

Audatex *Directions*

News from Audatex North America, Inc. **Vol 08**

SNEAK PREVIEW: **TechFocus™**

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Audatex Directions is a newsletter that provides in-depth trends and industry analysis on the auto physical damage market. It is published by Audatex North America, Inc., a Solera Company.

Audatex *Directions*

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Contributing Writers

John Smith Jr.

Product Manager, Audatex

Michael T. Anderson

Sr. Director of Data Analytics, Audatex

Rick Tuuri

VP Industry Relations, Audatex

Design

Joe Sullivan

Graphic Designer, Audatex

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Audatex is the leading global claims solutions provider. As part of the Solera group of companies, we draw on our broad global claims market experience to identify and implement the best-practice processes that drive continuous improvement for our local customers and their trading partners. Solera companies serve the automotive industry in more than 50 countries across six continents.



15030 Avenue of Science, Suite 100, San Diego, CA 92128
Tel: (800) 237-4968 Fax: (858) 946-1073
www.audatex.us www.solerainc.com

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Synergy

It's no secret: Parts are pivotal in the collision repair business today. The supply and demand of parts—plus easy access to them—can be as important as having the skilled craftsmen and painters to deliver vehicles to like-new condition and delight customers. Industry statistics show that approximately 40 percent of the costs of a collision repair job are directly tied to the costs of parts. As parts go, so often goes the success of the entire automotive claims value chain, from the initial notice of loss and assignment, to the estimate, to the repair—and ultimately to the hand-off of keys to the owner. What happens throughout the process determines the job's efficiency and accuracy, both of which drive customer satisfaction scores.

At Audatex North America, Inc., we're uniquely positioned to unite value chain partners unlike any other solution provider. From our sister company, Hollander North America, Inc., Audatex customers can choose from an inventory of literally millions of recycled parts with a few clicks. Because Hollander, founded in 1934, is considered the industry standard for recycled parts information, you can be sure you're accessing the latest inventories of OEM recycled stock. This Audatex-Hollander synergy delivers a recycled parts solution that is helping change how collision repair shops, insurers and automotive recycling yards run their businesses. The bottom line is simple: Each of the three segments can benefit while also increasing CSI. That's a *win-win-win*, when you count the vehicle owner.

As you look at your business and your parts strategy, I hope you'll be as excited as I am about how Audatex, together with Hollander, provides great opportunities to increase cycle times and reduce waste from your processes. Perhaps the most important aspect of managing an efficient and cost-effective collision repair shop is access to an ample supply of recycled parts. Hollander's network of recycling yards has the largest number of parts ready for use for collision repair. Hollander makes this information available through its EDEN locating solution exclusively in the Audatex Estimating™ solution. Through an intelligent user-interface, estimators, technicians and shop office staff can easily access the Hollander recycled parts inventories, place orders and keep things moving smoothly.

The Audatex-Hollander synergy enables Audatex customers to make more informed repair decisions and gain greater control of their business operations and ability to serve customers. As with our breakthrough 3D Intelligent Graphics, no one else in North America can offer this innovative type of solution.

This synergy between Audatex and Hollander has only just begun. Inside this edition of Audatex Directions, we share news resulting from the Hollander Strategic Advisory Council. This special advisory panel includes industry leaders from the automotive recycling, insurance and collision repair industries. At the recent IT show, the Council established initial priorities that aim to continuously improve Hollander offerings and the customer experience. Whether you're a collision repairer, insurer or recycler, I invite you to read the article on page 22.

Also in this edition, we share trends on U.S. collision repair through data from Audatex Insight™, our data analytics solution. Knowledge is power. Don't forget to check out our cover story on how carbon fiber parts may impact future loss costs, as well as the articles on trends in motorcycle sales and how a collision repair chain is using Lean in its 28 stores with help from an innovative virtual program from Audatex. We are always striving to bring you relevant information, analysis and solutions. Thank you for your business.

Sincerely,



Mike Salfity
Managing Director
Audatex North America, Inc.

At Audatex North America, Inc., we're uniquely positioned to unite value chain partners unlike any other solution provider.

The Present Future of Fiber Parts

By Michael T. Anderson

This past April, the U.S. Department of Transportation (DOT) and the U.S. Environmental Protection Agency (EPA) jointly established historic new federal guidelines governing fuel economy and greenhouse gas emissions. These new rules establish increasing fuel economy standards for 2012 through 2016 model years, which will result in fuel economy standards reaching an estimated 35.5 miles per gallon (MPG) for the fleet by 2016, representing a 30 percent increase. Similarly, Canada also announced light duty vehicle GHG-Emission regulations, as these standards are part of a North American strategy.

Under the Corporate Average Fuel Economy (CAFE) program, each vehicle size or “vehicle footprint” will have its own MPG target rather than an overall fleet standard. This change will force automakers to design specific technologies for each of their vehicle segments to accommodate the new rules. While many are looking towards advancements to conventional powertrains, which may provide 15 to 20 percent improvement, weight reduction will continue to remain the primary fuel economy strategy. Steel is strong, but it’s also heavy. According to some estimates, replacing steel body and chassis components with lightweight carbon fiber can reduce vehicle weight by as much as 60 percent, which in turn, leads to increased fuel economy.

While discussed for years, it is only until recently that manufacturers announced investments to use carbon fiber in high-scale vehicle production. In May, BMW AG announced it plans to make extensive use of carbon fiber in the 2013 BMW Megacity electric vehicle and become the first manufacturer to institute carbon

fiber in a high-production environment. Partnering with Europe’s SLG Group, BMW AG plans to build a \$100 million carbon fiber manufacturing plant in the state of Washington. Daimler AG also recently announced they are partnering with the world’s largest carbon fiber manufacturer, Toray Industries of Japan, to jointly develop carbon fiber reinforced plastic body parts for vehicle production in 2012, beginning with the Mercedes SL-Class. Other automakers have previously announced that they, too, plan to work with carbon fiber manufacturers.

Through the American Recovery and Reinvestment Act, the Department of Energy (DOE) has allocated \$34.7 million to establish a Carbon Fiber Technology Center at the Oakridge National Laboratory with the goal of advancing the production of lighter weight vehicles through carbon fiber. This comes as part of a \$104 million funding for research and testing facilities at seven DOE laboratories.

To date, the greatest challenges in the use of carbon fiber have been the high production costs as the result of limited manufacturing technologies. A key strategy for each production facility will be improving the affordability of carbon fiber in high-volume applications. While widespread use may still be a few years away, it has the potential to have profound implications to all involved in collision repair as well as auto insurers.

The use of carbon fiber is no longer limited to exotic cars or interior trim. Several manufacturers utilize carbon fiber in vehicles on the roads today; namely BMW, Mercedes, Porsche, Mini Cooper, Audi and Chevrolet.

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Below are just some examples of carbon fiber parts available in vehicles today and the associated part cost comparison (when available).

Vehicle	Part	Carbon Fiber \$	Standard Sheet Metal \$
2010 Chevrolet Corvette ZR01	Hood	\$5,897	\$1,023
2010 Chevrolet Corvette Z06	Fender	\$1,786	\$612
2010 Audi A6	Deck Lid Molding	\$740	\$128
2009 Mercedes Benz CL550	Outer Mirror Housing Cover	\$3,620	\$238
2009 Mercedes Benz CL63AMG	Front Bumper Cover Molding	\$1,290	N/A
2009 Audi TT	Lower Front Spoiler	\$542	N/A
2009 Mini Cooper S	Lower Front Spoiler	\$229 w/Aero pkg	\$86 w/o Aero pkg
2009 Mini Cooper S	Outer Mirror Housing Cover	\$279	\$41
2010 BMW 6 Series	Roof	\$2,588	N/A

When compared to traditional materials for auto making, why is carbon fiber so expensive? A carbon fiber part can cost more than five times the amount to manufacture than aluminum due to the cost of the carbon fibers and the resin matrix. Since inception of the first carbon fiber parts dating back to 2003, raw material prices have come down as demand has increased, while manufacturing processes have improved but remain a significant challenge. Once manufacturers overcome the remaining cost and production cycle time challenges, it leaves the questions of how many and what parts on a vehicle will be constructed of carbon fiber and how to repair these parts.

The former question remains uncertain as many of the manufacturers are in their design phases, and thus, the specific application of the materials is confidential. Regarding repairing carbon fiber parts, Jason Bartanen of I-CAR's Tech Centre told Audatex that "for many of the vehicles using exposed weave carbon fiber, the only repair option is part replacement unless dealing with small scratches, which can be sanded and buffed." Bartanen went on to say, "If the carbon fiber is damaged, or a scratch extends through the clear coating, the part generally cannot be repaired. For painted carbon fiber parts, GM does allow for repair using SMC

techniques for cracks and holes; provided they are not on the edge of the panel. The number of fenders that will qualify for this repair will likely be limited."

Carbon fiber structural parts are generally replaced to ensure the same strength is maintained. In addition, adhesives will likely be used to join different carbon fiber components, which, once bonded, are not easily disassembled for repair without cutting or causing damage. The use of suitable adhesives, which allow for disassembly, will be significant to the repair process.

Lightweight Materials and the Future of Vehicle Design

Demand for increased fuel efficiency and reduction of greenhouse gasses under the CAFE program will require advances in the use of lightweight materials in vehicle design. Carbon fiber offers tremendous advantages: It is five times stronger than steel and twice as stiff, yet lighter than aluminum. While the timing of widespread use in vehicle construction remains uncertain, what is certain is that tremendous investments are being made by manufacturers to leverage its lightweight durable qualities.

What is also certain is that the use of weaved carbon fiber—painted or otherwise—will present repair challenges to those in the collision repair business, due to its inherent qualities. Exposed weaved carbon yields very limited repair qualities, while painted carbon fiber parts allow for only slightly more repair opportunities.

For insurers, replacing these parts will impact claim costs. While they still represent a very small percentage of replaced parts, the number will only increase in coming years. It will therefore become increasingly important to ensure appraisers and repairers have the proper estimating tools to identify vehicles where carbon fiber parts are standard equipment and where they may (or may not) represent an option. Not ensuring that the proper part (carbon fiber versus traditional materials) is placed on the estimate can become a costly mistake. ■

Manufacturers have recently announced that their designs will rely heavily on the use of carbon fiber, which is five times stronger than steel and twice as stiff, yet lighter than aluminum.

Putting the Industry in Perspective with Audatex U.S. Collision Repair Data

By Michael T. Anderson

Average Gross Appraisal Values

While the industry has not seen a shift in the overall distribution of estimates by coverage type, the impact of the aging fleet, the increased use of alternative parts, minimal claims inflation and a marked increase in repairs are keeping repairable appraisal values in check. First quarter 2010 average gross appraisal values (GAVs), reported prior to deductibles, were down

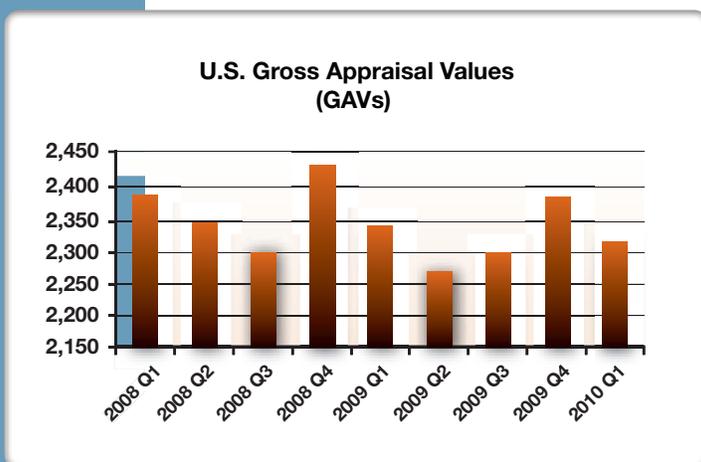
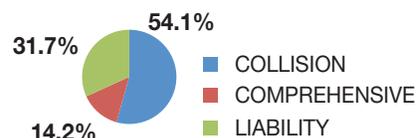


Figure 1: U.S. Quarterly GAVs (Source: Audatex Insight™)

slightly on a year-over-year basis (\$2,321 versus \$2,340), representing a \$19 or -.8% variance. Although we cycled through a complete calendar year, average vehicle age only increased by .4 model years, with collision losses only increasing by .2 model years.

The average number of miles on repairable vehicles increased by +6.5% on a quarter-over-

Q1 - 2009 Distribution



Q1 - 2010 Distribution

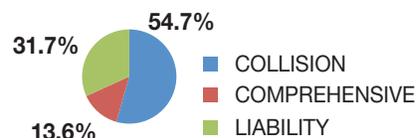


Figure 2: Quarter-Over-Quarter Comparison of Loss Type (Source: Audatex Insight)

quarter basis, reaching a 24-month high of 85,478. Mileage on vehicles involved in property damage (PD) liability losses led the change (+7.6%), while first party losses increased by +5.5% and +6.8% for collision and comprehensive, respectively.

Parts Analysis

Segmenting vehicles by age group, Audatex industry data reflects 5.4% more losses involving vehicles in excess of three model years. As this percentage increases, so does the likelihood of the use of alternative parts. Indeed, in the past 24 months, the industry has experienced a material shift towards the increased use of alternative parts, as seen in Figure 3 on the next page.

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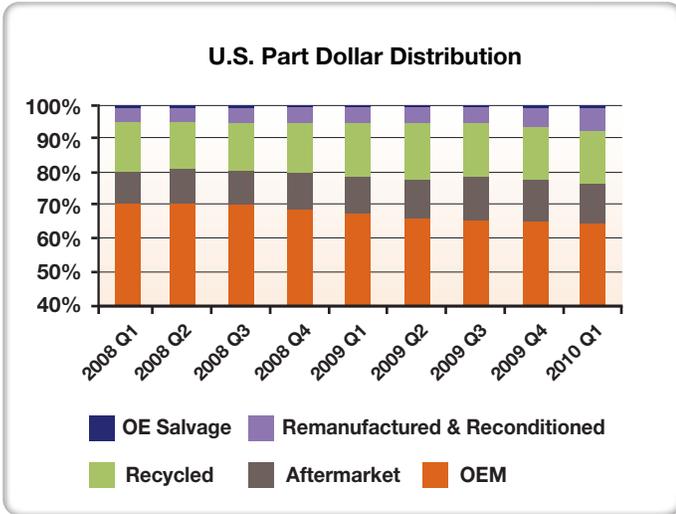


Figure 3: Part Distribution by Part Dollars
(Source: Audatex Insight)

The use of OEM parts (as percentage of part dollars) in the first quarter of 2010 was down -2.9 percentage points from the same period last year, and -5.2 percentage points (or a -7.5% of change) from Q1-08, as seen in Figure 4. With OEM parts reaching only 64.2% of total parts dollars, this figure represents the lowest percentage within the two-year reporting period.

Both aftermarket (13.3%) and recycled (15.4%) parts use increased by 1.1 percentage points compared to Q1-08, while remanufactured/reconditioned (6.6%) and OE surplus (0.5%) increased by .5% and .1%, respectively.

As seen below in Figure 5, overall replaced part counts have decreased slightly compared to Q1-09 and Q1-08. However, OEM part counts have fallen from 5.3 in Q1-08 to 4.4 in Q1-10, representing nearly one replaced OEM part per repairable estimate. This may be attributable by increased cash outs, a trend some insurers have reported.

Figure 5: OEM and Alternative Part Count Distribution
(Source: Audatex Insight)

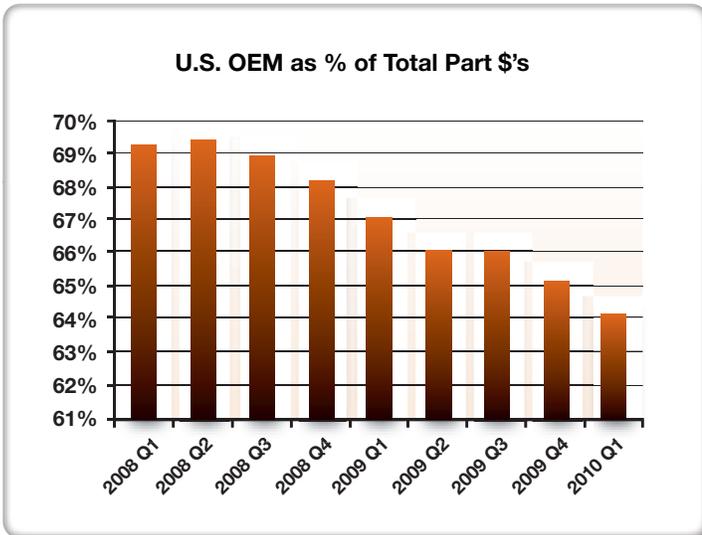
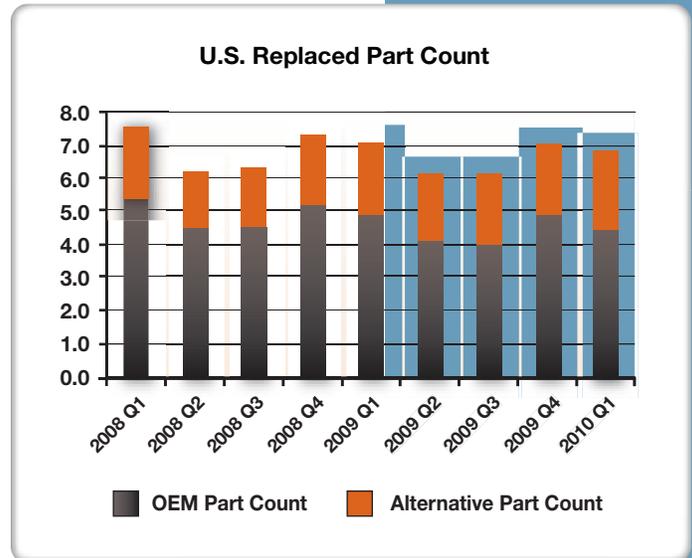


Figure 4: OEM Parts Stated as a Percentage of Part Dollars
(Source: Audatex Insight)



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Figure 6: Average Labor Rate by Type (Source: Audatex Insight)

Labor Analysis

Average U.S. labor rates during the first quarter of 2010 reflect minimal increases when compared to Q1-09 (Figure 6). Steady labor

Average U.S. Labor Rate
Q1 -2009 vs. Q1 - 2010

	2010 Q1	2009 Q1	\$ Change	% of Change
Sheet Metal	\$45.00	\$44.60	\$0.40	0.9%
Refinish	\$44.80	\$44.30	\$0.50	1.1%
Mech / Elec	\$68.30	\$66.40	\$1.90	2.9%
Frame	\$50.80	\$50.20	\$0.60	1.2%

U.S. Labor Hour Distribution

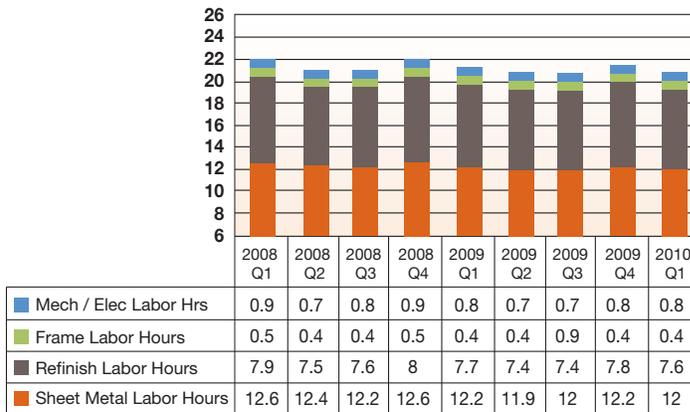


Figure 7: Labor Hour Distribution Trend (Source: Audatex Insight)

U.S. Labor Dollar Distribution



Figure 8: Average Labor Dollars Per Estimate by Type (Source: Audatex Insight)

rates, in conjunction with .3 fewer hours (Figure 7), helped contribute towards lower overall net labor dollars of \$5 per estimate, compared to Q1-09.

When comparing Q1-10 labor hours per repairable estimate to Q1-08, the Audatex data suggest an overall reduction of 1.1 labor hours and .3 hours compared to Q1-09, driven primarily by sheet metal and refinish, which represent .9 of the 1.1 hours.

The combined impact of fewer labor hours and modest increases in labor rates results in lower labor dollars per repairable estimate (Figure 8). Q1-10 data suggest a slight decrease of \$5 compared to Q1-09. However, when compared to Q1-08, the data reflect a decrease of \$17 per estimate.

Of the \$17 variance to Q1-08, nearly half (\$9) can be attributable to lower sheet metal labor costs, with Q1-10 being \$6 lower per estimate than Q1-09, keeping slight shifts in repair versus replace labor dollars in mind.

Inflation Forecast

The annual U.S. inflation rate for the 12-month period ending March 2010 was 2.31%. That's 2.70% higher than the 12 months ended March 2009, which reflected -.38%. U.S. inflation rates are forecasted to be 1.58% over the next year.

Total Loss

New vehicles sold at a seasonally adjusted rate of 11.2 million units in April 2010. While new car sales reflect a modest improvement, largely driven by significant dealer incentives, dealership used car sales improved by 8% in the first quarter of 2010, according to Manheim Consulting data. Even though significant increases were seen in used vehicle sales, dealers also experienced a decline in gross margins of one percentage point.

The wholesale market continues to reflect a strong rebound, largely due to lack of supply of used vehicles coming off trade or lease, with those vehicles remaining on the road continuing to show their age. According to a recent report by R.L. Polk, for the 15-month period between July 1, 2008 and September 20, 2009, more than

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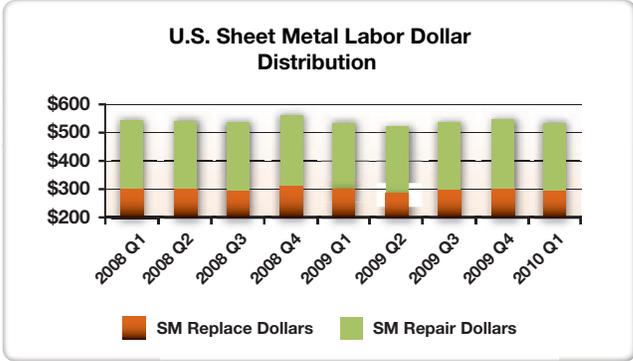


Figure 9: Average Sheet Metal Labor Dollar Distribution (Source: Audatex Insight)

14.8 million vehicles were scrapped, compared to 13.6 million new vehicle registrations. While some of this is related to the CARS program, vehicles in the U.S. on average were 10.2 years old during this period, representing a .2 increase from just a year ago. Compared to 1995 data, this represents a 21% increase.

Despite a slight uptick in unemployment (9.9%), consumer confidence increased in May 2010 for the third consecutive month. While still weak compared to historical levels (63.3), consumer optimism about the short-term future (measured by the Present Situation Index and Expectations Index) showed improvement as well. As more indicators continue to point towards positive economic recovery, new car sales with enticing incentives may erode the used car market in the short term.

Despite optimism around 2010 and 2011 new vehicle sales, the impact of tight consumer spending during 2008 and 2009 will last for

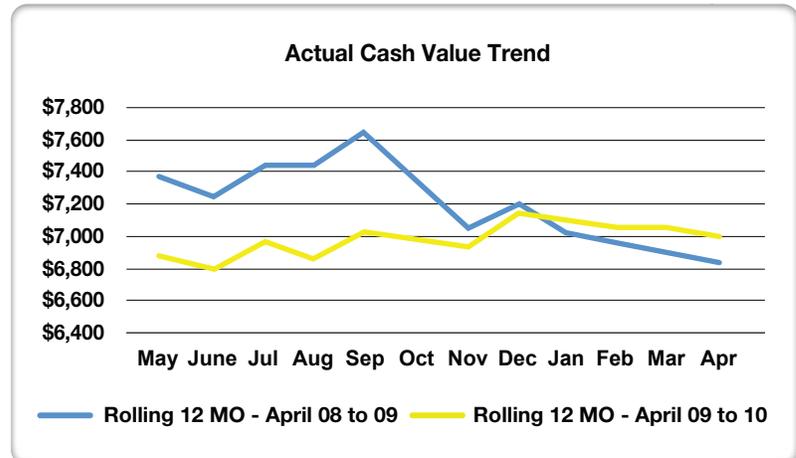
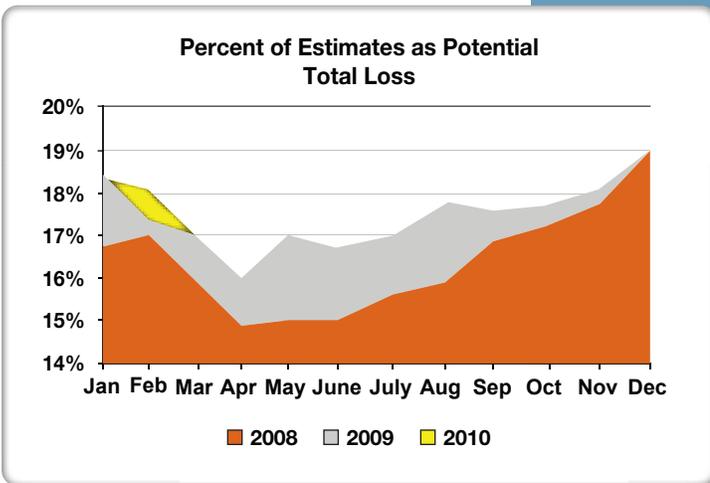


Figure 10: ACV Trend (Source: Audatex Insight)

some time. Until then, the industry will likely see only modest improvement in vehicle actual cash value (ACV), as shown in Figure 10.

The overall mix of total loss valuations remained fairly constant over the past year, with “cars” representing between 62 and 63% of all vehicle valuations. With fuel prices at reasonable levels, increases in ACVs were largely driven by increased values in pick-up trucks and sport utility vehicles, which increased 9.2 and 5.7%, respectively, compared to Q1-09. Cars increased only slightly—by 1%. Vans increased by 4.7%, while specialty vehicles declined by -9.7%.

Figure 11: Percent of Estimates as Potential Total Losses (Source: Audatex Insight)



Over the past 24 months, the lower ACVs have continued to result in increased estimates being identified as a potential total loss. These percentages vary by state and by client, dependent on the defined total loss thresholds. As Figure 11 depicts, 2010 is trending slightly higher than the first quarter of 2009, indicating that the modest increase in ACVs seen in Q1-10, compared to Q1-09, is not enough to impact the percent of estimates identified as possible total losses. ■

First Quarter Motorcycle Sales Drop More than 20 Percent

By Michael T. Anderson

New motorcycle sales saw a 20.9 percent drop in the first quarter of 2010 over the same period last year in the U.S. While significant, this reflected a slower rate of decline than Q1-2009's 37 percent drop. Street bikes and scooter sales, which combined, represent 74 percent of the market, led the decline. The two categories dropped by 21.6 percent and 21.5 percent, respectively.

After two years of slumping sales and dismal earnings, Harley Davidson saw its first quarter net earnings shrink from \$117.3M to \$33.3M. Net revenues declined from \$1.28B to \$1.04B as Harley Davidson acknowledged that 2010 will remain a difficult year until improvements are seen in both unemployment and consumer confidence.

As overall demand for motorcycles decreases, so too have their actual cash values (ACVs). April year-over-year ACV data reflects an overall 7.9 percent decline in value. Enduro class motorcycles and scooters declined 10.8 percent, sport and street cruisers declined 12.1 percent, while touring models increased slightly by 2.4 percent. The touring category reflects newer model years with fewer miles than those seen in early 2009. Harley Davidson models as a brand fell by 6.0 percent.

Motorcycle Actual Cash Values

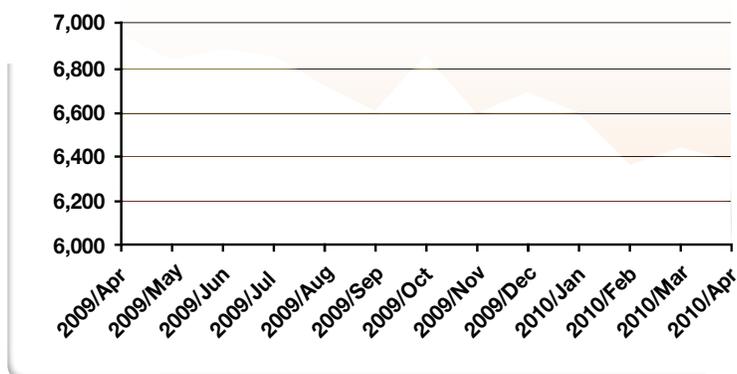


Figure 1: Motorcycle Actual Cash Value Trends 12 Months Ended April 2010 (Source: Audatex Insight)

As we enter the peak sales season for motorcycles, Harley Davidson announced it expects to ship 10 percent fewer units to worldwide dealerships in 2010 compared to 2009. Until consumers begin buying at dealerships that can carry inventory, the overall demand—and thus the value of motorcycles—will likely continue to remain suppressed in 2010. With 41.9 percent of motorcycle estimates written in 2009 identified as a potential total loss, and repairable gross appraisal values (GAVs) nearing 50 percent of the average value, the difference between the two is narrowing and may lead to further increases in total loss volume. ■

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See How One Shop Answers the Call

Audatex North America, Inc. Lean Six Sigma Case Study

For Don Mikrut, CEO of the highly successful Cars Collision Group, one answer lies in embracing the principles of Lean Six Sigma, a business management methodology that guides many of the world's best-run organizations. Lean Six Sigma focuses on improving value, decreasing waste and increasing speed. It reflects a company's commitment to its customers, and to making quality a top priority.

With 28 service centers in three U.S. states and revenue approaching \$75 million, Cars Collision Group hardly seems lacking in all these areas. Yet at the core of the Lean philosophy is thinking for the long-term, and Mikrut understands that planning ahead will not only allow him to position his company for further success, but to also cultivate the leadership required to guide that success into the future.

"As a multi-shop operator (MSO) that repairs roughly 44,000 vehicles per year, we are held to higher standards by insurance companies and customers alike, and we are fully committed to upholding those standards," Mikrut says. "But in competing with independent shops whose owners have a vested interest in profits, I also know that instilling that same sense of (personal) motivation in my managers—making them think ahead like owners do—is very important."

Although Cars Collision already practices Lean Six tenets, Mikrut decided in early 2009 to put his senior-level shop managers through third-party training. His goals: to help them dig deep into the organization's processes and procedures to shave time off of repair jobs,

and to better understand what drives profitability. He also looked to Lean to gain the type of "X factor" advantage that wins lifelong customers, providing an almost indefinable edge over the competition.

"Simply put, we want to provide world-class customer service and we want to do it as fast as we can, meaning we want vehicles back out on the road for our customers as quickly as possible," Mikrut says.

Realizing that the day-to-day demands of his managers' careers made off-site instruction an undesirable option, he sought out a Web-based Lean Six certification program that would be available to them from the convenience of their own computers. To optimize participation, he also wanted to select a program that would grant them the flexibility to train when their schedules allowed.

Mikrut didn't have to look far to identify a reliable source for the training. He learned that Audatex, whose industry-leading estimatics system is deployed in all 28 Cars Collision locations, also offers an online Lean Six training program that is the only one of its kind specifically designed for the auto body repair industry. Built from the ground up by experts known as black belts in the Lean Six community, the Audatex training can be taken at a participant's own pace, without the need for costly travel to a physical classroom location. Using dynamic streaming video and audio, the online content is available in 10 modules that provide clear, easy-to-follow steps for achieving marked improvements in

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“Audatex has condensed a tremendous amount of learning into a 4-1/2 to 5-1/2-hour Web-based product,” says Mikrut. “Even better, they’ve applied this learning exclusively to collision repair, using our industry’s own terminology. It lends great value the way it has been put together.”

— Don Mikrut, CEO,
Cars Collision Group

operations and customer satisfaction.

Choosing the Web-based training from Audatex, which applies Lean principles within its own organization, seemed like the perfect fit for Cars Collision on many levels. Just to be sure, Mikrut, who has completed formal classroom training in Lean Six Sigma himself, took a trial run of the coursework before making a decision. He was immediately impressed.

“Audatex has condensed a tremendous amount of learning into a 4-1/2 to 5-1/2-hour Web-based product,” says Mikrut. “Even better, they’ve applied this learning exclusively to collision repair, using our industry’s own terminology. It lends

great value the way it has been put together.”

Lean Six Sigma becomes even more effective when all entities in a company’s ecosystem—employees, suppliers, partners and even customers—adopt Lean methodologies. Having an existing Lean information and software provider such as Audatex provide the coursework sealed the deal for Mikrut.

To get started with Audatex Lean Six Sigma for Collision Repair, all that is required is a computer with an Internet connection. Participants simply point and click on the designated Audatex Web address, and enter a log-in name and password. Mikrut’s strategy for Cars Collision was to give each manager a timeline for completion of the course. They had the freedom to view the material on the Web at lunch, during breaks, in the evening or whenever time allowed. This flexible approach to training worked flawlessly, with the entire team finishing on schedule.

Next, they held discussion groups to address the best ways to apply the Lean principles within their own shops. Mikrut believes the training had an immediate impact on the way managers run the business, prompting process adjustments that resulted in greater efficiency and more productive operations for Cars Collision. More than anything, the Lean Six program has served as a way to reinforce practices already in place.

“Having a credible third party engage our managers in the benefits of Lean Six proved invaluable,” he says. “The Audatex training fueled new levels of understanding about the rules we’ve established at Cars Collision, and the reasons for those rules. It’s given them a new perspective on profit and loss, as well as renewed commitment to the ideals that we’ve been pushing all along, such as keeping the shops clean and organized.”

The bottom line for businesses such as Cars Collision is simple: its technicians cannot afford to fail. Yet technicians’ work requires a challenging combination of precision and artistry, as well as speed. “They take cars apart and then put them back together again, with everything fitting together perfectly. We deal with millions of parts, which means there is an equal number of opportunities for defects,” notes Mikrut.

To minimize defects and maximize speed of repair, Cars Collision continues to investigate ways to improve its service centers. It has performed Lean Six Sigma-level analyses of its operations nationwide, looking specifically at the advances made by each shop and each state month to month and year to year. What it all comes down to, he says, is the commitment of your people, and he looks at the recent Lean Six training as only a starting point.

“As Audatex explains, Lean Six training is a journey, not a one-shot deal,” says Mikrut. “We believe in investing in our employees, because the best way to standardize operations is to groom from within—to take your existing team and help them grow and understand the core values of pride and commitment. Programs such as Lean are critical to our ability to do just that.” ■

Audatex Recognized by ICBC Insurance



Beth McAteer, Product Manager of Audatex's newest Web-based reporting platform, Audatex Insight™, was recently recognized by The Insurance Corporation of British Columbia (ICBC) for her leadership role in

moving ICBC to a successful implementation in January of this year.

"Our initiative to implement Audatex Insight was critical to meeting our Collision Repair Industry Agreement commitment in evaluating repair facility performance against several key performance indicators in 2009. Beth was

very attentive to our needs, and we were impressed with the entire Audatex team and the speed with which our joint teams were able to accomplish this important ICBC implementation," said Darcy Gorchynski, Director, Material Damage Services at ICBC.

"I was honored to receive such recognition from ICBC on behalf of our team," said McAteer of Audatex. "The ICBC implementation of Audatex Insight was a dedicated effort to meet the business challenges of our client. Business intelligence and analytics are core competencies at Audatex, and we remain focused on delivering information that provides immediate and measurable value to our customers. We look forward to future implementations with the ICBC team on additional Audatex Insight analytical modules," McAteer added. ■

Audatex Insight: *Visualize Intelligence*

Audatex Insight is the automobile claims processing Web-based business intelligence platform. This robust analytical tool empowers claim and underwriting executives to effectively monitor, measure and manage their claim performance and loss experience. It provides them the right information at the right time so they can make informed business decisions. With Audatex Insight, decision makers spend less time manipulating data into a usable form and more time interpreting results to drive strategic business actions.

For more information on Audatex Insight, please visit http://www.audatex.us/insurance_solutions/reporting_solutions.aspx

Audatex TechFocus™: Repair and Replace Procedures at Your Fingertips

By John Smith Jr.

Having access to accurate and timely information has always been a key to success—regardless of the objective. Imagine General Eisenhower using old data to plan the D-Day invasion of Europe. How successful would he have been without access to the latest information?

For repairers, easy access to real-time information is no different. Leveraging manufacturer-specific vehicle procedure information can make the difference between a profitable job or one consuming time and money from your technicians and production managers. Having immediate access to the data you need for a repair provides your team with the tools and techniques to complete the job correctly the first time.

As Rick Tuuri, former chairman of the I-CAR International Board of Directors and Vice President of Industry Relations for Audatex notes: “Repair procedures have always been important, but especially considering the rapid-

paced evolution of automotive design and repair technology, ‘just in time’ access to them is critical. It’s no longer enough to be able to simply access the data. Today’s collision professional needs immediate access, at their fingertips.”

Traditionally, collision repairers have accessed repair and replace procedure information in three ways. The three each have their pros and cons:

1. Access to the OEs directly

Web sites, manuals, 800-numbers: A price is associated with each in the form of time and money. You get the information you need, but how long does it take to get it?

2. Information provider

One source for information, but you still must login, input the vehicle, search for the section and find the procedure. Surfing the Web instead of repairing cars costs you time as well as monthly subscription costs.

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3. Parts suppliers

You buy the parts from this source—why not get the procedures, too? At first glance, they appear to be a great source, but what happens if you buy parts down the street? How reliable is your source?

Audatex is changing the industry with TechFocus—the only integrated and estimate-specific solution for accessing repair and replace procedures:

One-Click Easy Access

TechFocus provides OE-referenced procedure information within Audatex Estimating™ specific to the estimate you're writing. If we have the procedure for a quarter panel on the vehicle you're estimating, one click from your mouse gives you access to that procedure. No Web sites, no logins, no searching.

Estimate and Vehicle-Specific Views

If you want to access a procedure for a part not listed on your estimate, that's OK, too. One click within TechFocus toggles between the procedures needed for your estimate and all procedures available for that vehicle. It's your choice.

Printing Procedures for Technicians and Repair Order Filing

Sharing procedures with your technicians is easy with the ability to print for reference on the floor or filing with the job. As with the viewing of procedures, one click allows you to print for sharing with the team.

Installation and Updates

If you have the latest version of Audatex Estimating installed and an Internet connection, you're ready to start using TechFocus. There's nothing additional to install or update. We update the procedures on our end, so when updates are made to a vehicle procedure, you can be confident that you're getting the latest version available to you.

Vehicle Coverage

A procedure solution is only as good as the vehicles included. Out of the gate, TechFocus will have procedure information from Acura, Buick, Cadillac, Chevrolet, Chrysler, Dodge, Ford, GMC, Honda, Jaguar, Jeep, Lexus, Oldsmobile, Pontiac, Saturn, Scion, Toyota, and Volvo. And we're adding more every day. ■

Are you ready to leverage the power of TechFocus in your repair facility? Audatex is piloting with select shops ahead of our release in the near future. To be selected for early access, please contact your local Audatex account professional or call us at **800-237-4968**.

Many of us are hardly strangers to the personal use of social media among children, teens, and even the fastest growing demographic of Facebook users, women between the ages of 55-65. While baby boomers grew up with television (which took 13 years to reach 50 million users), and Generation X ushered in the Internet, (which took only 4 years to reach 50 million users), we now have Web 2.0. The explosive revolution of this medium is exemplified by the growth of Facebook, which has added 200 million users in less than a year, according to Socialnomics.net, a social media blog. In fact, many of today's college students now consider email passé.

“What the concept of Web 2.0 really boils down to is the utilization of the World Wide Web as a genuine platform where users and visitors can control their own data, enrich their experiences and customize their online lives. Web 2.0 is dependent upon ‘the Community’.”

—Jon Gorman, editor-in-chief, NAMIC online weekly newsletter

This rapid growth and adoption of interactive web communities is not limited to the popular social networking sites, but also includes numerous digital content publishing sites like Twitter and YouTube, and sharing sites such as Newsvine and Digg. The term Web 2.0 was coined to reflect, not a new software update, but rather a change in the way we use the World Wide Web. Think Wikipedia versus Encyclopedia Britannica.

The impact of social media on business, especially the regulated world of insurance, became apparent at the IRES Foundation's National School on Market Regulation. At this conference, held in Chicago this past April, a panel of experts addressed issues ranging from the value of social media in marketing, to the hazards of ignoring its use, to regulatory issues surrounding the use of this media by insurers.

The general consensus among the panelists was that insurance companies cannot afford to ignore the value of this medium to reach the market. And just as important, insurers need to be in control of their brand. As Karen Yotis, Community Manager at LexisNexis Corporation presented in a YouTube video, 25 percent of searches for the world's 20 largest brands are links to user-generated content.

Don Walters, Senior Vice President, General Counsel and Secretary of the Insurance Marketplace Standards Association (IMSA),

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presented information from IMSA's Social Media Workgroup. The IMSA workgroup mission is "to support a social media strategy that grows business by keeping pace with real time business opportunities while adhering to applicable regulations and company policies." Mr. Walters highlighted the advantages of using social media for everything from marketing to

"If insurance companies do not use Facebook and Twitter carefully, they may find themselves not only in violation of insurance laws, but also with an increased risk of errors and omissions claims."

—Susan Stead, Partner,
Neilson Levine de Luca and Horst

employment recruiting. In fact, 80 percent of companies use LinkedIn as their primary recruiting tool, according to Socialnomics.net.

From a compliance standpoint, the use of social media does have regulatory implications. As with any communications tool, insurers should have defined policies and procedures relating to the use of social media. For example, how does your company respond to third party posts that threaten your brand reputation? How are your producers' use of this media monitored?

Regulatory issues include many areas such as record retention, false claims, improper "rebates" (giving away concert tickets, for example), required disclosures, and more. The use of social media in our industry is so new that it remains to be seen how regulators will view and monitor these activities.

Several panelists, including Anne Marie Narcini, Chief of Market Regulation with the New Jersey Department of Banking and Insurance, broached

the subject of misrepresentation and record retention in advertising and marketing. Most state insurance departments have regulations governing these practices, and Ms. Narcini stated that regulators can monitor insurer use of social media. While insurance companies are accustomed to legal oversight of their corporate advertising messages in traditional advertising, does your company know how your producers are using social media to advertise your brand?

The Model Unfair Trade Practices Act addresses both record retention issues, and misrepresentation and false advertising. The model act describes false advertising as:

"Making, publishing, disseminating, circulating, or placing before the public, or causing, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio station, or in any other way, an advertisement, announcement or statement containing any assertion, representation or statement with respect to the business of insurance or with respect to any person in the conduct of his insurance business, which is untrue, deceptive or misleading."

How are these types of outreach to potential customers retained for examination? Most states require insurers to maintain records of marketing materials for several years. According to Ms. Narcini, a cottage industry is springing up to assist companies with this type of record retention.

For now, there may be more questions than answers, but the upside is that social media is a valuable tool for insurers and other businesses to get their message out, and more importantly, get immediate public response from user-generated content. As Thomas H. Wetzel of Thomas H. Wetzel & Associates, said "Policyholders are worth talking to...and will influence each other about your brand." ■

Your brand
isn't what
YOU say it is,
it's what
GOOGLE
says it is . . .

—Chris Anderson,
Wired Magazine

Audatex Holds Strategic Advisory Council in New Orleans

“Strategy” was the key theme at the Audatex Inter-Industry Strategic Advisory Council Meeting held in New Orleans earlier this year. Mike Salfity, North American Managing Director, kicked off the session of industry leaders from the insurance and repair communities by sharing his views on the future of Audatex in the U.S. and Canada.

“Our mission is to deliver business solutions to your business problems, by enabling you to reduce cycle times, win repair work, improve retention, grow your customer base and deliver higher CSIs,” said Salfity. “With our analytics capabilities, you’ll understand your own business better.”

He also addressed the evolution of technology that is helping insurers and collision repairers be more successful. “3D Intelligent Graphics is a key differentiator for Audatex, as the exclusive provider of this important new interface technology,” said Salfity. “If you think about it, the graphics display is the real window to the estimating system. The more detail you see on the screen, the more accurate the estimate will be. This should improve the quality of the initial estimate and decrease the number of supplements.”

Currently, Audatex’s 3D Intelligent Graphics provides unlimited “zoom,” discrete part isolation capability and 360-degree rotation. Next-generation 3D Intelligent Graphics will include color-coded substrate capability.

“Voice of the Customer”

“This meeting is really an important way for us to hear the voice of our customer,” said Salfity. “Every time we show 3D graphics to our clients, they see another application for the future. The sky is really the limit.”

In addition, Salfity focused on using Audatex technology to its fullest to enable other applications for potential use by Audatex customers and clients. “Smartphone applications are in our future, as they are being worked on right now to deliver up-to-date, easy-to-access information to all Audatex subscribers,” he said.

Additionally, Audatex is focused on Insight, its analytics product and the most robust solution Audatex North America has ever developed. “Data analytics is a key to success for Audatex and our clients,” Salfity said. “Audatex Insight can provide information you need, from national, to local, to granular detail at any level, and then convert that data to knowledge, so that you can

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better understand your customers and your own business needs.”

Industry trends, reviewed by Michael Anderson, Audatex’s Senior Director of Analytics, reveal that total losses year-over-year experienced a minor increase, while the average cost of a repair dropped slightly. “Aftermarket prices rose a few percentage points, likely due to the rise in materials costs, while the OEMs have been aggressively lowering prices on crash parts to compete,” Anderson said.

“Considering these trends, along with a laser-focus by some insurance carriers on parts analytics, and a rise in the repair of parts versus replacement, Audatex can develop a vision of the future,” said Rick Tuuri, VP Industry Relations for Audatex, and the group’s facilitator. “Because these trends will likely continue for at least the next 12 to 18 months, repairers will need to understand that they may be looking at a slight drop in the number of repair jobs available due to total losses, and an increased focus on saving as many parts as possible. This will help to create a higher number of profitable repair jobs.”

Getting “Lean” and Going “Green”

“Lean” was also a focus at the session, as Warren Farrar from State Farm Insurance led the discussion, as seen from the perspective of a major insurer. “With all of the talk, action and media about Lean, it is still in its infancy in the industry,” said Farrar. “While some shops have had obvious success with Lean, as of yet it is still statistically insignificant in the big picture.”

Farrar addressed the International Bodyshop and Industry Symposium (IBIS) on this same topic two years ago. “Insurers can act as catalysts for Lean in today’s environment, and (they) are doing just that,” Farrar said. “We want to help as we can as we definitely see the potential benefit to the entire industry.”

Going “green” was the theme of a presentation by Derek Naidoo from Auto Body Speed Shop (ABSS), which has a U.S. presence in Florida and several shops in South Africa. Naidoo provided an overview of his enterprise—a lean, green franchise that specializes in non-structural

repairs and green power. (Please see Audatex Directions, Spring 2010 for more information on ABSS.)

“This council meets twice per year and is critical to the Audatex strategy, vision and mission,” said Tuuri. “Having open dialogue with insurance and repair leaders is imperative to Audatex, as we serve both segments. There is no better way to hear the voice of our customers than to meet with them regularly and take time to listen to what they say.”

“Acting on their counsel is equally important,” said Salfity. “After our last meeting, the council provided Audatex with their combined priority rank for five key initiatives. Their number-one priority was to provide repair and replacement procedures in Audatex Estimating™. This initiative is already underway and will be introduced by end of 2010.”

The Strategic Advisory Council has made clear the group’s importance to Audatex, as well as the value of meeting regularly. The council meets twice per year, with the next scheduled gathering in late August. ■



“There is no better way to hear the voice of our customers than to meet with them regularly and take time to listen to what they say.”

—Rick Tuuri,
VP Industry Relations,
Audatex

Audatex Technical Advisory Council Focuses on Database Reference Manual in Atlanta

The Audatex Database and the Database Reference Manual took center stage at the most recent meeting of the Audatex Inter-Industry Technical Advisory Council. The council includes both insurers and repairers, and engages in detailed discussion with Audatex about the database, product offerings and communication tools such as the Database Reference Manual.

“It is difficult to overstate the importance of the Database Reference Manual,” explains Rick Tuuri, VP of Industry Relations for Audatex, and the meeting’s facilitator. “While Audatex is the most automated estimating platform on the market, you still need to understand what goes into the database and what comes out on the estimate. The Audatex Database Reference Manual provides an invaluable tool that accomplishes just that.”

At the meeting, Council members reviewed proposed changes and clarifications to the Reference Manual to ensure that it is clear, accurate and works for insurers and repairers alike. Council members also provided Audatex with recommended priorities for changes in the system. This work, while sometimes tedious and time-consuming, provides value to both Audatex clients and non-clients.

“Whether you’re an Audatex client or not, you will probably deal with an Audatex estimate, possibly every day,” says Tuuri. “So the work this group does regarding the system, the database and the Reference Manual is important to everyone in the industry.”

Highlights of the discussion included the need for replacement procedures in the database, clarification on raw, unprimed bumper covers in the Audatex system, and implementation of alternate, industry-accepted labor procedures for parts replacement.

Audatex asked the council members to help prioritize projects and council suggestions to address in the database. Audatex then takes this “Voice of the Customer” for consideration as an important part of the product roadmap and product development process.

According to the council, the number-one priority is access to repair and replace procedures within the estimating application. This mirrored the input from the Audatex Inter-Industry Strategic Advisory Council as well. As a result, Audatex is committed to introducing these procedures this calendar year (see p.14).

“The focus will be on the 80/20,” says Pat Rice, VP of Database Development in North America. “We will put our efforts into the 20 percent that drives 80 percent of results for our customers. We won’t include all repair procedures, but we will include those that are most commonly needed. They will be integrated within the application so they will be easy to find and use.”

Audatex is also addressing raw, unprimed bumper covers. “The aftermarket really started the trend of supplying bumper covers raw and unprimed. This approach has found its way into the OEM marketplace,” explains Tuuri. “Most Toyota and Lexus bumper covers now come raw and unprimed, so Audatex users need to know what is and is not included in our refinish labor times.”

Another enhancement relates to Honda Air Bag Impact Kits. Honda offers parts kits that contain components related to airbag deployment. While this is an extremely proactive step by Honda to contain costs, there are cases where not all of the parts are replaced.

Audatex Estimating™ will allow selection of the Impact Kit, along with the option to replace all components or select those that will be replaced while still taking advantage of the Kit price. “This enhancement is a direct result of client input and is one more way that we respond to the voice of our customer,” says Bob Sandkaut, Database Manager. “Through our Request for Review function, we hear directly from our customers and the industry about their needs, and take action to incorporate their feedback into our database.”

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Audatex will also provide the capability to allow the use of alternate replacement procedures, while still incorporating OEM procedures. One example is replacement of the lower control arm for late-model Toyota Camrys.

Audatex labor times are currently based on all the operations outlined by the OEM to replace vehicle components. While the Toyota procedures include complete R&I of the engine and transaxle, many repairers have found that simply raising the assembly can accomplish the operation. Therefore, Audatex will begin to provide the ability to perform this operation either way, at the discretion of the user.

“This kind of flexibility in the system is extremely important to our users and the industry. While

Audatex plans to include the “Remove, Remove and Replace” time for additional operations that need to be performed, such as recycled outer quarter panel replacement (skin only). This would include the time to remove the existing skin, and replace it with the recycled component along with the time required to remove the quarter panel skin from the recycled assembly.

“Audatex is committed to automation of included operations, whenever required, to ensure estimate accuracy and completeness the first time,” says Tuuri. “This enhancement will improve ease of use and accuracy for recycled quarter panel skins.”

Several other changes to the upcoming revision of the Audatex Database Reference Manual were

Rick Tuuri explains, “While Audatex is the most automated estimating platform on the market, you still need to understand what goes into the database and what comes out on the estimate. The **Audatex Database Reference Manual** provides an invaluable tool that accomplishes just that.”

OEM procedures provide the basis for labor procedures within the system, automotive repair technology continues to evolve at a rapid rate,” explains Tuuri. “In this way, Audatex can reflect the evolution of repair practices employed by the industry.”

In another move, Audatex is adding more operations to recycled replacement times, improving the industry’s most comprehensive list of “Remove, Remove and Replace (Install)” operations for recycled panels. For example, when replacing a recycled door assembly, Audatex has always included this “R, R, & R” time for lock cylinders and trim panels. This is because the repairer will have to remove the lock cylinder and trim panel from both the recycled door assembly and the existing door, and install the components from the existing door on the recycled replacement assembly.

reviewed and discussed in detail. All revisions will print in bold type and be highlighted in an overview of the changes when the new Manual is released later this year.

Council members include insurers and repairers from both the U.S. and Canada. In addition, the Collision Industry Conference (CIC) Database Committee is also represented, bringing input from CIC, AASP, ASA and SCRS. The Council meets twice per year.

“Meetings like this are extremely beneficial and important to Audatex clients and the industry,” says Carroll Proctor, A.C. Proctor’s Paint and Body Shop in Augusta, Georgia. “As a member of the Council, the ASA and the CIC Database Committee, it’s important that our voice is heard.” ■

How the Hollander Strategic Advisory Council Helps Clients See Things From The Other Side

With increased attention placed on the use of alternative parts in the repair process and the implementation of Lean claims management processes, Hollander, a Solera Company, has launched a Strategic Advisory Council to provide collaboration among leading recyclers, insurers and collision repairers. Hollander is a sister company to Audatex North America, Inc. During the most recent Hollander Strategic Advisory Council in May, these key topics topped the agenda:

- Improve the selection and use of recycled parts by developing strategies to bridge the cataloguing methods used by the estimating applications and applications used by the recyclers.
- Add flexibility to the recycled parts search process to facilitate searches by part quality and vendor qualifications, and to enable searches outside of the current geographic and year/model constraints.
- Improve data analytics for recyclers by including data collected from the estimating process to provide better intelligence to aid in vehicle purchase and profitability decisions, leading to improved recovery.
- Explore innovative mechanisms for salvage disposition to improve recycled part availability and quality, shorten disposition cycle time and reduce overall process costs.

“We view the relationship between insurers, collision repairers and recyclers holistically and with a potential to generate synergies,” says Rich Lauria, General Manager for Hollander. “For example, through collaboration emanating from the Strategic Advisory Council we identified potential ways to increase the revenue for recyclers from both a vehicle purchase and sales perspective, as well as increase salvage recoveries by insurers. Keeping the vehicles within the U.S. recycled part supply chain increases the supply of parts, offering body shops better selection and quality, while at the same time helping insurers better manage their loss costs.”

From a recycler’s perspective, “Bringing insurers and body shops into the council represents a game changer,” says Jim Watson of ABC Auto Parts in Blue Island, Illinois. “Having a diverse group providing various perspectives to industry issues provides more clarity and ability to arrive at solutions

— *Continued from below*

that benefit all the parties. For example, there are issues relating to the search and sale of recycled parts that impact recyclers caused by constraints in the process that may not add value and could be removed. Likewise, some elements in the salvage disposition process that may not seem significant to insurers could play a big role in reducing risk for recyclers, thus allowing for potentially higher recoveries.”

Tim Adelman, Executive Vice President for ABRA Auto Body and Glass, with over 100 repair facilities, states: “As a collision repairer, it is our obligation to work with our insurance partners to take advantage of the use of recycled OEM parts. In doing so, we sometimes face challenges relating to availability, part quality and time to delivery. When we were approached by Audatex with the idea of helping resolve some of these issues through direct dialog with recyclers, we were very intrigued. The results so far have exceeded our expectations. The fact that all members of the group are working together collaboratively to give Audatex and Hollander direction and validating opportunities, I think, will lead to great things and benefit us all.”

Adelman’s comments were echoed by Chad Counselman of Counselman Automotive Recycling in Mobile, Alabama. Says Counselman, “With Hollander coordinating this group, I foresee a unity in the future between Audatex customers and Hollander customers. This will allow each of the industries to communicate in the same language, which will result in quicker delivery of the correct part every time. We see Audatex and Hollander as the key to this link because they have the potential to open doors we never knew were even possible. At our business, we rely heavily on data to help us make purchasing and operational decisions. Just being able to see and have access to data from estimates written in our area can provide tremendous value when combined with data from our own systems.”

As Hollander’s Lauria views it, “We look at parts throughout the entire process, from identification through locating, ordering, logistics and ultimately, data analytics. To have a significant impact in benefitting all parties, any solution must include aspects of every step, and we feel that Audatex and Hollander are perfectly positioned to change how the industry manages recycled OEM parts.” ■

Catch Audatex at the next industry event or trade show.

Oct 11-12 **NACE (National Auto Body Congress Exposition)**
Las Vegas, Nevada

Oct 28-31 **The Automotive Recyclers Association's 67th Annual
Convention & Exposition**
Austin, Texas

Nov 2-5 **SEMA Show**
Las Vegas, Nevada

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