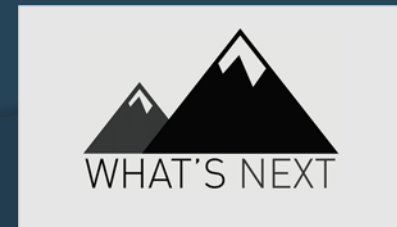


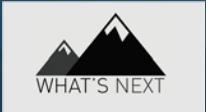
Guild 21 Webinar
October 8, 2015

**“YOU CAN PAY ME NOW, OR YOU CAN PAY ME LATER”:
WHY THE COLLISION AND SERVICE
REPAIR INDUSTRY NEEDS A TRIPLE
BOTTOM LINE APPROACH**

Photo Credit: <http://i.huffpost.com/gen/1423422/images/o-EARTH-MOON-facebook.jpg>



Introduction

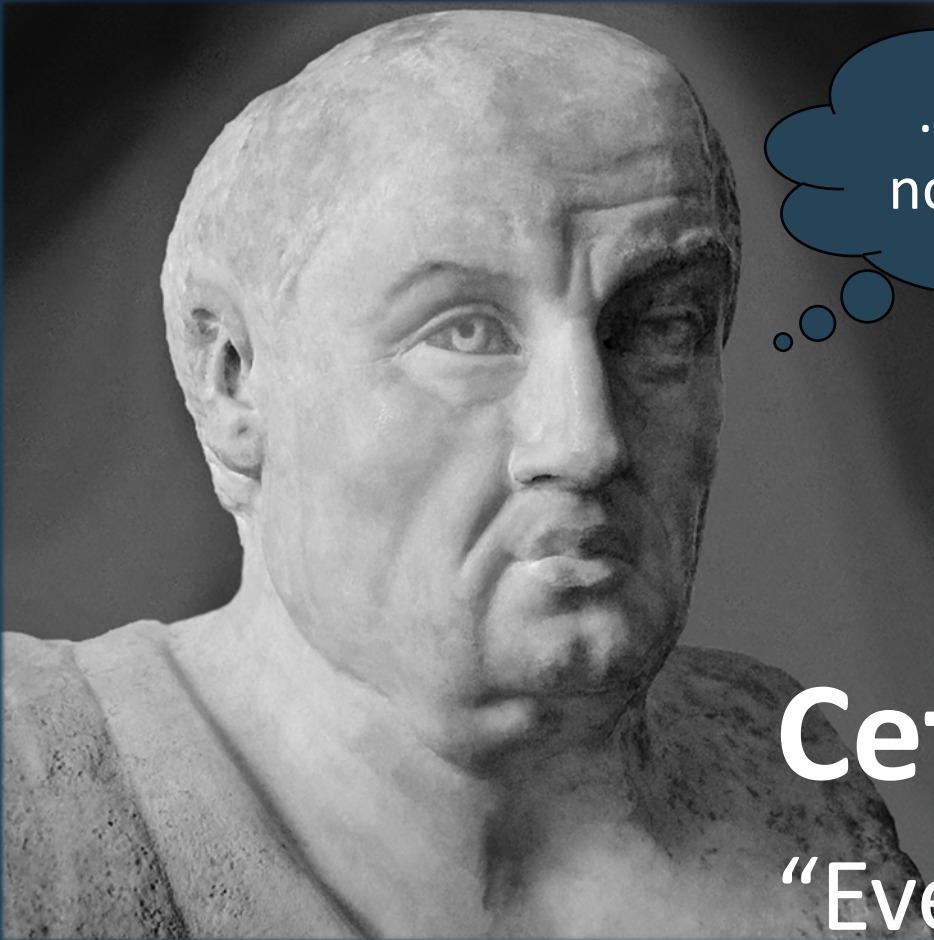


The Total Economic Loss "Disturbance"



...Really!?...Why is that? ...
I don't understand: My car
has low mileage and ran
fine...until a few minutes
ago!

Photo Credit: <https://www.hoffmannpersonalinjury.com/wp-content/uploads/2015/08/car-accident-lawyer-kirkwood-mo.jpg>

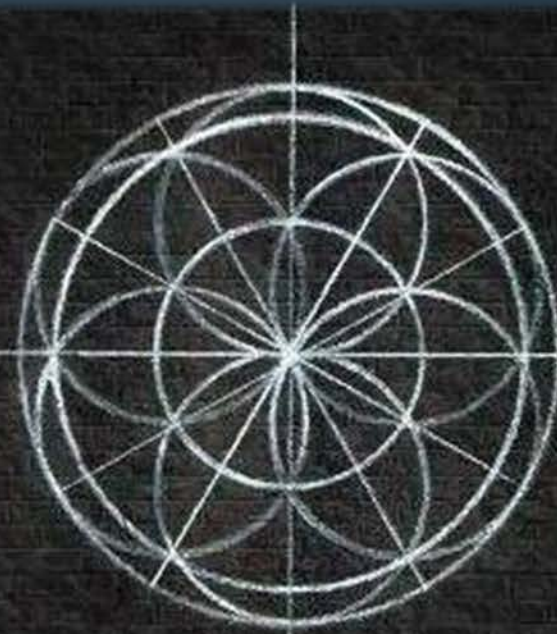


...Well, maybe
not everything...

Ceteris paribus –
“Everything else remains the same”
– is a lie!

Photo Credit: https://probaway.files.wordpress.com/2013/05/seneca_4.jpg

Systems Thinking

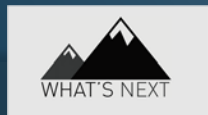


"Learn how to see. Realize that everything connects to everything else."

Leonardo da Vinci

Nothing stays the same forever...

The Realities of Consumerism



It Really Started with Henry...



I'll pay you more money so you can buy more stuff!

Let's Play a Game...

One of these things is not like the others,

One of these things just doesn't belong,

Can you tell which thing is not like the others

By the time I finish my song?



All of Our Stuff
Eventually
Winds-up Here



Take, Make, Waste is Linear and Doesn't Fit!

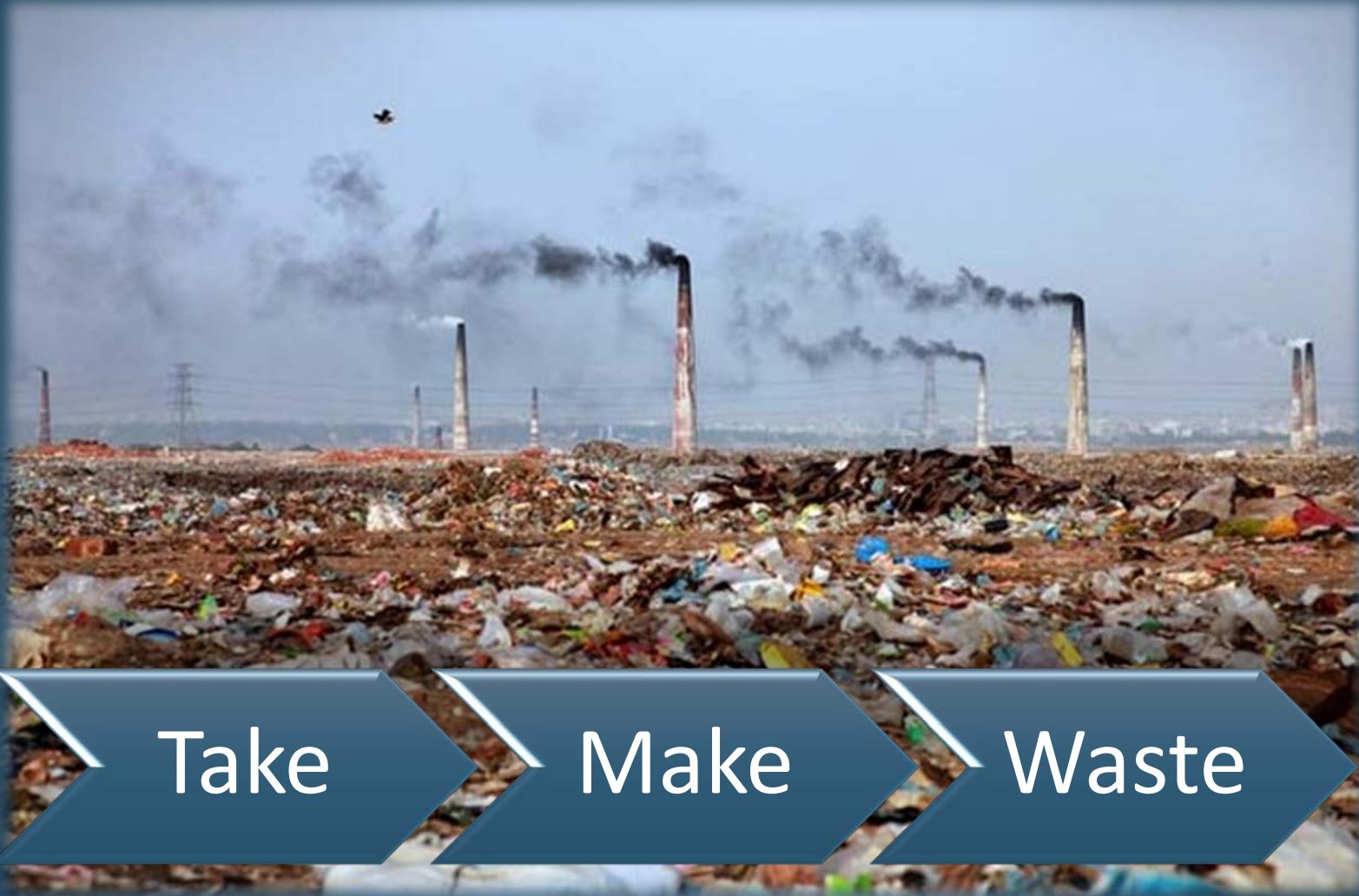


Image Source: <http://i.imgur.com/cuosiXV.jpg>

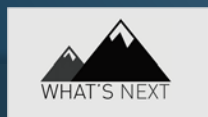
Externalities....

Well, Excuuuuuuse
Me! What's the
problem...?



There's a huge problem, most of us just don't see it...

Externalities are Not External



The Pinto Problem

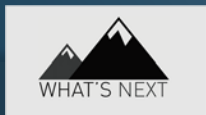


Image Source: http://www.golarry.org/wp-content/uploads/2013/06/Ford_Pinto.jpg

There's always something new just under the surface

The Dialectic:

Moving Beyond “Maximizing Shareholder Value”



What is Sustainability and the Triple Bottom Line?

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts:

- *The concept of 'needs', in particular, the essential needs of the world's poor, to which overriding priority should be given; and*
- *The idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs.*

-- The Brundtland Commission Definition of Sustainability



The Triple Bottom Line

The Matter of Measuring Non-Financials: The Balanced Score Card



In the US, this is designed by the SEC, with support from PCAOB and FASB.

Defining important non-financial measures, by comparison to financials, is highly dependent on the industry, where the work is being done and a host of other factors. When it comes to social responsibility, it's a highly evolving landscape.

Over the Long Term, Sustainability Works

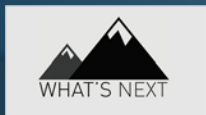
Environmental, Social and Governance (ESG) are the factors used to assess the sustainability of the companies included in these Socially Responsible Equity Funds. Over a more than ten year period, these equity funds are shown to outperform the S&P 500 Index and Morningstar Large Blend funds by significant amounts. There is mounting evidence that companies who make triple bottom line value creation part of their non-financial measures will deliver real and substantial return on investment for their shareholders.

Sustainability: A Positive Factor in Long-Term Returns

Total Return of All U.S. Actively Managed Socially Responsible Equity Funds versus S&P 500 Index and Morningstar Large Blend Category 7/1/01 through 2/28/14



Sources: Morningstar, Neuberger Berman, Forum for Sustainable and Responsible Investment. Past performance is no guarantee of future results.

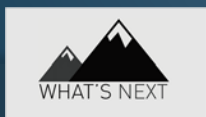


What are the justifications for Corporate Social Responsibility?

The prevailing wisdom indicates there are four arguments justifying Corporate Social Responsibility*:

- 1. Morality:** This is about doing the right thing
- 2. Sustainability:** This has to do with being motivated to preserve the industry and the business in general.
- 3. License to Operate:** Society gives a business its license to operate; therefore, meeting the needs of all stakeholders drives this argument.
- 4. Reputation:** This is similar to License to Operate, but goes more to perception, rather than anything approaching the objective.

* Porter, Michael E. and Kramer, Mark R. "Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility". Harvard Business Review. December, 2006.



Effective Risk Management Necessitates a Culture of Risk Management

“The team did not identify any single action or inaction that caused this accident...”

“Usually, as in this BP case, many things need to go wrong for such a disaster to occur; thus, the company has many opportunities to break the chain of failure. It takes a culture that gives little respect to the concept of risk management for so many disastrous mistakes to be possible.”



Source: <http://licatarisk.com/cms/the-bp-gulf-oil-spill-a-risk-management-debacle/>

How can we forget...

“It’s the Economy, stupid”

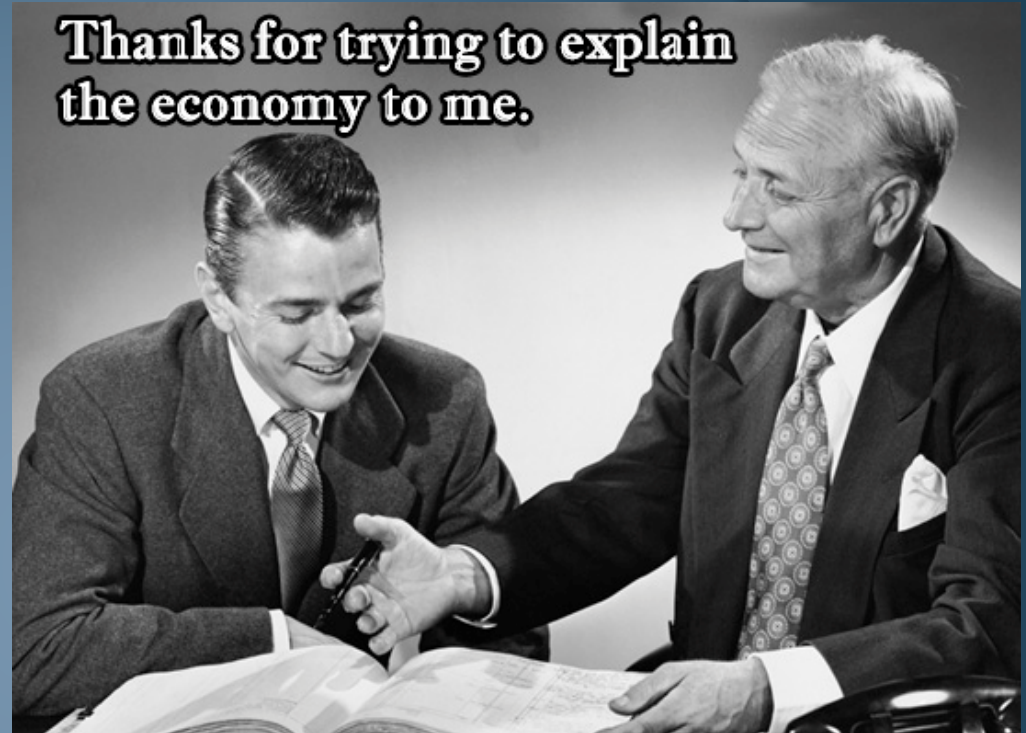


Image Source: <http://ak.imgfarm.com/images/fwp/myfuncards/Humor/lg/ItsTheEconomyStupid.jpg>

Each of Us is Part of an Ecosystem within the Biosphere

The thickness of this line is a scalar representation of the Earth's biosphere.

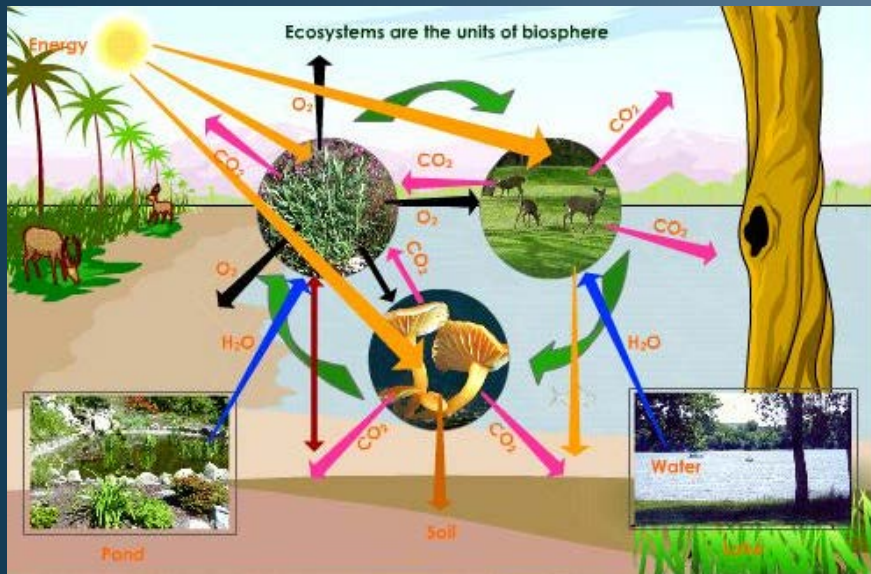
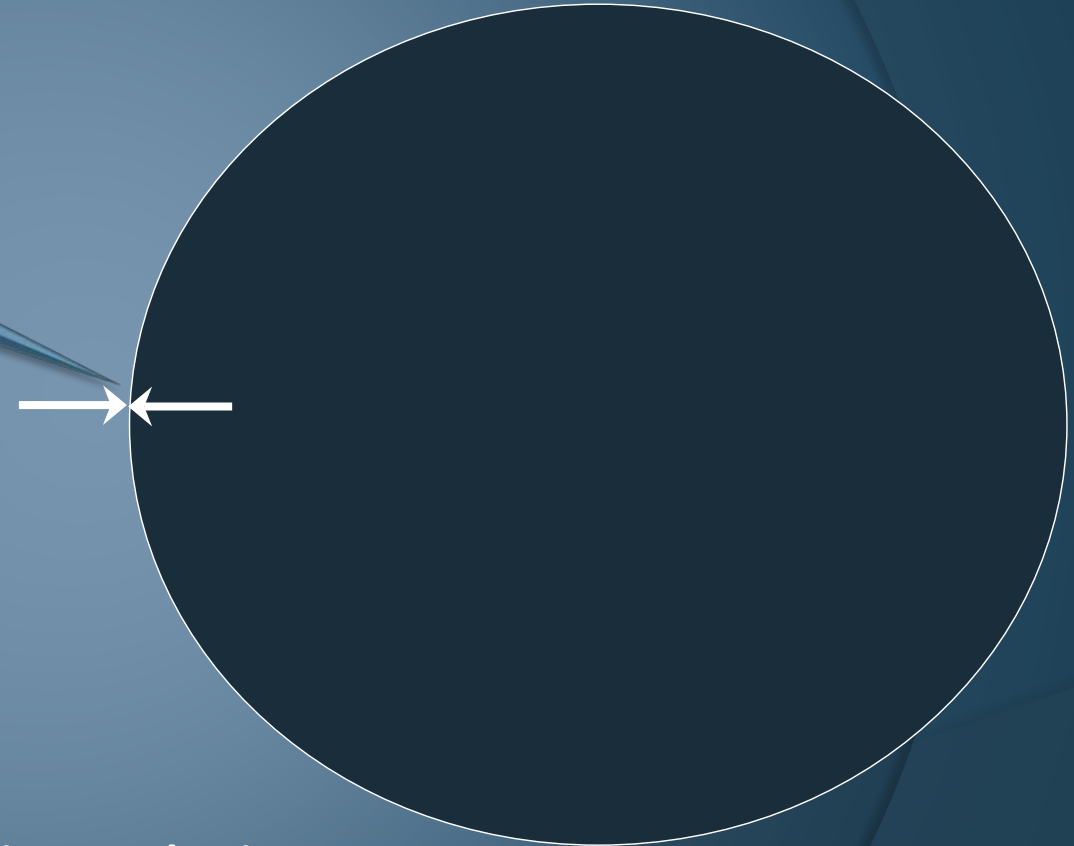


Image Source: <http://savestupidpeople.homestead.com/ecosystem-of-biosphere.jpg>



Some Basic Geophysics

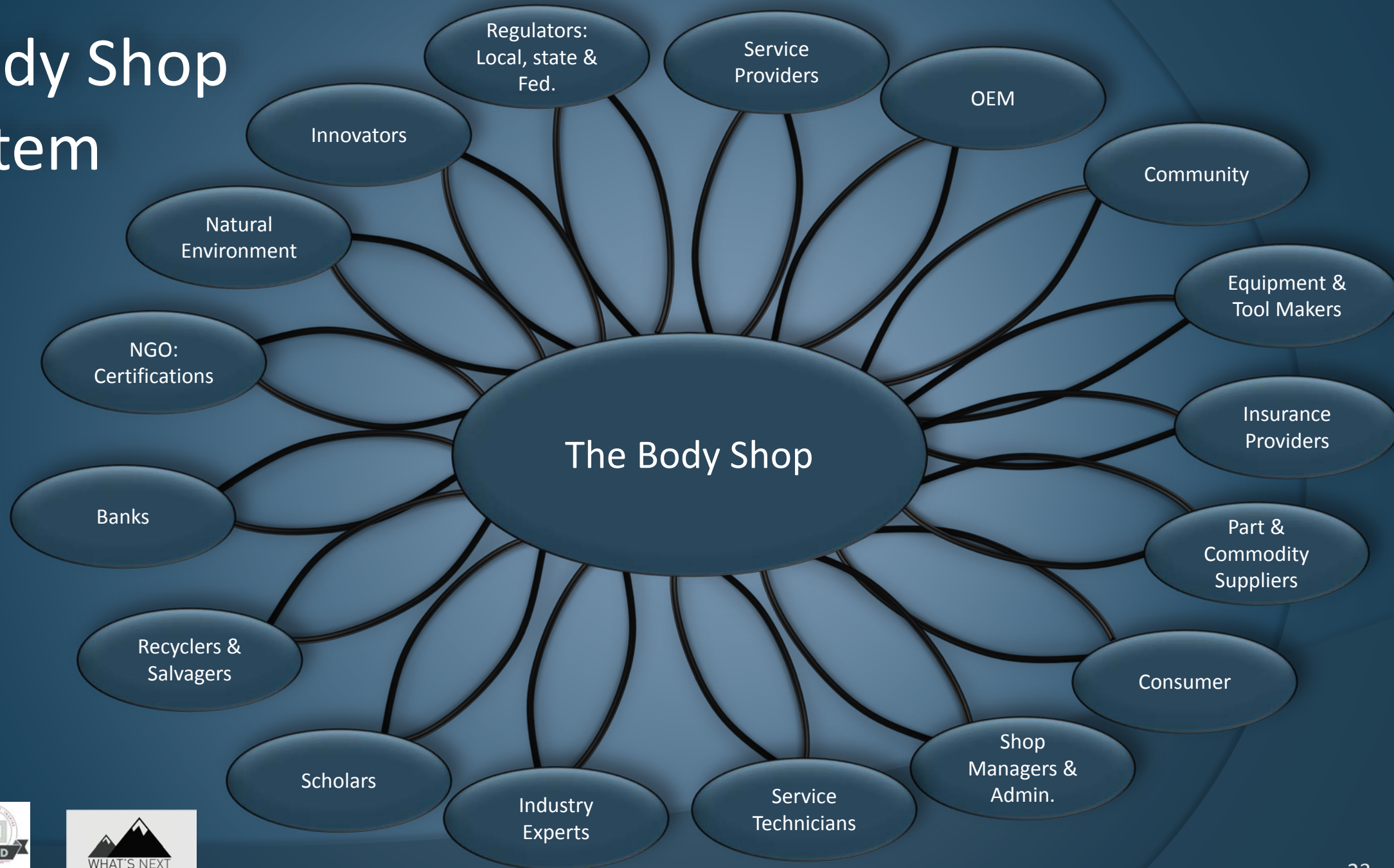
Earth's Diameter = 7926 Mi. (12,753 km)

Thickness of The Biosphere = 12.4 Mi. (20.0 km)

Brainstorming the Triple Bottom Line: The Body Shop Ecosystem

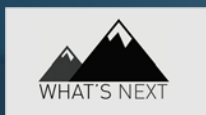


The Body Shop Ecosystem



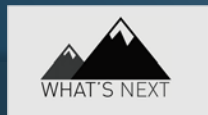
The Benefits of a TBL Strategy... *A Few*

Community <i>People</i>	Economic Resilience <i>Profitability</i>	Environment <i>Planet</i>
<input type="checkbox"/> Healthier community	<input type="checkbox"/> Shop is more productive	<input type="checkbox"/> High recycled content – use of reman. and recycled parts.
<input type="checkbox"/> Skills development and job opportunity	<input type="checkbox"/> Fewer “sick days” taken	<input type="checkbox"/> Less toxicity
<input type="checkbox"/> Alignment with the social and environmental sense of the people	<input type="checkbox"/> Lower health care costs	<input type="checkbox"/> Less waste overall
	<input type="checkbox"/> People wind-up actually paying more for a healthier and greener service.	
	<input type="checkbox"/> Market the shop as a business that cares about and is connected with the community	
	<input type="checkbox"/> Lower comprehensive insurance costs for the shop	
	<input type="checkbox"/> Revenue-up from more customers – differentiate from the rest of the market.	



The early adopters are making it happen...

The Movement is Already Underway



Benefits of Remanufacturing

80% less energy

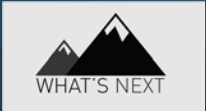
88% less water

92% less chemical products

70% less waster production



Image: <http://www.ellenmacarthurfoundation.org/news/the-circular-economy-applied-to-the-automotive-industry-1>



Advanced Design and Materials – Cadillac ATS

“Once you’ve given something form, why on Earth would you take it away?”

- Dr. John Sutherland, Purdue University

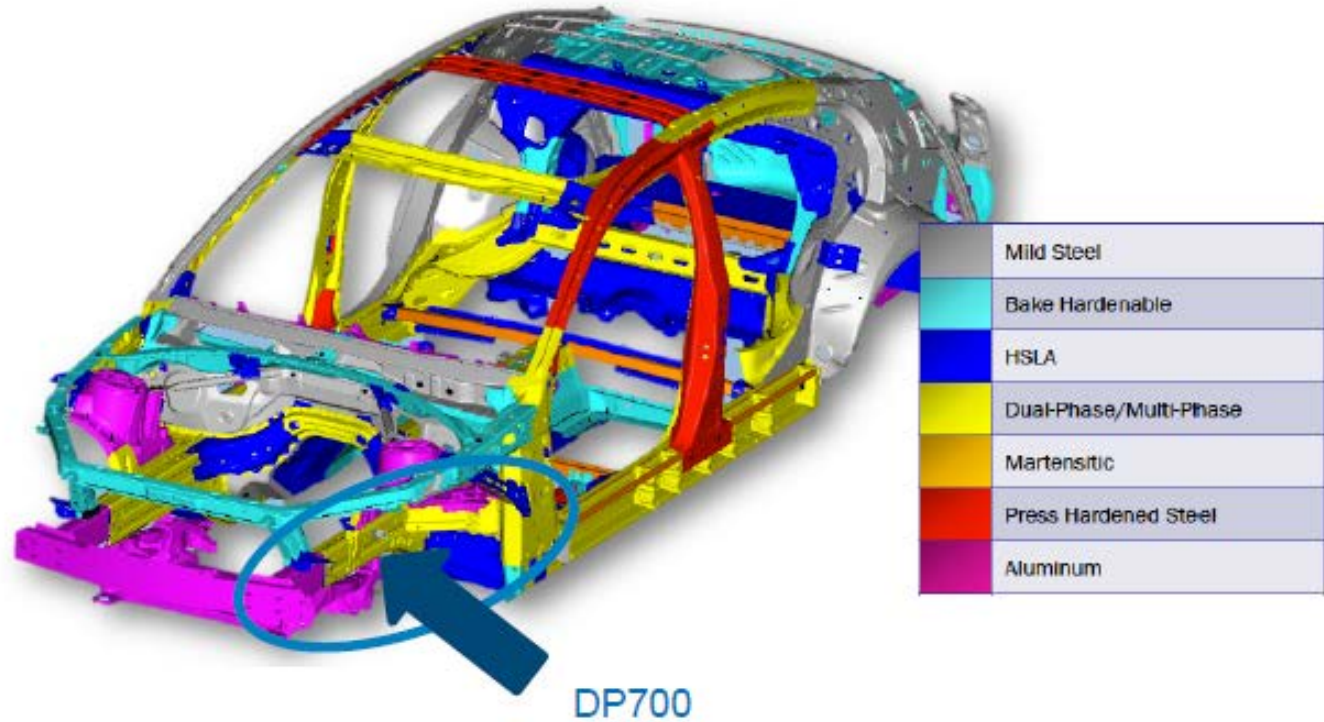


Image: Courtesy I-CAR

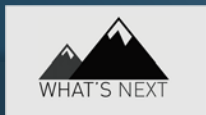
Making new
stuff is not
getting easier.



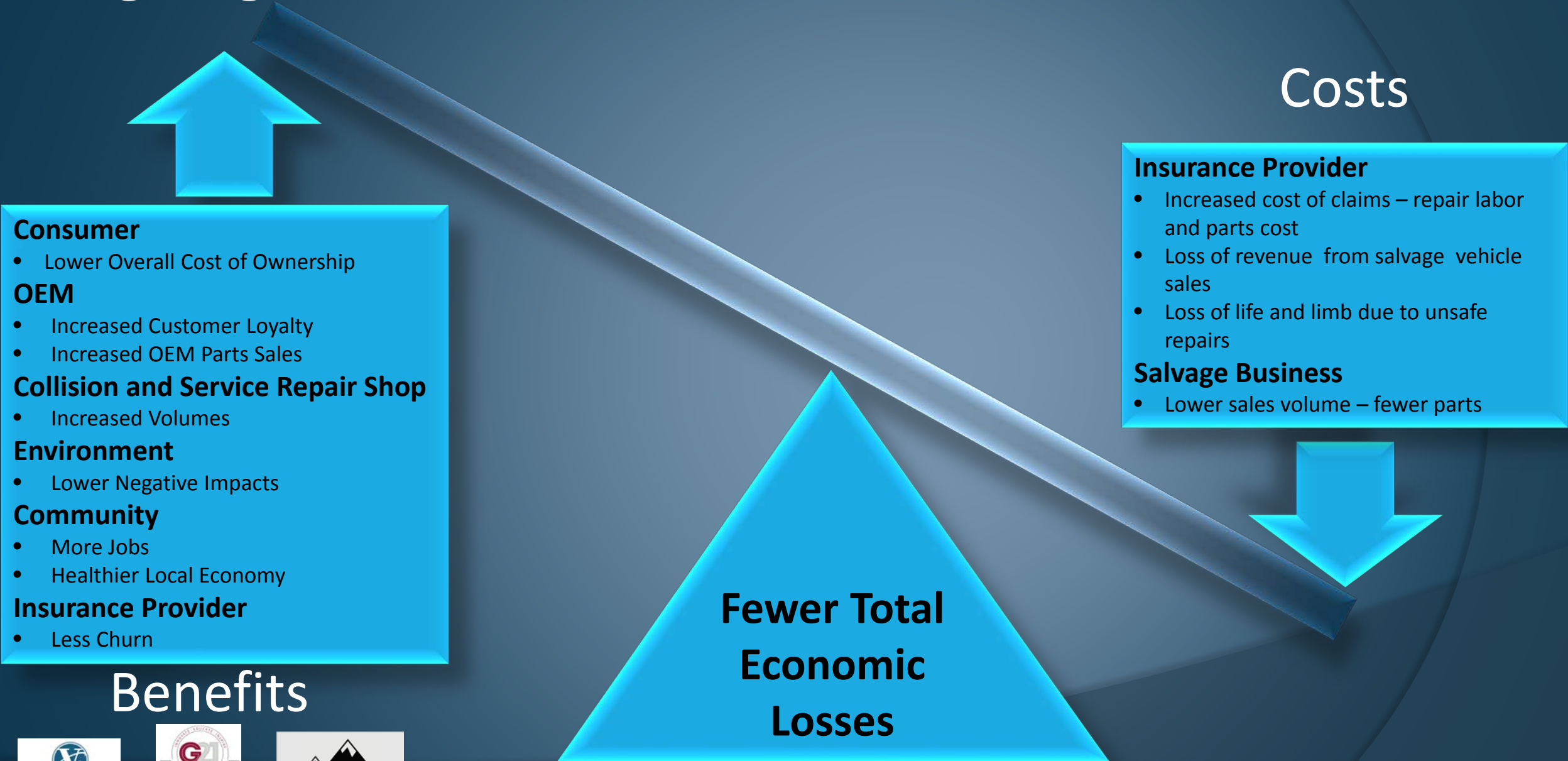
Image: <http://www.brokevw.com/MK2explodedview1.jpg>

Looking at Total Economic Loss write-offs from a different perspective

Applying Systems Thinking and Stakeholder Engagement



Weighing the Costs and Benefits



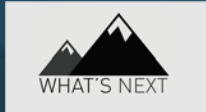
- Consumer**
 - Lower Overall Cost of Ownership
- OEM**
 - Increased Customer Loyalty
 - Increased OEM Parts Sales
- Collision and Service Repair Shop**
 - Increased Volumes
- Environment**
 - Lower Negative Impacts
- Community**
 - More Jobs
 - Healthier Local Economy
- Insurance Provider**
 - Less Churn

- Insurance Provider**
 - Increased cost of claims – repair labor and parts cost
 - Loss of revenue from salvage vehicle sales
 - Loss of life and limb due to unsafe repairs
- Salvage Business**
 - Lower sales volume – fewer parts

Benefits

Costs

Fewer Total Economic Losses



Hypothesis Statement

The increasing number of total economic loss write-offs is adding to environmental degradation, by creating unnecessary toxic flows and carbon emissions, and subtracting from social capital, by taking meaningful work from within local economies.

Coalition Roundtable Event

- ⦿ Pulling “high-level” stakeholders together to examine the state of the industry and frame the discussion:
 - *Where are we today, what needs to be done and what will it take?*
- ⦿ When: Late 2015 or Early 2016
- ⦿ Where: Detroit
- ⦿ Organization: Scope, Objective and Compiling the list of invitees.