

Warranty service travel coverage

Be careful what you wish for

By TRENT HUMMEL



Last fall at a national dealers' meeting, a manufacturer announced that its dealer network would be reimbursed for warranty service travel expenses. The reimbursement will be for service truck fees or mileage when a technician is traveling to a warranty service job.

Every dealership with service trucks is wishing its manufacturer would follow suit. Who wouldn't want to collect the service travel time truck expenses that customers refuse to pay for? When asked to pay for service truck expenses, customers struggle when the unit is out of its warranty period, let alone when the unit is in warranty coverage.

Customers never expect they will be asked to pay for service truck expenses when a repair job is covered under warranty. Why does it only seem that our industry has customers who don't want to pay service travel expenses?

It is understandable that a customer becomes irritated when asked to pay service travel time on a manufacturer's product update. But if our car needs an update, the notice states to contact your local dealer for an appointment. We have no expectation that the auto dealership will come to our place.

If a manufacturer is going to reimburse for travel time, there are a few concerns or issues that need to be addressed. We are sure the manufacturer and its dealer council have discussed and have solutions to all the following issues:

1. Used equipment retailed while still under warranty

If used equipment is sold through an auction, consignment or private sale, will the manufacturer reimburse its dealers for service travel on a warranty repair? In other words, does the dealership have the right to claim service travel expenses when the dealership did not sell the used unit? Here's a bigger question: What if a competitive dealership takes the unit on trade and retails it back into the market? Is the manufacturer going to be excited about allowing its dealers to claim service travel reimbursement on a unit that was traded and retailed by a competitor?

2. Where does the money come from?

It does not matter what you sell or into what market you sell – it is competitive. The manufacturer is going to need a pool of dollars in order to reimburse dealers' service travel claims. So, where does the money come from? Manufacturers receive their dollars when they invoice units or parts to a dealership. If a manufacturer needs more funds, it increases the invoice or reduces the programs. Either way, the dealer goes to the market with an increased cost on a unit or a part.

3. Maximum coverage distance

Between Montana and Georgia, there is a big difference in a dealership's Area of Responsibility, AOR. In the West, inline dealerships could be 100 miles apart or more. It is not uncommon to have travel distances of 50 miles or more in one direction. With this scenario, service truck travel expenses can become costly.

4. Multiple claims

There will be a dealership that abuses this program by sending its service truck to the same unit five days in a month. They could have performed all five warranty service calls in one trip but because the manufacturer is reimbursing for service travel, the dealership makes five trips. This will happen when the dealership figures out how it can win with multiple service travel claims.

5. Selling outside your AOR

The one thing that keeps a dealership selling in its area is the travel cost of servicing units that are a great distance away. What stops a dealer from selling throughout the state or across state lines? If the manufacturer is going to reimburse for service travel, the financial risk to the dealership is far less. Territory lines become nonexistent.



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6. Margin reduction

The good dealerships build costs into their deals... or ask for higher margins in order to cover expected service travel expenses. If a manufacturer is reimbursing for service travel time, will we experience low-margin selling? Since we all hate the Discount Charlie Dealership, will this help Charlie sell more or will this help the good, honest margin dealerships?

7. How long will they pay?

Some manufacturers are offering warranties up to five years and up to 10 years on certain components. Is the reimbursement going to be for all warranty years? The customer believes it will be. The customer will be shocked and angered when a dealer says the program no longer applies to his/her unit. This could put a dealership in a sticky position.

8. Metro areas

A number of dealerships have shared that their average travel distance is not far but high traffic volume causes delays. Stories have been shared of service trucks taking two hours to travel five miles to a customer's unit. These dealerships will not be asking for service mileage but for service travel time. We can see a dispute between a manufacturer and dealership regarding this issue.

9. Non-selling dealership

If a unit ends up in a dealership's AOR, is the dealership required to provide service travel to that unit if a customer re-

quests it? The manufacturer is paying for the travel, warranty is paying for the repair. This could be a problem customer the dealership chose to not sell to in the first place. The customer drove across the state, found an inline dealership to sell to him and now he wants his local dealership to service his unit. There are some customers that dealerships are better off firing. This is done in order to free up a dealership's time in servicing its "good" customers.

Every dealership has manufacturer updates/campaigns to perform. Often, there is a small remuneration for service travel costs. For dealerships to not go too deep in the hole with these updates, they plan multiple stops in the same area. It is lots of work to plan out a technician's day but it is part in parcel of being efficient in not only planning service calls but in everything a dealership does. **Efficiency is what keeps dealerships alive.**

All the "what if" concerns mentioned herein are only speculation. We are sure the manufacturer has a plan for all these possibilities along with other scenarios we have not thought of. If not, time for a trip back to the drawing board to rethink what could happen because it's just good business. **WED**

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