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Episode 3: The Changing World of Automotive Recycling

May 11, 2021
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In this episode, Ryan welcomes Jeff Helget, vice president of operations at B&R Auto Wrecking. Together they explore how the automotive recycling industry is adapting to growing vehicle complexity, the pandemic's impact on the supply chain, and changes in method of inspection including virtual and automated estimating.

Ryan Mandell: Welcome to the Mitchell Collision Podcast. I'm your host, Ryan Mandell, and I am fired up today to welcome our guest, my former boss and my good friend, Jeff Helget, the vice president of operations at B&R Auto Wrecking based out of Eugene, Oregon and Corvallis, Oregon. Jeff, what is going on, man? How are you doing?

Jeff Helget: Hey, buddy. Thanks for having me on the show and congratulations on all the success.

Ryan Mandell: Yeah, it's great to be with you again. And, you know, it sounds like things are going really well at B&R. Just for our listeners today, maybe just give a quick background on yourself and also on B&R Auto Wrecking as a company.

Jeff Helget: So, as you said, I'm Jeff Helget, vice president of operations for B&R Auto Wrecking. We also have the domain autowrecking.com. I also represent the Automotive Recyclers Association for the West Region. B&R has been around since 1960. They started in Corvallis, Oregon. We've had a great run of West Coast expansion; now operating out of Washington, Oregon, California and Nevada. I've been here about 18 years and for the better part of it, I've been having a great time with all the growth and contributing to that. So it has been a wild ride. And here we are.

Ryan Mandell: Awesome. Awesome. Talk about a wild ride. I mean, this last year. None of us saw this coming. You know, talk to me a little bit about what the business has been through. And, you know, what you've been through in your role reacting to the pandemic and, you know, the things that the business had to do to adapt to all that change.

Jeff Helget: Sure. Yeah. I mean, we've all been through it, right? Everybody together. And we were definitely an industry that was greatly disrupted from all facets—from the human capital side to just the overall disruption in the supply chain from the initial onset of COVID, where you had such a dramatic drop off in miles driven, which equated to less accidents. So there was less inventory available. But one note to that is you did see accident severity and complexity seem to rise because it seemed like the folks were out on the road or driving a little over the speed limit, let's say. And so the wrecks they were getting into seemed to be a little bit more severe. So that's been an interesting sidebar to the disruption.

Ryan Mandell: I mean how did the business fare overall? I mean, without getting into any specifics? I would assume that, you know, top line revenues probably fell. But I mean, how is the overall health of the business during that time?

Jeff Helget: You know, we're so blessed. We were able to have a what we'll call a decent year last year. We felt very fortunate for that. We know that it did hurt certain segments of the business much more severely than others. Let's say the collections space took what I'd say the hardest hit all of our segments. But we were able to sustain with a lot of our do-it-yourself customers—folks who were maybe at home due to being laid off of work working on their project cars or their personal projects. So we were able to pick up some gains there, but the collision space was definitely impacted.

Ryan Mandell: Yeah. That's what we've seen as well. I mean, certainly the cash flow side of the collision business was hard hit. And, you know, that's a lot tougher to recover from quickly. As you know, looking at I mean, like you said, obviously, none of us saw this kind of thing coming. Do you think that B&R has learned any lessons from this past year in terms of, you know, it may not be a pandemic that comes up next, but there may be some other sort of disruption that we see in the industry. Are the things that you guys are being intentional about in terms of trying to absorb that kind of disruption or uncertainty in the future.

Jeff Helget: Yeah. There has been several initiatives and lessons learned through the past year. You know, from the human component of it, just getting out there and reaching out to our partners in the collision space and in the insurance space. And it has been a year where telling folks that you're thinking of them, or you appreciate them seems to go a million miles further than maybe a year ago. So being very intentional about making sure not only your in-house team, your employees (a.k.a. your family) that they're doing okay. But also those folks out there that you're used to talking to every day and going through the same struggles we all are. So being very outward as far as our gratefulness to our customers, spending additional time and resources on technology enhancements to make sure that we're keeping our staff in the present state of art as it pertains to the automotive industry. That has been a big push. It's something that we've been able to focus on this past year, and I've been really excited about that. Yeah, just overall, you know, I call it the six foot away high five and hug and making sure that we're taking care of the flock and that goes beyond our employees and also to our customers.

Ryan Mandell: Yeah. So it's funny. It seems like relationships are even more important now than they used to be. It just took this kind of event to make us realize that. But I certainly have noticed that there are relationships I was taking for granted and not being able to see those kind of people in person. It's funny how much of that can impact you.

Jeff Helget: Oh, 100 percent. You know, and I keep thinking we're coming out the other side of this, but I cannot wait to get out and take people to dinner and go to industry events and do all the things. And you're exactly right. Those relationships are the way. Boy, you realize how important they are.

Ryan Mandell: Absolutely. So, I mean, there has been even before the pandemic hit, we're seeing so much change happening in the industry, especially when you look at just, I mean, just the cars themselves and how they're built, the kind of technology that they come with. Have you guys had to adjust anything in terms of maybe your buying process or the way you inventory these vehicles considering the lightweight construction, the different kinds of materials they're made with, and the different kinds of technology they come with too.

Jeff Helget: Yeah. It's a great question, Ryan. And it's so interesting. You know, the largest event held in Las Vegas is the Consumer Electronics Show. And if you go to the Consumer Electronics Show in the past few years, you know that the majority of that show is not big screen TVs and robots, it's cars—the amount of money being infused into the autonomous driving vehicles and the electric vehicle market. And all of the sensors, radar sensors, it is just absolutely mind boggling the amount of infusion of capital that's going into those initiatives. So, yeah, it's absolutely changing our business beyond words. And so it's our job to be as engaged and upfront and invested in those things and to put everything we've got into keeping our folks trained, building best practices around that: SOPs. You know, just what used to be a front bumper cover, you could grab aftermarket for $69 is now a $5,000 unit with 17 different sensors in it. So it's absolutely impacting how we buy. And staying in front of that, let's not kid around, it has been challenging, but it's exciting as well. There are so many things happening with the, again, going back in the supply chain disruption. When you've got certain things like sensors that may be on back order or like the recent chip shortage. I mean, you've got just these weird components to cars that didn't exist even five years ago that can really be advantageous for us to stay ahead of the curve on that. And understand how we kind of leverage our technology, our people and our training to be able to offer those products to market.

Ryan Mandell: Are you seeing there's a lot of demand for those ADAS parts like radar sensors and the wave radar sensors? Are you seeing there's demand for those kind of parts right now?

Jeff Helget: It's interesting because the demand, as soon as we bring it to market effectively, we see an instant gain in that segment. And where that becomes challenging or tricky is to make sure that we're providing the product in a fashion that we would call interchange. So something that's checking all the boxes to make sure it's compatible has been the challenge. But we're working really hard on that. We've got some great partners and absolutely when we can bring those things to market correctly, yes, we do see that instant demand.

Ryan Mandell: What's interesting about these ADAS parts, I think, is unlike a sheet metal part, that part's actually going to go through essentially a testing process before the vehicle goes back to the customer because any time those parts are being replaced, they have to get calibrated. And if it's the wrong part or if it's not functioning properly, it's not going to calibrate. So it's an interesting segment of parts that it's totally different than a sheet metal probably. You put a fender on a car, it doesn't go through any sort of qualification process at the shop except for, you know, fit and finish. But the ADAS components are totally different. They essentially get a clean bill of health before they go back to the customer.

Jeff Helget: Yeah, it's a great value add for the consumer if they help keep premiums low. It's a great way for our insurance partners to help keep their repairs, keep the cars from totaling. And it's great for our body shop customers to be able to keep cars moving through their base by utilizing some of these new alternative-type

parts. And, yeah, you're exactly right. You know, if you're running a body shop, you're going to have not only a body man, but maybe also an IT guy on the staff to calibrate and get those cars back on the road correctly. So interesting times we live in for sure.

Ryan Mandell: Yeah. And I think you mentioned the microchip shortage and it seems like that is where we're only just kind of experiencing, I think, the tip of the iceberg with that. It really seems like that there's still some runway left for that to be impacting the industry and not only just in terms of parts shortage, but I would imagine also it's going to impact the cost of your salvage because of what we're seeing, at least on our end, is a big increase in wholesale prices on retail used vehicle prices. Are you seeing that on the salvage acquisition side as well?

Jeff Helget: One hundred percent. It's crazy. And when we speak of runways, I would say, you know, the plane hasn't even gotten to the runway yet. So there's so much out there in front of us. It's a really exciting time to be in this space. Everyday there's something new from EVs and ADAS. It's mind boggling. But like when it comes to cost of salvage, that's when you have the shortage of cars going through the insurance pools or salvage pools, I should say. Just that disruption is just creating such ripples in the pond. So very, very interesting. And the prices have substantially risen.

Ryan Mandell: Yeah, I would imagine so. And, you know, talking about the complexity of vehicles, it's not just the technology they come with, but a vehicle today is made so differently. Even, like you said, even different than five years ago where you're seeing all this lightweighting of vehicles, aluminum and carbon fiber. Does that change the way that your teams have to inventory vehicles and go through the quality control process when that part is being sent for delivery?

Jeff Helget: Oh, absolutely. Yeah. It's a whole lot different when you're talking about an old Chevy truck hood versus a 2020 F-350 aluminum hood. Right. I mean, there's just certain things that in the past could be quickly or easily repaired and now are extremely complex to be able to spend some time to maybe, if it's got a small dent, that might be detrimental to that part type. So in addition to that is the logistics and the transportation side of it to make sure that you're delivering a quality part on time as described when you've got these lighter weight components. Or should I say materials being used for the components makes it challenging to get that product moved to the end user carefully without damaging it. So, yes, it absolutely changes the way we inventory things. It absolutely changes the way we buy things. All the way through our entire ecosystem.

Ryan Mandell: I was going to say, does it change the end-of-life process too, in terms of the harvesting of materials at the end? You know, if you've sold all the parts you want to sell and you say, okay, this vehicle's ready to be crushed now. Do you have to look a little bit more critically at that vehicle to see if there are some components that can be separated so that you can really get the full commodity value from it?

Jeff Helget: Yeah, the final end-of-life process has changed. I would say, not as dramatic as I expected. But there's definitely those hoods are not going into that crush pile. They're getting segregated out and sold separately. And we're just now starting to really see that. And this is the beginning of something that I know is absolutely here to stay. So that will continue to evolve and increase in our efforts.

Ryan Mandell: Speaking of things that are here to stay, one thing that we've seen in Mitchell's business, as you know, is this rapid and monumental shift towards virtual estimating—writing estimates from photos and even the beginnings of automated estimating where a machine-learning algorithm and artificial intelligence can start an estimate from photos. So what we're seeing is a lot of these companies and appraisers who are writing these estimates are much more reliant on digital platforms for parts sourcing. Is that something that is changing your sales process and something that you're strategizing around how to capitalize on in the future?

Jeff Helget: Yeah, so that's a great question, Ryan. It absolutely is. And as the workforce demographic gets younger in age, folks are more accustomed not only to workforce demographics, but the consumers themselves. So folks are more technologically engaged, especially with COVID. And regardless of any other factor, there's a lot of folks who have migrated over to really embracing kind of that online slash SMS/MMS that sometimes kind of that virtual life experience and shopping and Zoom calls and everything else. So everybody has kind of got a crash course on all things technology, it seems like over the past year or so. What I see on the consumer side with that is they very much appreciate the convenience of that capability. From the estimating side, I can see where it would absolutely speed the process up and enhance it. And so on our side, we're having to again, stay in front of those things. And electronic communication is an enormous portion of our work and again, here to stay. So, yes, we do electronic ordering and a lot of email transactions, and a lot of digital transactions. And so the one thing that we all have to be mindful of with that is still having that human interaction, that human touch once in a while just to keep us all relatable to one another. But, for the most part, there's a lot of stuff that happens just one computer talking to another.

Ryan Mandell: I think you hit the nail on the head that there's a balance right between, you know, the convenience and the efficiency gains behind a lot of this automation. And what we talked about earlier, keeping the importance of the relationship side. So I think it's really important that you find that happy medium to where those two can properly co-exist.

Jeff Helget: Yeah, you're exactly right. It's nice to always know that you've got someone to reach out to. And it's super important. And as we see the world migrate more and more to electronic estimating, it's super important that on the supplier side—so from our side—that we are very accurate, very up-front and descriptive with all of our information that we're providing. And so I think that what we'll see kind of going into the future is you'll see this on the supplier side, those that are serving up the information that folks on the estimating side need to see and care about. And again, that the shops need to see and need to know about and care about: that that's getting served in a uniform and usable manner.

Ryan Mandell: I think it's providing the highest fidelity. You know, and you and I have talked about the value of data in the past. And that's what it comes down to, is making sure that the level of accuracy is as high as possible. And I think there's value in that standardization, that uniformity, so that the consumer knows what they're getting. Their expectations can be met or exceeded.

Jeff Helget: Exactly. And having good partners and knowing who to rely on for that trust and that integrity of data is going to be and is more important than ever.

Ryan Mandell: Yeah, absolutely. Well, we are running out of time here, Jeff. So I just want to say thank you so much for taking some time out of your busy day. And it's great to connect with you again. And I can't wait for the day soon when we can get together in person again. And I'll just kind of turn it over to you real quick with any last parting comments for our listeners today.

Jeff Helget: Thanks Ryan. I've had about 14 people pop their head in my office while we were talking. But thank you so much for having me on the show. I really appreciated your podcast and I look forward to many, many more.

Ryan Mandell: Sounds great, buddy. It was a great talking to you. And thank you, everybody, for listening today to the Mitchell Collision Podcast.

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