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Dales Appliance Service
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Gentlemen:

In the 50's when our company was first formed, it was based on the premise that we would realize a fair return on the investment we made when we started. It was easy, we had no warranty service and all parts and service used, were paid for by the consumer with cash. Simplicity was the order of the day, as servicemen had no problems because they were able to sell their product at a fair price and go to the bank with cash in hand. Products were basic and did not require continuous upgrade training in order to service them. Recruiting people to enter the field was easy since the challenge and potential offered by this new career was sufficient for the times.

Everything went well until we entered the 60's and the manufacturers decided to "inboard" service because the consumer demand for quality had to be proven with a guarantee of performance. Who was to provide this assurance to the consumer? We in the service industry were asked to perform this function and in return, we would be paid our regular rate for doing so. At that time, enforcing a 30 or 90 day warranty did not seem to be a difficult task since we were assured by the manufacturer that he would recommend our service to the consumer when the warranty expired.

This lasted only a short time and as each manufacturer tried to improve his market share, the warranties began to grow as each brand attempted to outdo his competitor. It was easy for them to accomplish because the figures showed that the failure rate was less than 10% and with a service reserve of just a few dollars per unit, they could cover a longer warranty if they tightened the regulation of service companies a little bit more. We allowed that to happen.

Along came extended warranties on parts, shortly after came the extended labor warranties. Then came service contracts sold by the manufacturer and now we even have some products in the field with lifetime warranties.

As a result of the development of warranty service provided by the manufacturer, the service industry has watched its profit drop sharply and its cost of doing business increase at an alarming rate.

What has caused this turn around in what was once an attractive business to invest your savings and talents into?

The following list is an outline of some of the reasons why we are all hurting so badly!

1. Consumerism and the lack of support for local service by the manufacturer have made service people, in the eyes of the consumer, one step below the garbage collector. If you don't agree with this, think about the Maytag repairman portrayed on TV. Does this portrayal accurately represent you or the industry you represent? This is the image the consumer has of us as we present the bill for our services. Who created that image? Do we deserve it? I am sure that other ways can be found to illustrate dependability and at the same time enhance the image of service, instead of portraying us all as bumbling loafers.
2. Most manufacturers do not pay the going rate for service. Instead they want a lower price or a flat rate to control their cost of service. When a rate increase is requested, you can be assured that you will hear the phrase "You're already one of our highest paid servicers". Appliance manufacturers must assume their fair share of the cost based upon the commitment and investment of the service company doing the service.
3. Increased rules and regulations in regard to part warranties have required more time and personnel to handle them. Now with lifetime warranties, where is the profit we used to make selling parts to the consumer and who pays for the handling of these warranty parts? With a extended warranty part, we are expected to spend the time to look up the part in parts literature that we have to pay for, order this part at our expense because most manufacturers do not offer toll free lines for warranty parts ordering, receive the part in and pay the freight to get here. We must package the part to return, pay the freight back to the factory and, if the dealer falsified the bill of sale, the whole thing gets rejected and we never get credit for the part even though we acted in good faith on behalf of the manufacturer. Now I ask you, is this fair? With extended parts warranties, how do we regain profits lost and are manufacturers going to pay our cost plus a fair return on this investment for providing this service to the consumer?
4. Service contracts provided by the manufacturers and outside companies erode the service profits that rightfully belong to the service company. We are expected to provide service at a reduced rate for as long as the consumer renews their contract with the manufacturer. You can bet, the consumer pays more each year. Manufacturers should pay the going rate to insure the stability and longevity of the servicer.
5. Most manufacturers take longer than the promised 30 days to pay warranty claims and as a result of internal problems experienced by most manufacturers from time to time, the payment can be as much as 12 months or longer. Once the manufacturer gets behind in payments, the burden is again on us to provide additional backup information to get the claim paid. A manufacturer should pay a premium on accounts due longer than 30 days

and should be denied service if the account goes over 90 days.

6. The cost of training new service technicians falls squarely on the shoulders of the service companies. How can we afford to pay the cost of training new people and then afford to pay the wages and benefits necessary to keep them in this field if all of the existing conditions are allowed to continue? In today's marketplace, the person with the qualifications to become a good service technician can command a salary of \$20,000 or better plus benefits from other industries in this area. In addition, he does not have to face hostile consumers everyday because of the image of this career field, created by the manufacturer and consumer agencies does not command respect.

I could go on and on but, I am sure that you get the point of all this. We in the appliance service industry have been carrying the burden of warranties much too long. The rules that we work under, do not apply to factory owned service companies because they are either subsidized by sales or they operate on a profit center basis as we intended to do in the first place. Compare their service rates and balance sheets with those of the independent servicer and tell me why there is such a wide disparity in those figures.

Because of the problems listed above, we are now forced to pick and choose those manufacturers we wish to work with. We are attempting to negotiate toward resolving these problems in the future in order to restore prestige and stability to this industry. If you would like to join me in this effort, I would be happy to meet with you and discuss the possibilities at your earliest convenience.

Sincerely yours,

Ron Sawyer
President