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Waterborne is just one of many issues on Maaco's mind

Mark Martino — Maaco's Vice Chairman — Talks Issues and Strategy

by Ed Attanasio

Autobody News recently interviewed Mark Martino, vice chairman of Maaco, on conversions to waterborne, issues facing the industry and company plans for expansion. Here's what he had to say on a range of topics.

What plans does Maaco currently have to convert its 475 shops in the U.S. and Canada to waterborne?

MM: We're pretty anxious to be on board with waterborne as an organization. All of our shops in California and Canada have converted. Just recently, I was in both Northern and Southern California, doing meetings en masse with many of our groups, and of all the things we talked about, waterborne seemed to be their least concern. So, that tells me that things are going very well.

All of the 40-plus shops we have in California have already made the conversion for their spot and panel needs. Our Canadian group converted to waterborne en masse nine months ago. They took it as a challenge to convert their 35 locations at one time, as it related to Canadian regulations. Canada has [nationwide] waterborne paint laws coming down the road, so they wanted to be ahead of the curve for obvious reasons, one of which is marketing.

Will this be a national rollout or will other shops within the U.S. be encouraged to convert using their own timetable and based on their own priorities?

MM: There's a likelihood that every state in the country will come on board over the next 10–15 years. It is our hope that the economy of scale with respect to the pricing of waterborne paint, familiarity with waterborne, and with the paint manufacturers obviously wanting to eliminate the solvent system as soon as they can, that I can imagine over the next five years, you'll see a total conversion, despite what the certain state's regulations might mandate.

Waterborne costs more—which, of course, is one of the obvious challenges we're facing right now. Obviously, any time there are new innovations within the paint companies, the initial rollout is a more costly proposition. We've seen it happen before. Some of the offsets are that waterborne will cover better. So, you get these tradeoffs. Typically, as it relates to collision repair, those costs are passed on to the consumers, basically through the insurance companies charging them for the higher costs. Our hope is to get onboard with the regulation and become experts on how to use it.



Mark Martino

We've made changes like this before in the history of Maaco, and it always turns out for the best. I can go back to when they introduced hazardous waste control management regulations back in the late '70s, and I can talk about things that we've done with respect to the national rule and how it relates to single-stage coatings. Change of any kind is painful, but at the end of the day all of these regulations always help benefit the shop. The better players step up to the plate and incorporate them and go on and build their businesses; and the weaker sisters who typically have a tendency to pull down the industry are fewer and further between. In the end, I think the industry improves. We're all concerned about the economy, but if this is something that's going to improve the industry, we're all for it.

How much autonomy do Maaco shops have in selecting and/or changing their own paint brands?

MM: Well, obviously we offer three very well-recognized brands (PPG, DuPont and Sherwin-Williams), but a Maaco Center can purchase their paint from anyone they'd like to, as long as it's a nationally-recognized brand. The national account re-

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Nationwide effort gathers steam

FinishMaster's WaterMasters Division Completes 400+ Conversions in California

Autobody News interviewed Herb Butler, National Waterborne Project Manager of **WaterMasters**, the waterborne division of **FinishMaster**, on how the company is handling an increasing number of conversions for its client shops.



Tell us exactly what WaterMasters does for client shops. Is it the same nationwide, or are you only in California?

HB: WaterMasters provides a proven repeatable waterborne conversion process that places our customers in the best position to take advantage of the opportunities that are available when using waterborne coatings. We developed this process over the course of 400 conversions in California and now utilize it nationally in every market where FinishMaster is located (177 branches in 39 of the 50 largest metropolitan areas). The following details the process steps we utilize:

Shop Assessment—Determine the waterborne readiness of the shop in regard to equipment, process, and products.

Conversion Planning Meeting—Detail the findings from the assessment, make recommendations and quantify the possible results of implementing the recommendations for the following topics: equipment upgrades, process enhancements, paint products, and associated products. In addition we will review training plan with dates and discuss a tentative conversion date.

Conversion Decision Meeting—Determine which recommendations to be implemented, agree on paint product, finalize training plan and dates, agree on conversion date and plan.

Complete Equipment Upgrades—Utilize Preferred Equipment Contractor Network to implement the agreed equipment upgrades.

Liaison with the Paint Manufacturer—To ensure the delivery of mixing equipment and product prior to the conversion plan.

Implement Train Plan—Which includes being the liaison with the paint manufacturer to arrange offsite training for the appropriate shop employees at the manufacturer's facility.

Convert paint shop & provide onsite training—Complete the conversions and provide onsite technical training for the agreed plan.

Follow up technical and process training 30 days after conversion or sooner when necessary.

Let's start with the statistics in California. Shops in AQMDs such as South Coast, San Joaquin, Ventura, and Santa Barbara districts are virtually all converted by now. Can you tell us about ongoing issues with the converted shops? How are they managing their process differently? Are they seeing any increased costs or benefits other than being in compliance?

HB: Most of the ongoing issues a converted shop in California would be dealing with today usually revolve around "changing habits". For example, changing color matching habits by simply completing spray outs or utilizing all the color tools the manufacturer offers. When this habit is changed, the collision repair center positions itself to take advantage of the fact that waterborne basecoats align better with OEM finishes which gives them a better opportunity to duplicate the factory finish more efficiently. Without planning and support from an organization like WaterMasters, changing habits will take time; deferring the opportunities that are available when utilizing waterborne basecoats.

What are the most typical recommendations you make to shops to prepare for conversion?

HB: Beyond the typical equipment and associated product recommendations, WaterMasters will assess the standard operating

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WaterMasters

procedures and make suggestions to enhance the efficiency of the process. When spraying solvent base coats, many paint departments believe they must take short cuts to be productive. The “win-win” for a waterborne collision center is that the opportunity to be more productive can be accomplished by utilizing proper procedures which leads to better and proper repairs.

What do you think shops are least prepared for, and what typically are their biggest cost items? Biggest capital outlays? Biggest soft (ongoing) costs?

HB: Every collision repair center converting to waterborne will need to install an air movement solution and it can be the largest capital expense they will encounter. Whether the shop decides to install air diffusers with a stand or make the bigger commitment to a system retrofitted into the spray booth, the fact remains that turbulating air in the booth properly, not just increasing the speed of the air flow, is the key to maintaining or even enhancing productivity when utilizing waterborne. As part of the WaterMasters’ assessment, productivity levels, potential increases in capacity and energy cost savings are all factored into the recommendations for a solution as well as quantifying the return on investment.

What issues are shops encountering on paint costing issues? Are insurers paying invoiced costs or estimated costs relating to waterborne? Do you hear about any concerns with estimating systems for shops outside the mandated areas?

HB: Can for can, waterborne toners will cost on average 10% more than the solvent toners purchase today. The good news is

that there is an opportunity for cost savings after waterborne is mixed and sprayed, which leads us back to our discussion on “changing habits”. Waterborne base coats have tremendous hiding capabilities that allow a shop to mix at least 25% less, depending on the color selected, to complete the same job. Now with that being said, will this occur the first day of the conversion? Probably not. However, over time and with support, utilizing waterborne should not increase costs and will provide an opportunity to actually lower costs.

Do you handle conversions differently outside of the mandated AQMDs?

HB: WaterMasters utilizes the same repeatable conversion process that we have proven in over 400 conversions to date without regard for which state the conversion is in or whether an area is mandated or not. This experience achieved by WaterMasters will provide a tremendous level of confidence and comfort to a collision center choosing FinishMaster as their preferred supplier of waterborne. It is our opinion that a collision center located in a non-mandated area has additional opportunities by converting to waterborne products. These opportunities would include their ability to demonstrate market leadership, the ability to differentiate themselves from their competition and the opportunity to be more successful utilizing a green marketing program. It is our experience that once an area becomes mandated, these opportunities disappear.

What is the real motivation for shops outside the mandated areas to convert at this time? Is it more difficult for those shops to convert?

HB: The motivation for a shop to convert to waterborne outside the mandated area is all about opportunity! Taking advantage of

the opportunity to be a market leader and differentiate themselves from their competition, the opportunity to support a “green” marketing program, the opportunity to enhance productivity and increase their profits and the opportunity to stay out in front of the curve of regulation. All of these are possible to accomplish by just converting to waterborne. However, the window for most of these opportunities is narrow. Several air quality districts around the country today are reviewing the success of waterborne products utilized in California and Canada and are considering adopting regulations that would require the use of waterborne basecoats.

Can you give us a sense of how many shops you’ve converted outside of the mandated areas, both in California and other states? Do they tend to be the larger shops or chains? Or are medium size shops well represented?

HB: FinishMaster has converted approximately 75 collision repair centers outside of the mandated areas and is planning to significantly increase those numbers over the course the next two years. These shops represent a good cross section of medium to large shops along with some regional multiple shop operators. The similar characteristic of these shops is that they are owned or managed by progressive thinking business men and women who are not satisfied with the status quo and will take advantage of opportunities that help offset our present market conditions.

Do you recommend or represent specific manufacturers, or does WaterMasters work with any supplier?

HB: FinishMaster proudly offers a full line of brand-name products from three leading paint manufacturers in 29 states; BASF, DuPont, and PPG. As part of the as-

essment process, WaterMasters will recommend products that will align with the goals and conditions of the individual collision repair center.

Do you think that customers of the shops respond differently when they learn about waterborne in use, or is it over the head of the collision consumer?

HB: Consumers today are a very informed group and I find it an advantage for a shop to educate them on the products utilized during the repair process. Taking the time and effort to educate customers should eliminate any concern they might have for the long-term durability of automotive aftermarket waterborne coatings. However, the real opportunity manifests itself with the establishment of a “green” marketing program. Converting to waterborne will decrease the Volatile Organic Compounds (VOCs) emitted in the air during the color coating process by up to 70%; allowing the shop the opportunity to label itself “environmentally friendly”. Significant evidence exists that consumers will alter buying decisions and favor businesses that adopt a “green” program. Many converted shops outside of mandated areas have taken advantage of this opportunity.

Do you see shops taking other environmental initiatives once they’ve converted to waterborne?

HB: Once a shop exposes itself to a green initiative usually it becomes aware of the green activities that already exist in the shop such as utilizing recycled parts, recycling solvents, utilizing waste management companies that recycle the waste and recycling water in their car wash or detail department. Quantifying all these activities can produce a very compelling environmental story and program.

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Gregg Hauk Appointed at Pro-Spray N. America

Pro-Spray® Automotive Finishes, a division of Alco Industries and a leader in European technology solventborne and waterborne refinishing products for the automotive aftermarket, announced the appointment of Gregg Hauk as the new Pro-Spray National Sales Director, North America.

“Gregg’s tenure in the automotive refinishing aftermarket spans nearly three decades,” said Tom Perry, president. “We



Gregg Hauk

believe in strategically aligning ourselves with quality, experienced people. Mr. Hauk’s professionalism, enthusiasm and strong background in automotive paint sales, marketing and management will bene-

fit our customers as well as grow and strengthen our presence in North America.”

In his new role, Gregg will report directly to Pro-Spray President, Tom Perry, and will be responsible for the management, sales, profit development and overall business strategy im-

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plementation for the United States and Canada. All Pro-Spray sales personnel will report to Gregg.

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and North America, the Pro-Spray product line delivers a comprehensive, versatile, and high performance waterborne and solvent intermix colour system supported by a full range of primers, clearcoats, hardeners, thinners and support products to body shops worldwide.

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WaterMasters

Regarding the about to mandate districts, such as Yolo-Solano and San Luis Obispo (July 1, 2009) and Bay Area (Oct. 1, 2009), what percentage of shops do you estimate have already converted to waterborne? Do you anticipate a rush of conversions prior to those dates or is it a more orderly process now? What percentage overall in California have converted?

HB: FinishMaster has converted 40% of its collision repair centers in these two Northern California districts. The 60% of shops not converted in Northern California have been scheduled and it is our plan to complete this in an orderly fashion well prior to the enforcement date of October 1, 2009. Given the fact that we are only seven months from the enforcement date, it is inevitable a “rush to conversion” or “dog pile” will exist in the last month and WaterMasters will be prepared to offer conversion to shops in need.

What percentage overall in California have converted?

HB: With two of the largest air quality districts completed and the third one in process, it is generally agreed that approximately 65% of the shops in California are converted to waterborne.

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