express Repair Agreement program requirements and are subject to drop-In Visits, audits and performance reviews.

**29. When is ICBC going to hold the recyclers accountable? Recycled parts are priced at OEM prices, they're poor quality or damaged, the supplier charges freight, parts are not shipped promptly, etc.?**

ICBC is meeting regularly with the BC Auto Recyclers to review the standards of performance, pricing, and services issues that affect the collision repair industry.



**30. Will Centralized Express assign estimators to specific regions or will they rotate estimators through all the regions?**

During the program roll-out, the centralized Express unit will have dedicated estimators assigned to the various regions.