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Why Doesn't Stuff Just Work?

Is the "race to zero" affecting quality control?

By Frank Lenk

"Why doesn't this (#%&!) thing just work?"

Have you ever heard yourself snarling something like that at a mysteriously misbehaving component? Sometimes, it seems that we're surrounded by expensive high-tech devices that never manage to work at the same time.

But while it's easy to get frustrated with individual devices, it's more difficult to decide whether things are actually getting better, or worse. Do electronic products fail more often than they used to? It's a tricky question, emotionally loaded, and with many complex factors to unravel.

There's no question that we're far more dependent upon fancy technology today than ever before in history. So if devices merely keep failing at the same rate as they did in, say, the 1960s, 1970s or 1980s, we might well see one gadget or another quitting on us every day.

On the other hand, today's personal computers and A/V gear benefit from futuristic solid-state engineering. Gone are the failure-prone vacuum tubes, Rube Goldberg mechanics and spaghetti wiring of yesteryear.

But on the negative side, again, these same miraculous devices are becoming more complex and more interdependent. It's often difficult even for people in the trade to be sure the newest gear has been set up correctly. Sometimes (as with HDMI) there are incompatibilities with no correct solution... other than waiting for yet another generation of product.

When something does go wrong, it's often difficult to tell which device is at fault. A black screen used to mean "your TV is busted!" (And could often be cured by a good swift kick.) Today, it could mean a fried chip in the receiver, a software crash in the cable box, or a compatibility problem between the two. Or maybe just dead batteries in the fancy programmable remote.

Clearly, there are some new challenges in our wonderful wired world of the 21st Century. But one absolute hasn't changed: it's still all about the customer experience. Therefore, even perceptions are important. It's not whether we're doing enough; it's whether the customer feels that we're doing enough.

To untangle these issues, we spoke with a selection of interested parties: retailers, manufacturers, warranty providers, analysts, to get a handle on the perceived health of our industry.

The most remarkably consistent feature of these conversations was that everyone started out by saying "No, no, no... there's no problem..." then went on to itemize various problems, often with a gush of pent-up emotion.

To some degree, it's a question of definitions. There are concerns that may afflict one part of the market, but not others. Some issues are so endemic that it's likely no one thinks of them as such, even though they generate frustration on an ongoing basis.

Jeff Cates, Vice President, Hewlett-Packard (Canada) Co.: "The big challenge is making customers aware that you get what you pay for. That's something we need to continue to work on."

What follows is little more than a quick snapshot of a very complex situation. The picture is incomplete, but hopefully it will serve as a starting point.

Problem or Perception?

The amount of electronics in our homes has increased tremendously in the past 15 years, notes Darryl Rosenfeldt, Director of Services for Future Shop's ConnectPro service organization. Today, it's not unusual to see, in a single home, three or four TVs, a laptop computer, a gaming system or two, and more.

"Right now we're at the peak of adoption of technology," agrees Jeff Saul, Canadian National Service Manager, NEW Customer Service Companies Inc. "There's more product today, and fewer people out there to fix it."

But Saul doesn't feel there's been any decline in reliability. "We're not seeing more failures on the main manufacturers. It's more perception than reality."

"Returns on notebooks have gone down for the past three years," confirms Jeff Cates, Vice President, Hewlett-Packard (Canada) Co. (They're still not quite as low as for desktops, though.) "The fact that we've got less product coming back to us suggests that the technology is improving."

Cates also reports that there's been a decrease in the volume of calls to HP call centres. So either there are fewer problems, or customers are becoming more able to resolve difficulties on their own.

Cates feels that problems with peripherals have similarly declined. "Standards have driven a lot of that," he suggests. "I think Microsoft has done a good job there, in terms of simplifying things."

Also, HP's bundled software has improved, making the experience better.

Gaétan Blais, National Sales Director with CornerStone United Ltd., offers a more complex view. "I don't think products are breaking at any faster rate," he agrees. However, the breakdowns are getting more complex.

For example, CRT TVs were easier to fix than flat panels. With electronics evermore integrated, and the technology constantly changing, it's difficult for manufacturers even to stock the right parts. "You can be left with a frustrating situation sometimes," Blais observes.

What's more, we're increasingly reliant on these increasingly expensive products. "When something does break, it seems to affect us more seriously than it did in the past," says Blais. And instead of a \$500 TV, now it's a multi-thousand-dollar flat panel; instead of a \$30 disposable WalkMan, it's a \$300 iPod.

These products are also increasingly interdependent. So in many cases it's hard to tell which product has failed: TV,

PVR, or satellite receiver. "We can cover a product under warranty, then find that something completely different has failed," notes Blais.

"It's a real challenge for our service providers," adds Gary Lapointe, Service Manager with CornerStone. "Ultimately, they want to evaluate the product that's under warranty on its own." But this narrow focus may mean they can't tell the customer where the actual problem is: only where it isn't.

Consumers' limited ability to deal with all this new technology is another significant factor. "We see a lot of situations where we send out technicians, and it turns out to be an education issue," says Blais.

Vince Callaghan, Senior Manager, Consumer Products, with Omni Warranty Corp., echoes the prevailing positive view. "We haven't seen a large influx in the amount of issues," he reports, adding: "Actuarial data shows pretty much a flat mean." Though he does admit that there are occasional "spikes" in the curve.

Eric Arnum, Editor of the Warranty Week newsletter in Forest Hills, NY (www.warrantyweek.com), tracks warranty numbers, and confirms that there's been no obvious upswing in warranty claims. "I think it's more of a perception," he says. "In consumer electronics, especially audio and video, the percentage of revenue that manufacturers are spending on warranties is fairly low."

Arnum divides industries into several categories. Passenger cars and computers are "feeling real pain," he reports. Major appliances and aerospace are doing pretty well. Consumer electronics are almost at the bottom of the list. "It's not an industry that generates a whole lot of repair or warranty expense," says Arnum.

However, Arnum does admit that consumers could simply be discarding dead products, especially lower-cost items, and this wouldn't show in his data. What's more, he emphasizes that his numbers track only the major brands: Canon, Pioneer, Panasonic, Hitachi, and so on. His data on Korean product is admittedly spotty, and on Chinese goods it's virtually nonexistent.

In fact, a number of people suggested that while the major brands do remain highly reliable, there could well be problems with some of the lower-tier imports. And that these could effectively be poisoning the overall perception.

"In my opinion, the familiar, top-name brands have been able to reduce cost while maintaining quality due to their efficiencies, scale and manufacturing know-how," says Frank Trigo, Executive Vice President, BWG of Canada, Inc. "I'm not sure that this is the case with some of the lower cost brands in the market."

"There are lots of problems," says Kevin Sawler, Owner of Glubes Audio Video Unlimited (a.k.a. Glubes Sound Studio), in Dartmouth, NS. He sees a

concern not with big manufacturers, but big retailers, and the consumer attitudes they're encouraging.

"We're doing something wrong as consumers: we're going out and buying cheap crappy DVD players." He calls these "disposable" consumer electronics. "They make retailers no money and fill up landfills."

Mark Stoakes, General Manager, Kromer Radio Ltd., in Toronto, is similarly concerned about an erosion of standards across the market as a whole. "The quality of product is not as good as what it used to be," he contends. Consumers are all too willing to buy on price, and forget the intangibles. "I'm not sure there really is any brand loyalty," he laments.

"You should see some of the stuff that comes in for service," he says. People are ordering stuff from unknown Internet vendors, or from eBay, then calling Kromer for help. Stoakes has seen situations where products have actually arrived broken. "A lot of it isn't worth repairing anyway."

On the other hand, Stoakes is quick to defend the major, reputable brands. "The products that we carry are typically getting more reliable," he asserts. "The failure rate is very, very low."

For Stoakes, it comes down to a choice on the part of the retailer. "We don't carry 'crap' that doesn't measure up to our reliability standards," he says. "I don't sell anything I wouldn't buy myself."

An independent retailer lives or dies based on its reputation, and bad product is poison. "It becomes a very negative situation very quickly," says Stoakes. "If you have a supplier unable or unwilling to stand up for their brand, it can do irreparable damage to my brand."

Brian Cash, Buyer for Audio Warehouse in Saskatoon, expresses a similar attitude. Audio Warehouse, he says, relies on a carefully chosen stable of trusted brands: Panasonic, Toshiba, Sony and the like. The store definitely doesn't handle "anything you've never heard of before."

Nonetheless, there's a feeling that cheap product is hurting the overall business. "Our industry has traditionally represented good long-term value," says Sawler. But the last few years, it's been more about the lowest price. "The industry's got to be brave enough to have brand names abandon some of those low-cost sectors."

Retailers must be constantly aware of which brands are maintaining a high standard, and which may be having even a temporary lapse. "If we put 50 units into the field and they break, we're sunk," says Sawler.

He cites examples of otherwise fine manufacturers that have had occasional runs of unreliable products. For example, a company that makes great receivers may get into trouble with the mechanical

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More than just talk, our Product Perfect attitude delivers best practice, customized solutions that will fit you and your customers like a glove. Our principles, our integrity, our level of service will match your business objectives, transforming your customer's experience into one that they will appreciate and remember for their next purchase. And when customers return again and again, profitability soars. We can make that happen. We will make it perfect.



Why Doesn't Stuff Just Work?



Vince Callaghan, Senior Manager, Consumer Products, with Omni Warranty Corp.: "A lot of manufacturers are looking at their resources. It makes sense to outsource to a group that can provide the same level of support, with a lower impact on the bottom line. To the consumer, it's completely seamless. At no point would they know. Our presence is invisible."

components of a new line of CD or DVD players.

Established manufacturers can survive the occasional misstep, but retailers need to avoid getting caught. Sawler notes that CES is a good place to sniff out which companies may be faltering.

Part of the problem is that every brand uses components from many other makers. Sawler calls it a "lack of transparency," in that the consumer can never be completely sure what they're getting. "The consumer electronics industry is starting to turn into a clone industry," he says.

"I wouldn't like to be a consumer navigating inside our industry," he adds. Specialty retailers are just about the only chance they've got of being steered to the best product. Of course, that places a heavy responsibility on the retailers to recommend items that really will live up to expectations. "If it breaks, my phone is going to ring!" says Sawler.

Future Shop's Rosenfeldt doesn't see a problem with reliability, but he does agree that the products of today are different from those of a few decades ago. They're designed quickly, mass-produced quickly, and become obsolete quickly. For example, a personal computer may only be in the store for eight weeks before giving way to a newer model.

Also, Rosenfeldt cautions that consumer electronics products are complex, high-value items, and will be more prone to returns than many other types of purchases. "If you buy a sweater, you're not going to bring it back," he points out.

Omni Warranty's Callaghan admits that occasional problems are inevitable. But reputable manufacturers will react appropriately, extending warranties and making improvements. "Companies understand that to stay in business for the long haul, they will need to have a strong product," he contends.

Troubles are particularly likely in specific markets where customers are eager to have the latest and greatest technology. "In the rush to get it out the door, it may not work perfectly," Callaghan suggests.

But it can also happen in the middle of a production run. For example, we've seen various problems with batteries in otherwise reliable devices. Again, manufacturers will be judged on how quickly they react.

"It is true that some technologies have become more reliable," says Trigo. "Yet

both the complexity of the technology and how these products connect and interact with other products have become increasingly frustrating for consumers."

He argues that this is why we have seen the rise in popularity for installation and enhanced support services.

"In addition, products have been increasingly difficult to repair both from a technical and cost standpoint," Trigo adds. This could, for example, leave a customer with a two-year-old (out of warranty) flat panel television that's uneconomical to repair.

On the positive side, he notes that in such cases a warranty provider like BWG can save the day, speedily replacing the product or offering the consumer a credit toward a new one.

This year will bring some special challenges, as the economy bottoms out. "The big change is in revenue," says Arnum. He explains that the warranty-claim rates he calculates are based on costs divided by revenue. If the latter value goes down, the ratio goes up.

"That's what's causing the numbers to change," he says. "We're fixing last year's products with this year's money. And there's less of it. When revenue declines, it hurts."

Price Pressure

So far, what we're seeing is a general agreement that across the first-tier brands, reliability is getting better; and a widely expressed concern that lower-tier brands may be running down the average. Fueling that concern is a feeling that too much of the business is now about price alone.

"It's unwise to pay too much, but it's worse to pay too little," says Sawler. And nowadays you have to be extra careful. He notes that even jumping from \$49 to \$149, you may still get the same basic low-quality design.

There may be lots of inexpensive alternatives, but the amplifier that lasts 25 years still costs \$1,000. Yet consumers in general are choosing to go for the lower price, and putting up with the problems that go with it. "There seems to be a tolerance among consumers," observes Sawler. "For the mainstream, the expectation is very low."

Stoakes also feels that consumer attitudes are eroding. "Canadians would always pay a little bit more to get a product that would last a little bit longer," he says. But that's been changing. "The Canadian consumer has become somewhat Americanized. Now it's all about quantity, not quality."

Shopping based purely on price can lead to disappointment. "What do you expect?" says Stoakes. "You were too cheap to go to a reputable dealer." When this kind of product does break, calling the vendor isn't going to be much use. "God help you if you can get a human on the line."

Stoakes is particularly concerned that the big-box stores are pushing prices down, and that this is not only reducing consumer expectations but also putting pressure on manufacturers to deliver lower-quality product. "They're driving the market strictly based on price," he says.

Sawler agrees that there's a problem with the big chains (even supermarkets!) that sell low-end, often non-brand-name electronics. And that the negative influence extends upstream even to the reputable manufacturers. As they're forced to cut costs to the bone, there's a "trickle-down effect" on the quality of products.

"If you've got to get the price down by three cents," says Sawler, "you'll take that titanium spring out and put in a plastic one."

To a degree, Sawler also blames the computer industry, for creating the expectation that hardware requires constant replacement, and is therefore

essentially disposable. He notes that products such as iPods and cell phones aren't even designed to be serviced. "Who's got a five-year-old cell phone that works?" he asks.

This can present a challenge for retailers, but Sawler suggests that low-end product can be a "springboard" for recommending something better to the customer.

Cash agrees. "We talk to the customer," he says. If someone else is offering the product cheaper, we ask do they have service? Are they covering delivery?" Furthermore, Cash is confident that retailers like Audio Warehouse can hold their own on price as well. "We do a fair bit of volume, so we can afford to be competitive."

The Support Solution

Whatever the incidence or cause of reliability problems, all agree that professional installation and solid after-sale support are the best remedies.

"This is where the retailer can shine, by looking at total solutions for the customer," says Lapointe. "They can set him up with the individual components that will get him where he wants to go."

Audio Warehouse works with consumers, actually training them how to use the products they're buying. "We do a bit more hand-holding, rather than just sending them home with a box," says Cash.

The company's expertise also makes it possible to forestall specific problems. For example, Cash notes that Audio Warehouse has kept a close eye on various cable and satellite boxes that have trouble with HDMI connections. "We can



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direct customers away from the problem before it happens."

Audio Warehouse is also one of the few shops that still maintains its own service department. This means dealing with manufacturers, for parts and support. "There's definitely a big difference from one manufacturer to another," says Cash.

Kromer also prides itself on its service department. "It's an expensive proposition," says Stoakes. "Definitely not a profit centre. But it's an important part of our heritage."

If nothing else, performing service in-house gives Kromer a better sense of perspective. "We're a warranty centre for many brands," he says. "We get to see

what is going to be problematic."

If there's a 'lemon' out there, Kromer will see it. Often, they see products that have failed within 24 hours, and the store that sold them "has failed to support them in any way."

Stoakes notes that there's a huge reliance on proprietary parts these days. But he adds that a reputable supplier can get them to the store in a hurry.

This is where the top brands distinguish themselves. "The top manufactures have made investments in post-purchase support, and have infrastructure in the country to support the manufacturer warranty; for example, ensuring the availability of replacement parts, service manuals and trained authorized repair people," says Trigo.

"This may not necessarily be the case with some of the lower cost, new entrants into the market," he adds.

HP makes handholding a high priority. "We think that we've got best-in-class support," says Cates. This includes e-mail, toll-free number, forums, online chat, and even out of warranty. HP also supports the software, where others can leave the customer in the lurch.

"In the PC category, some companies have really spent the money on supporting the customer," says Cates. Others are more focused on price points. But saving a few dollars by sacrificing reliability or support is probably a false economy. "Consumers need to be aware: the amount of time it took you to earn that extra fifty dollars pales in comparison to the support issues you could have down the road."

"It's been a big investment for us," he says. "The big challenge is making customers aware that you get what you pay for. That's something we need to continue to work on."

Connecting With the Pros

Future Shop and Best Buy have gone so far as to build their own distinctly-branded service operations: the Geek Squad, acquired by Best Buy, and ConnectPro, evolved by Future Shop on a similar model.

"We realized we had a ton of customers who weren't getting the full value out of their systems," says Rosenfeldt. "A customer can come in and buy a 42-inch TV for \$1,000. Are they going to get the full value out of the product? Probably not."

"Look at the back of a receiver nowadays," he suggests. "The whole back is covered with inputs and outputs. Customers aren't used to that. Their time is limited. They're willing to pay a couple of hundred bucks to save the whole weekend."

"Consumers are getting maybe only 50 per cent of the value out of their equipment," says Rosenfeldt. ConnectPro not only gets the gear connected, it makes sure that the customer has a fighting chance of using it properly. "All of our services involve a tutorial."

"It's been a tremendous business for us," says Rosenfeldt. After a year and half in the business, about 10-to-20 per cent of Future Shop's TV customers take advantage of ConnectPro installation. With computers, the percentage is even higher.

Not only is ConnectPro a viable business in itself, it's also helped reduce support costs. "There's no question, our return and exchange ratios have gone down tremendously," says Rosenfeldt.

While ConnectPro doesn't do service on A/V equipment, it does service computers and peripherals. Why the distinction? Ironically, while computers are arguably more complex than receivers, or TV sets, they are easier to service.

"It's just a different skill set," explains Rosenfeldt. There's a plentiful supply of self-taught computer wizards, who can do troubleshooting, aided by diagnostic software. When the problem is found, it

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Gaétan Blais, National Sales Director, CornerStone United Ltd.: "We see a lot of situations where we send out technicians, and it turns out to be an education issue."

can generally be solved by replacement of generic components. "They can take a motherboard out and put a motherboard in," says Rosenfeldt.

In fact, he notes that many customers are quite capable of, say, swapping out a hard drive, where they wouldn't dream of doing comparable surgery on their receiver or flat panel TV.

This could change, with computer and A/V products continuing to converge. "We're not far away from a hard drive being the heartbeat of your system," he points out.

Whether computers will become unserviceable black boxes or A/V gear become more open and modular remains an open question.

Warranty Wars

For both the retailer and consumer, the final line of defense against broken product is the warranty. Terms have changed over the years, as have the ways of administering warranty support.

Today, it's a complex mix. But one thing hasn't changed. "The best warranty is the one you never use," says Sawler. "We don't want you to come back. The product has got to do the thing that you bought it to do."

He notes that this pressure is stronger on the more-specialized, higher-end retailers. The big-box chain doesn't really need to care if its \$29 DVD player breaks. But Glubes has to stand behind the \$299 player they recommend.

Stoakes points out that warranties are more than just dollars and cents; they're also limited by the human factor. When something breaks, there's also the question of how the problem is going to be handled? "Whom do you talk to?" he asks. "What human are you going to put it in front of and say: 'This button doesn't work!'"

Extended warranties are a whole separate issue. An invaluable source of revenue for the retailer, they can also become an irritant to the customer, if not approached correctly.

"We do sell extended warranties," says Stoakes. "But not on every product." He notes that there are classes of products (especially the likes of DVD or Blu-ray players, that have mechanical works) where an extended warranty makes sense. On other products, it's less important. "When is the last time you had a tuner break?" he asks.

The important thing, says Stoakes, is not to push extended warranties too hard (or even punish sales associates who don't meet a quota). "That's not right, in my eyes," he explains. "If you treat the customers fairly, they'll return to you."

On the other hand, on a massive sale, such as a whole-home installation, an

extended warranty is almost a necessity. "A warranty there can be of some value," says Stoakes. If nothing else, it maintains contact. "It lets you come back once a year, do a quick tune-up, and talk about future needs."

As a manufacturer, HP is open to all the options. "There's a lot of strategies in trying to work with the retailers," says Cates. "We are working with them on other types of support offerings."

This might include new types of coverage. For example, Cates sees accidental-damage protection as a very promising area, especially as notebooks become more prevalent. "It's a natural offering, that probably should get promoted more," he suggests.

Arnum similarly emphasizes the positive side to any kind of warranty. "It's an opportunity," he says. Warranties provide a wealth of data that can be exploited to improve a brand. Even service and support are opportunities, allowing closer contact with customers. "It's a way to keep the relationship going."

Arnum acknowledges that customers may still be following the old 'Consumer Reports' strategy: "buy a reputable brand that you know will last, then don't buy the extended warranty." But this may be less applicable in today's world, where manufacturers' warranties are more limited, and where lower-quality product may be difficult to distinguish.

Warranty Providers

To a large degree, warranty support has been split off into its own industry. Numerous providers now specialize in coverage for all sorts of products. We spoke with several of these companies, and got a fairly consistent response.

For example, Trigo explains that BWG offers customized plans for the retailer (and ultimately the consumer). "We are able to customize features, benefits and processes specifically for the retailer whether they are a large mass merchant or small independent," he says.

"If a retailer already has a successful program in place, we can quickly replicate their program and deliver a seamless experience to their stores and the end consumer," says Trigo.

"We take the warranty risk from the day the consumer buys the product, and offer a rapid exchange for defective product," says Trigo. "We even offer product exchange programs whereby the consumer can receive a retailer branded gift card for the original price, rather than a straight product exchange."

"Changes (or gaps) in manufacturers warranties terms and coverages have created opportunities for us to deliver enhanced services," he adds. "We offer programs that enhance the manufacturers' coverage." This includes service plans that cover power surges, or enhanced technical support and troubleshooting on personal computer products.

Omni does third-party administration mainly for OEM warranties. It covers industries including consumer electronics, home appliances and HVAC. For service, Omni has allied itself with various facilities across North America.

A supplier can deploy Omni to act as the "consumer-facing front," says Callaghan. Omni can provide the support they need to tackle the North American market, without entailing the investment of putting their own organization in place.

"A lot of manufacturers are looking at their resources," continues Callaghan. "It makes sense to outsource to a group that can provide the same level of support, with a lower impact on the bottom line. To the consumer, it's completely seamless. At no point would they know. Our presence is invisible."

Companies like Omni are particularly important in Canada, where manufacturer representation is inevitably going to be

sparser than in the U.S. Even getting parts can be an issue, but Omni tries to anticipate problems.

"If the manufacturer can't provide parts, it has to have other ways of resolving warranty requests," says Callaghan. This could include product replacement or cash refunds, for example.

Callaghan notes that there is continual pressure to reduce costs. This makes it difficult for manufacturers to maintain field technicians and parts depots. Omni can spread these costs around. "The costs of our operations are shared by all our clients," he points out.

Of course, every manufacturer has a different approach. "There are many gray levels," says Callaghan. Some may find it makes sense to keep service in-house; others will partner with external warranty organizations.

NEW does service and support in Canada, working with manufacturers and major retailers. "We are the seamless and flawless service provider, behind the scenes, with your brand name," says Saul. "Customers will never hear our name, never see our sticker."

Saul sees service becoming "a dwindling trade," as more products are serviced only by replacement of major components, or get replaced outright rather than serviced at all. This, in turn, makes it difficult to attract capable individuals for the job.

He also agrees that the consumer electronics trade has effectively unbundled warranties. Today's manufacturer warranties are more likely to be one year than three.

Companies like NEW have to take life-cycle data into consideration. "We know that TVs are going to fail at a certain rate," says Saul. Warranty support will be priced accordingly.



Kevin Sawler, Owner, Glubes Audio Video Unlimited: "This is a make-or-break 24-month period in our industry. We'll see companies go out of business, and deservedly so. We'll see companies abandon market segments. As disposable income tightens, we'll see increasing intolerance for bad product."

What's more, NEW is broadening its reach through acquisitions, "becoming the hub" to balance consumer and supplier needs

CornerStone United provides electronics retailers, large and small, with extended warranty plans, with terms of three, four or five years. Coverage starts after the manufacturer's warranty ends (though in other industries, such as HVAC, the company does do warranty administration for manufacturers).

For units valued at under \$500, the company has a replacement program. It confirms that the unit is non-functional, and then arranges to send out a replacement.

For larger items, CornerStone sends a

service provider to the customer's home to make an assessment. Units may be repaired in-place, or sent off for more extensive servicing.

While it may seem that these companies (and others) between them cover Canada pretty securely, several of our contacts noted that Canada actually has room for more.

"Relative to the service plan industry in the U.S., Canada is an underserved marketplace," says Trigo. He mentions that several major Canadian retailers still don't offer a service plan to their customers, and that quite a few retailers continue to offer self-administered and self-insured programs.

"Our objective is to educate those retailers on the benefits of service plans and the advantages of having BWG administer and insure their programs," he says.

Of course, warranty providers themselves need to be held to a high standard of capability. Trigo points out that all warranty providers need to operate within appropriate regulatory and financial guidelines. "Legitimate warranty providers should always offer service plans that are backed by an A-rated insurance company. They also need to ensure that they properly reserve for claims, and follow international accounting standards that apply to service plans and extended warranties."

Conclusions

Clearly, reliability and support are complex issues. One thing that everyone does seem to agree on is that the landscape is changing, if not rapidly, then steadily.

This year could see bigger changes than most. As the economy gets tighter, layoffs are inevitable, and these could have a particularly strong impact on intangibles like support. "I can guarantee that a lot of those layoffs will be coming from R&D, sales and support," predicts Omni's Callaghan.

On the other hand, the shakeout could be a healthy thing in the long run. "Once the economy has nowhere to go but up, we'll see people re-evaluating service and support as a necessity," Callaghan predicts. "Good enough" is not going to fly any more. (And that, he adds, is where Omni comes in, with support that's "as good as it gets.")

"World markets are going to dictate that brand name companies attach their brand names to products that are worthy of their brand," says Glube's Sawler. He notes that some manufacturers are already withdrawing from segments that may not allow them to show their true quality.

"This is a make-or-break 24-month period in our industry," he adds. "We'll see companies go out of business, and deservedly so. We'll see companies abandon market segments. As disposable income tightens, we'll see increasing intolerance for bad product."

One thing won't change. "The whole goal is to keep that customer happy with your brand," says Callaghan. The alternative is a product return and "a whole chain reaction of expenses." Profit is lost, and likely a repeat customer as well.

Kromer Radio's Stoakes puts it more bluntly: "You want to rip somebody off, you're only going to do that once."

But what about the customer who doesn't feel flagrantly 'ripped off,' isn't angry enough to complain, but still comes away frustrated and disgruntled with a purchase? The person who never calls support, and simply sends a nearly new \$49 DVD player out to landfill?

It's easy to let such minor failures slip through the cracks, but it can be disastrous in the long run. Frustrations can accumulate, and lead to a general loss of consumer confidence. Fortunately, the solution is simple: just keep an eye on the big picture, and be sure at all times to exceed customer expectations. **MM**