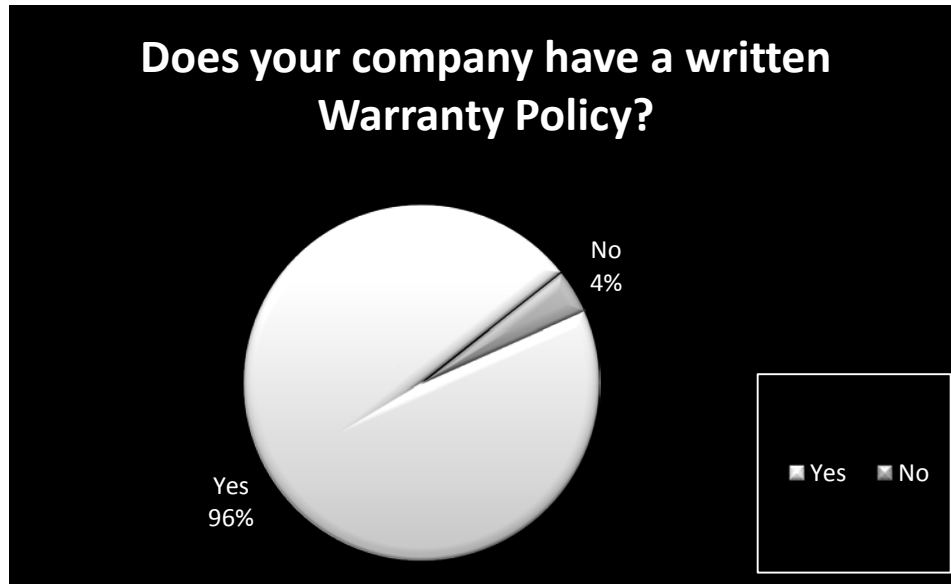


# Ninety eight percent of companies surveyed by APRA have a written Warranty Policy.

## What about your company?



In today's times of ever thinning margins and increases in just about every cost related to manufacturing and distributing parts, remanufacturing companies simply cannot afford to ignore the cost of Warranty Claims. Not only are companies finding it imperative to have a written Warranty Policy, but they are also finding that their policy must be carefully written to be fair to their customer while protecting their own business from warranty claims abuse. In conducting a survey of various size remanufacturing businesses the accompanying charts provide a breakdown of the results.

Warranty periods vary among different remanufacturing company product lines (fig.2) and contrary to what many customers tell manufacturers, almost three quarters of company's surveyed DO NOT pay for labor costs relating to warranty claims (fig.3).

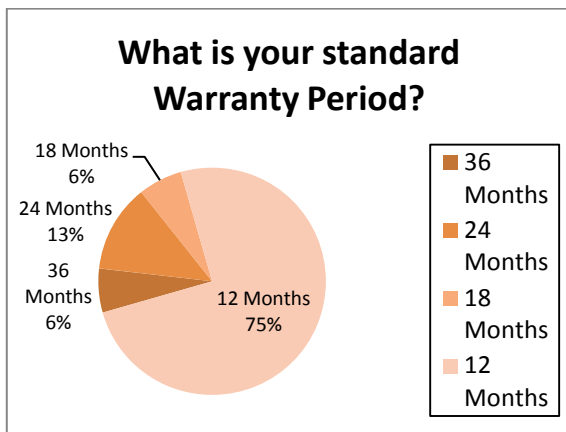


Fig.2

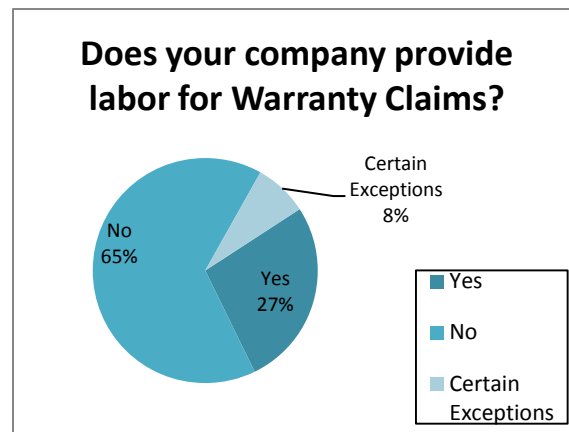


Fig.3

Other findings from the survey indicate that all buy thirteen percent of companies require some form of documentation with warranty claims and eighty percent of manufacturers document their findings from those claims in order to take corrective action toward reducing future warranties (fig.5 & 6).

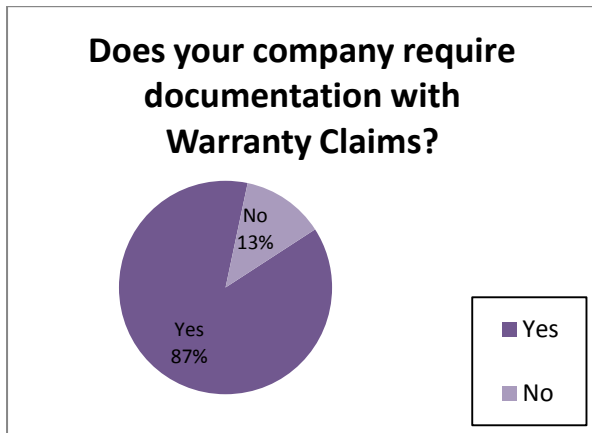


Fig.4

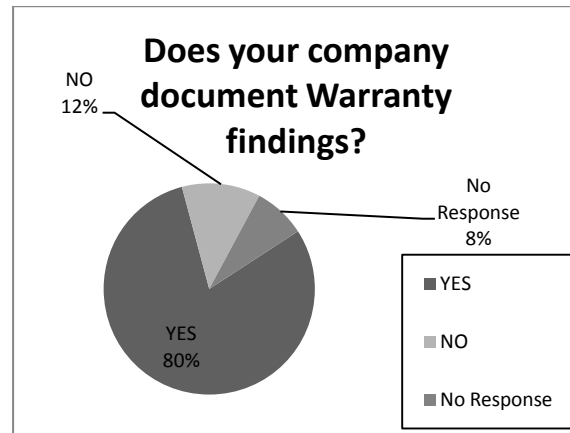


Fig.5

Although forty percent of companies report ACTUAL warranties of below 10%, managing this category still represents significant potential savings directly toward the bottom line. It appears most reman's understand this because eighty four percent of respondents reported that they take some type of action against abusive claims such as customer training, inspection guides or a visit by a company representative to help the customer recognize abusive warranty claims by installers or DIY's (fig.6, 7).

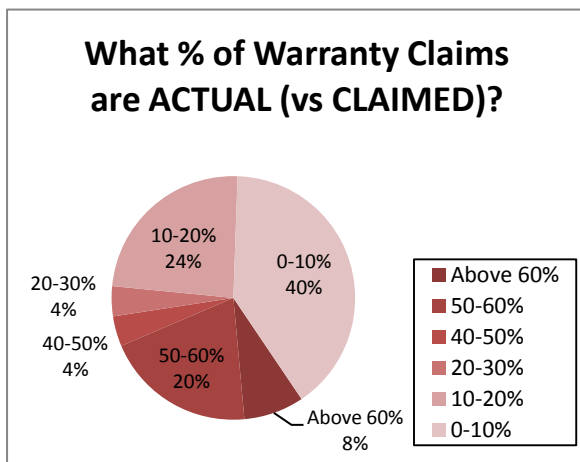


Fig.6

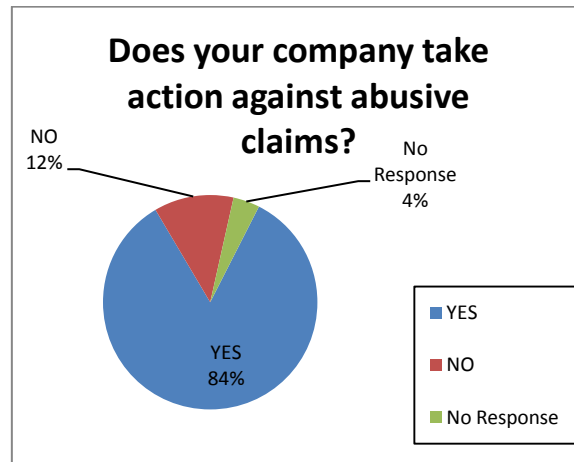


Fig.7

Although forty percent of the companies reported accepting warranty claims from past customers, this practice appears to be quickly decreasing probably due to a better understanding of core economics and the potential exposure of the product core. (fig.8)

In addition to the defensive actions in managing warranties, eighty percent of respondents take a proactive approach toward warranty claims reduction by using some type of warning or instruction included with the product to educate installers about precautions or correct installation/adjustment methods, etc. (fig.9).

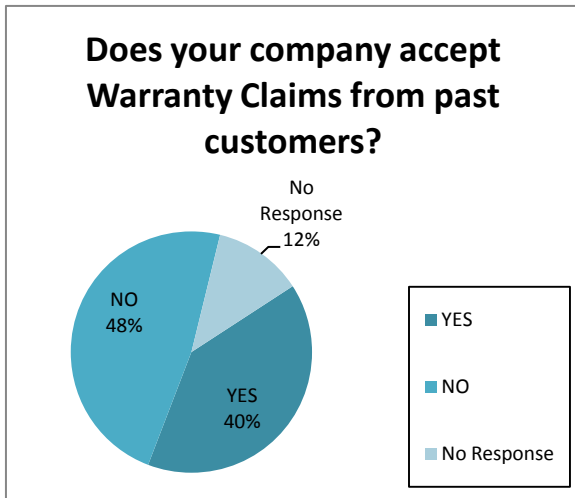


Fig.8

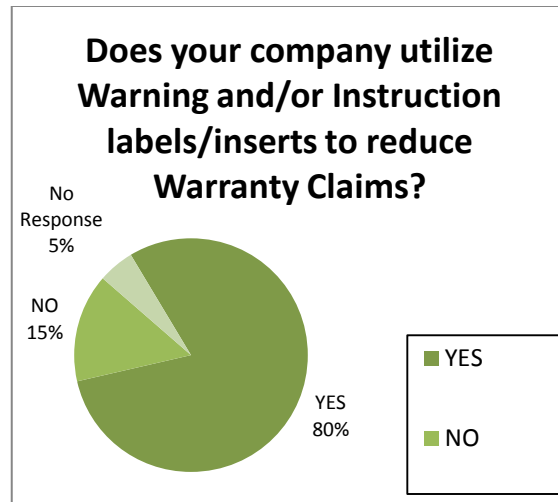


Fig.9

Additional questions and responses from the survey include:

Q: Have you created your own policy or just copied a competitors (or others) policy?

**A: 73% Yes, 7% No, 20% No Answer Given**

Q: Do you follow strictly your Written Policy?

**A: 44% Yes, 48% No, 8% No Answer Given**

Q: Do you have GOODWILL for questionable claims?

**A: 84% Yes, 12% No, 4% No Answer Given**

Q: If so, what are the criteria?

**A: Large customer with good management controls and Accounts; Large customer, good warranty history and pays bills; various reasons; Varies; it depends; usually just to satisfy the customer; customer volume and Warranty volume and cost to us; but now warranties go to 3<sup>rd</sup> party for Independent evaluation as well as factory evaluation by engineers; at route Person's discretion; based on discussion of aspects of defect.**

Q: Do you require return in original box (or manufactures box)?

**A: 44% Yes, 56% No**

Q: Do you review the return product before paying a claim?

**A: 88% Yes, 8% No, 4% no response**

Q: Do you provide your customer with a "Warranty Allowance" instead of returning product for warrant claims?

**A: 16% Yes, 76% No, 8% No response**

Q: If yes, what is the average % allowance?

**A: 2%, 2-5%, 10%, and 3.5%.**

Q: Do you refuse core credit for scrap cores?

**A: 36% Yes, 44% No, 20% no response**

Q: Are non-warranties and/or scrap returned to your customer?

**A: 44% Yes, 40% No, 12% no response – and 4% only upon request**

Q: Do you experience more warranty/defect claims by type of customer (i.e., Mass Merchandiser, Fleet, Warehouse Distributor, Jobber, Retailer, Co-Man, Installer, etc.)

**A: 60% Yes – installer, distributor, mass merchandiser end user and WD  
8% No, 32% no response**

Q: Do your customers threaten you with a loss of business if you do not honor a warranty request even when you have evidence that the product is not warrantable?

**A: 52% Yes, 36% No, 12% no response**

Q: Do you have a technical support program available so the end user can contact them for assistance when a perceived warranty condition exists?

**A: 76% Yes, 8% No, 16% no response**

Q: Do you use quality testing such as statistical process control or 100% testing to identify defective products prior to shipment?

**A: 64% Yes, 24% No, 12% no response**

Q: Do you validate warranty claims through diagnosis or inspection?

**A: 88% Yes, 4% No, 8% no response**

Q: Do you use education/training methods with your staff to reduce warranty claims?

**A: 84% Yes, 16% no**

Q: Do your employees understand the financial impact of warrant claims and how important it is to minimize them?

**A: 88% Yes, 12% no**

Q: Do you deny claims that are not justified (i.e. not your product)?

**A: 88% Yes, 8% No, 4% sometimes**

Q: Do you provide inspection reports or pictures of product claimed warranty/defect?

**A: 72% Yes, 16% No, 4% as needed, 4% if asked, 4% only when requested.**

Q: Do you recall products that are deemed (or potentially) defective?

**A: 75% Yes, 25% No**

Q: Do you have product traceability?

**A: 72% Yes, 4% No, 24% no response**

Q: Do you hold management and/or employees responsible for warranty/defective products deemed to be assembly related?

**A: 56% Yes, 32% No, 12% no response**

Hopefully, this survey provides some insight as to what the remanufacturing industry is focusing on in order to contain costs and improve their businesses bottom line and the results above should allow you to gage how your own Warranty Policy compares. If yours is particularly different, you better review it soon...