

# AASA / ASA “Parts Warranty and Labor Claims” Report



March 2014

# Context

The Automotive Service Association (ASA) and the Automotive Aftermarket Suppliers Association (AASA) joined forces to learn more about the needs and preferences of repair shops in terms of parts warranty and labor claims. The survey was completed by service technicians and shop owners across the country. This report includes the full results of that survey as well as comparison to the AASA Supplier Barometer Survey from 2013 Q2 that included special questions that focused on the warranty issue from the supplier perspective.

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# Executive Summary

# Technicians and manufacturers share common ground on needs and concerns regarding returns and labor claims

For aftermarket manufacturers, parts returns are a growing concern and a major cost to the supplier.

For aftermarket service technicians, parts returns and labor claims are a source of dissatisfaction and a time-saving opportunity.

## Parts Returns

- Current system generates wasted time for service technicians and is a major cost to the supplier.
- Everyone agrees – poor quality drives a small percent of total returns
- North American manufacturers and service technicians want high quality products

## Labor Claims

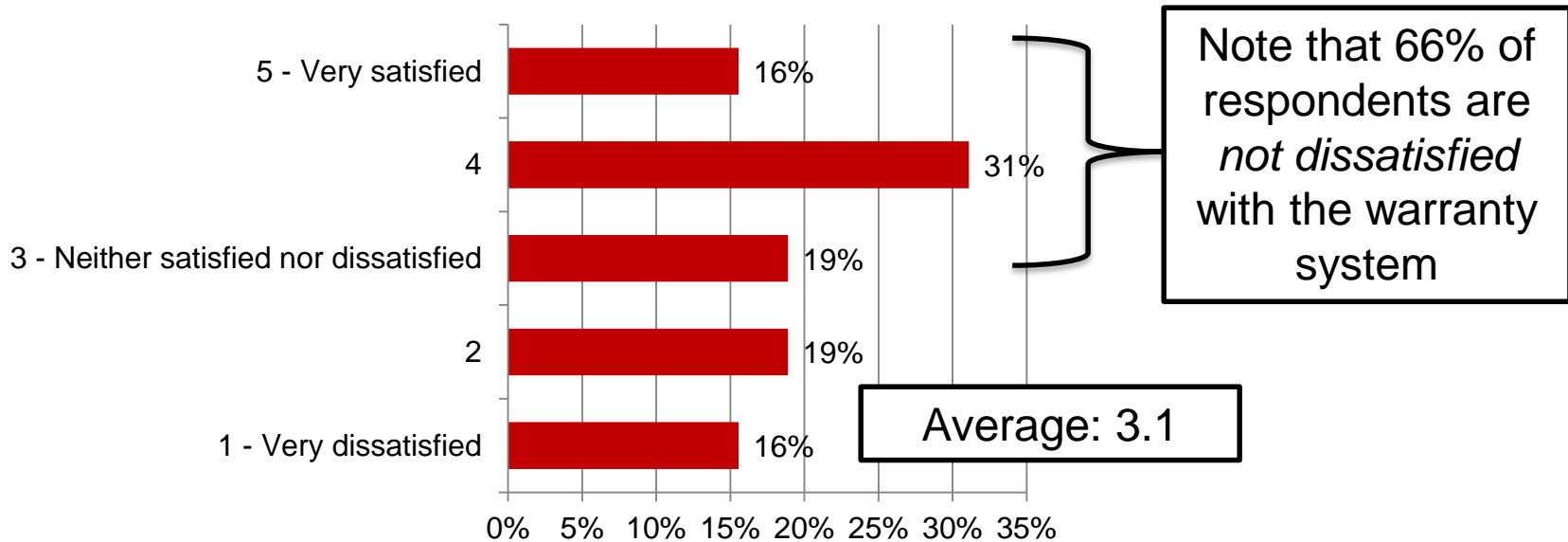
- This is a hot button for service technicians
  - Service technicians overwhelmingly view present labor claim process as defective
- It is a complicated task to alter current practices of the WDs/distributors
- Are there alternatives for manufacturers to address this need in a mutually beneficial practice?

# Detailed Results

## Sentiment on Parts Warranty and Labor Claims

35% of service technicians indicated “dissatisfaction” with the warranty system, indicating that there is room for improvement

How satisfied or unsatisfied are you with the current parts warranty return systems (excluding labor claims) in the industry?



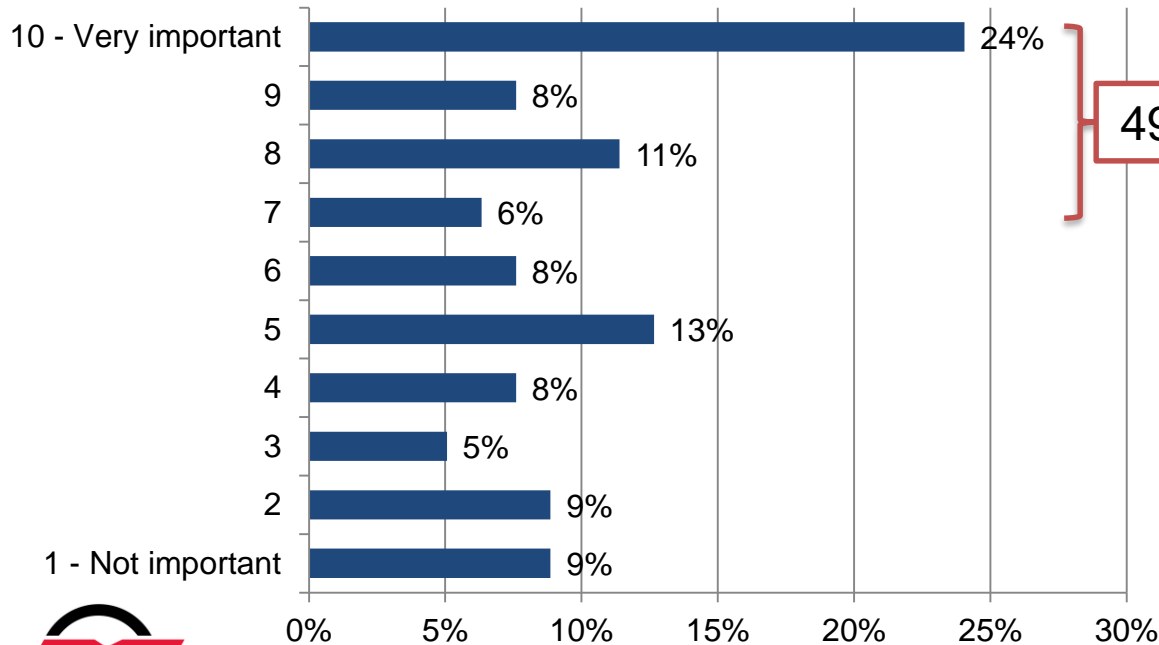
For service technicians, a failing warranty system “wastes their time.”

Base: n = 90



# Similarly, 49% of aftermarket suppliers view the “reduction of warranty costs” as important to their companies

How important is the reduction of warranty costs to your company?



49%

Aftermarket parts suppliers view a failing warranty system as a loss of gross margin.

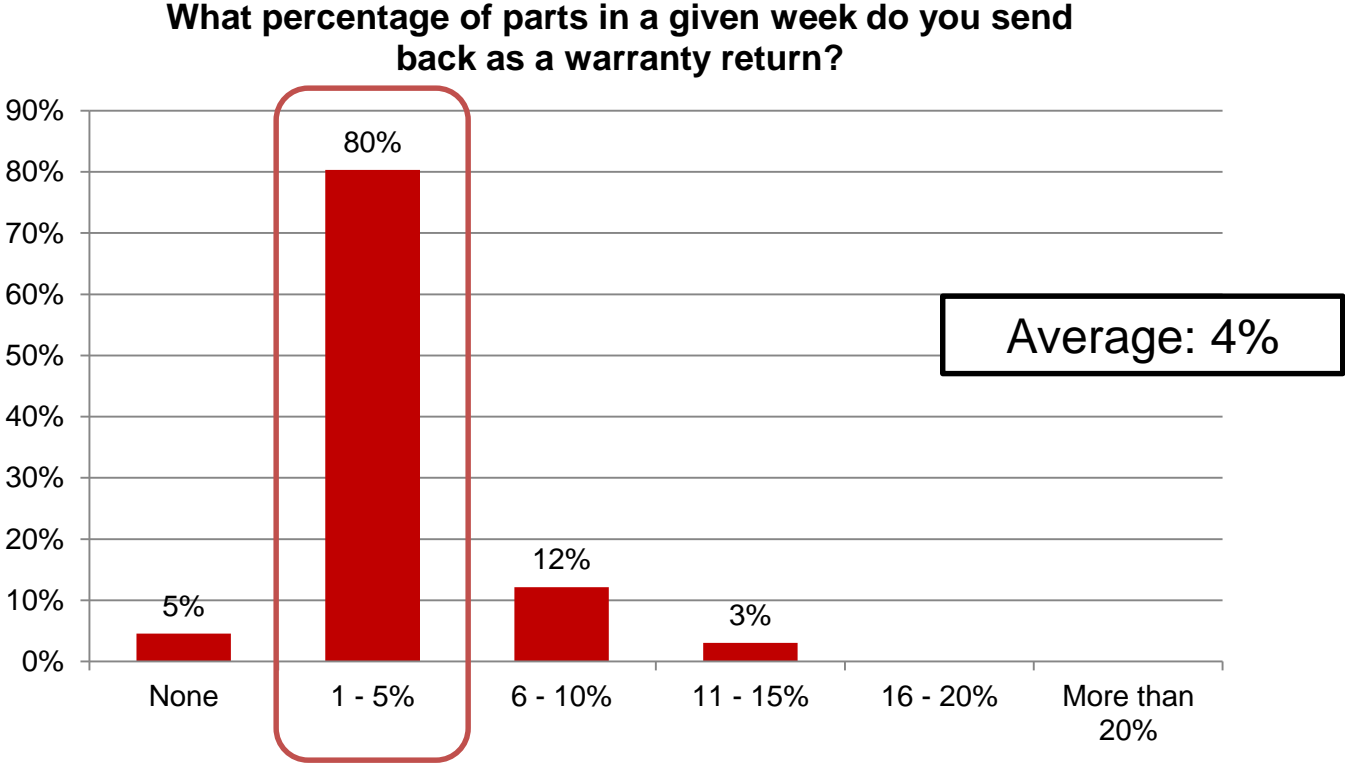


Source: 2013 Q2 AASA Supplier Barometer



On average, service technician respondents indicated they returned about 4% of parts on a weekly basis as a warranty return

*Majority, 80%, indicated "1-5%" are returned on a weekly basis*



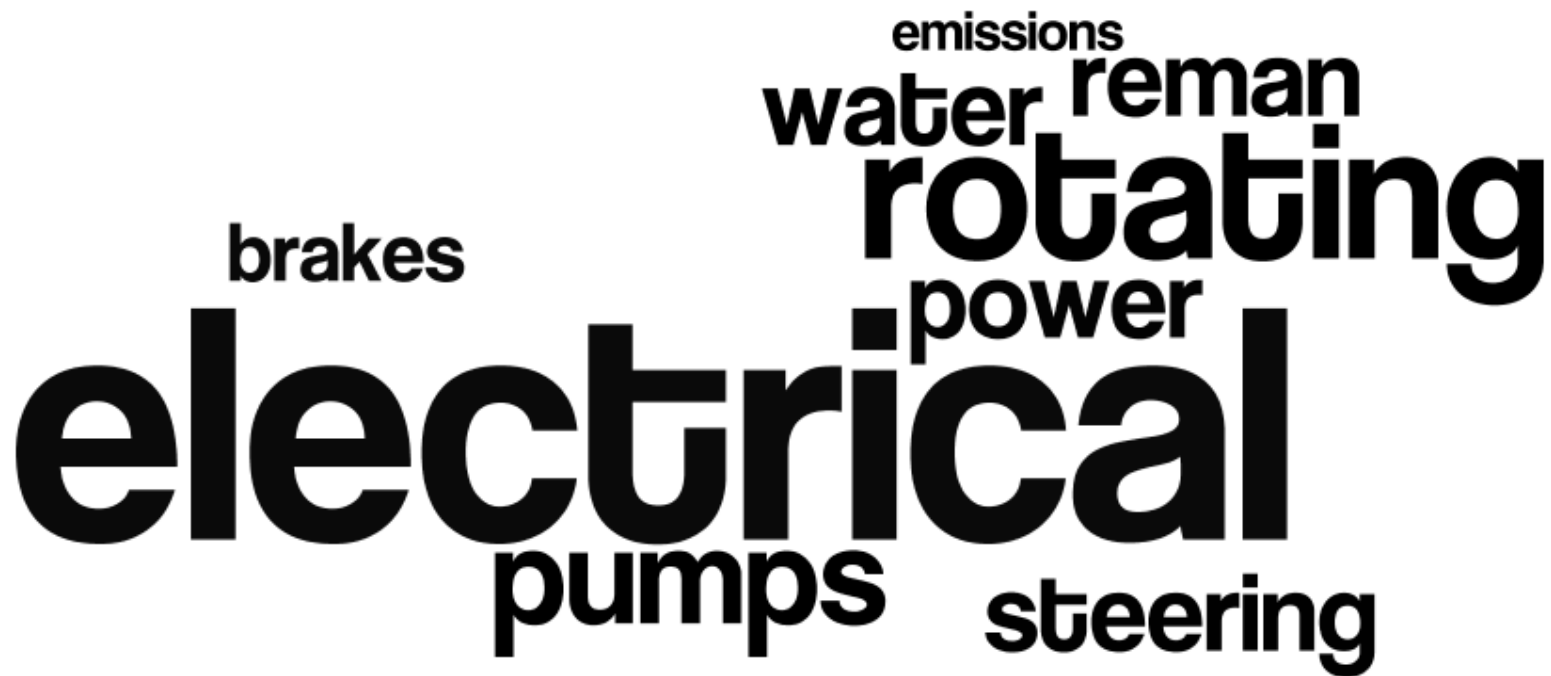
Base: n = 66



Service technician respondents indicated that “electrical” was more prone to warranty returns than other categories

*Re-built parts and power steering were also common responses*

Is there a particular category of parts that you find are subject to more warranty returns than others?

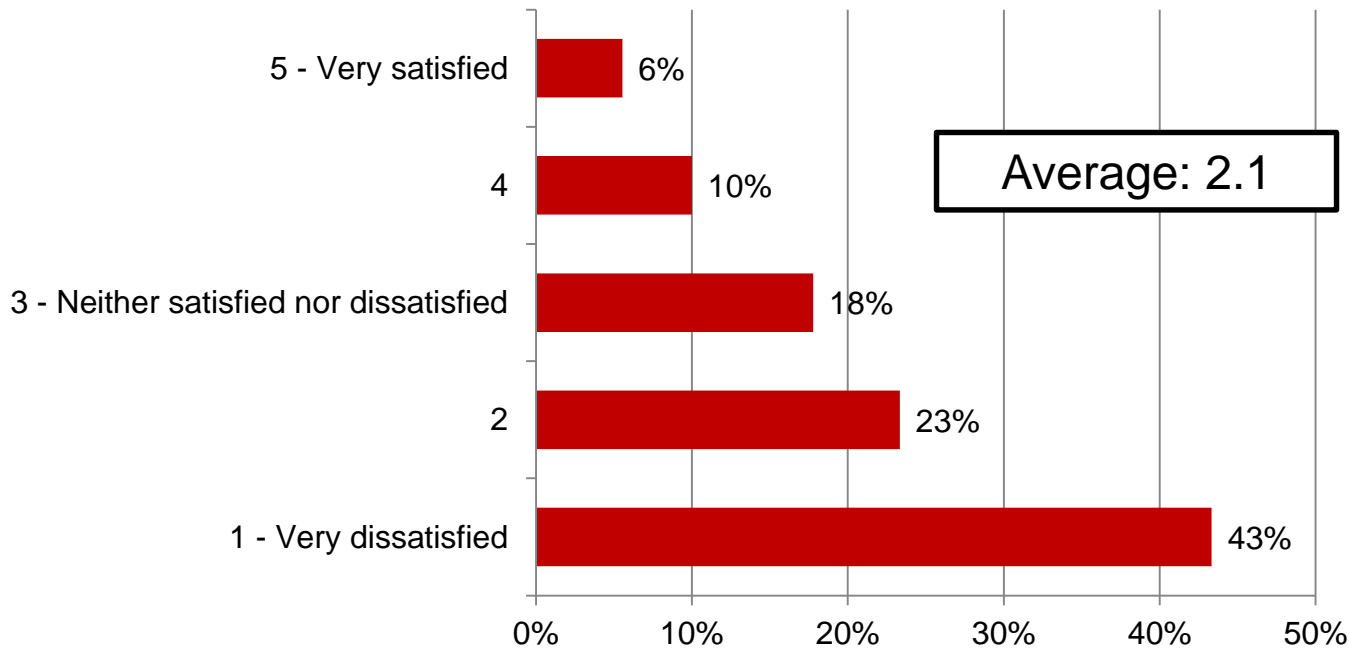


*For full results, see Appendix*

*Note: a word cloud was used to show categories that were stated more than others*

# Only 16% of service technician respondents indicated they were satisfied with the current labor claims system

How satisfied or unsatisfied are you with the current labor claims process in the industry?



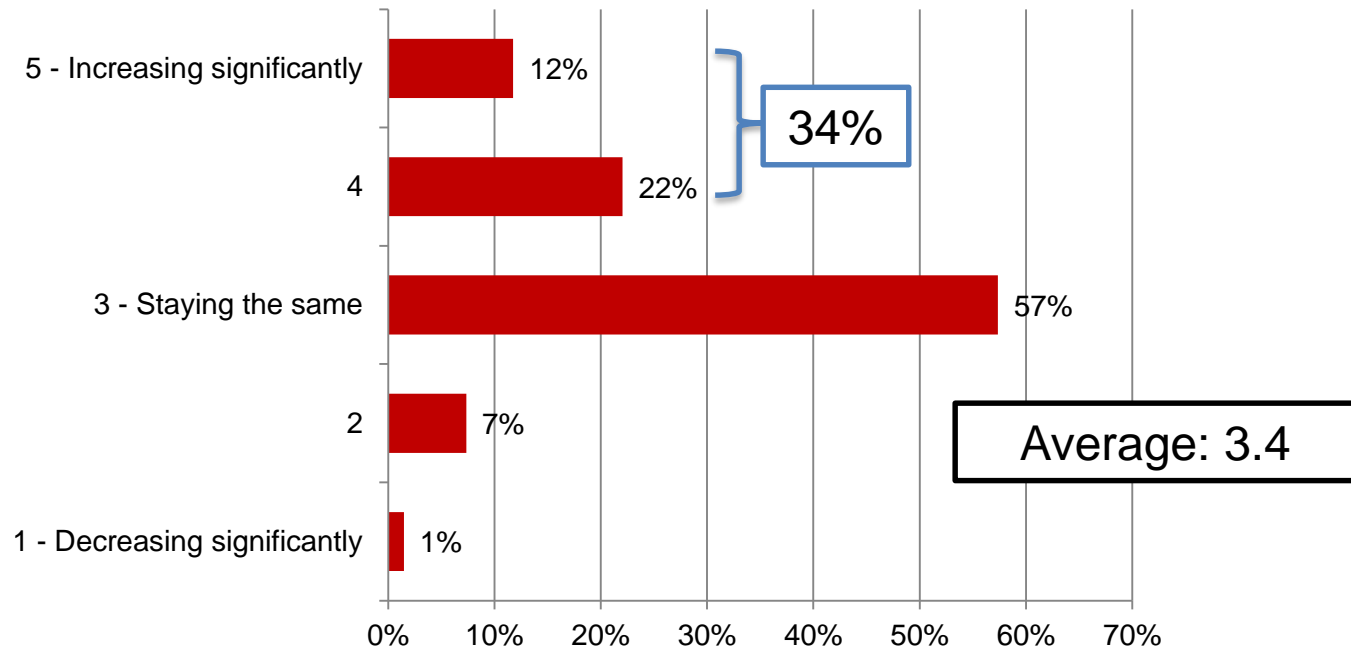
Could an improved labor claims system for the service technician be a point of differentiation for the aftermarket supplier?

Base: n = 90

# The amount of parts-related comebacks are remaining steady for most aftermarket service technicians

*Although a third of respondents indicated that comebacks have been increasing*

**Are the number of parts-related comebacks at your business increasing or decreasing?**



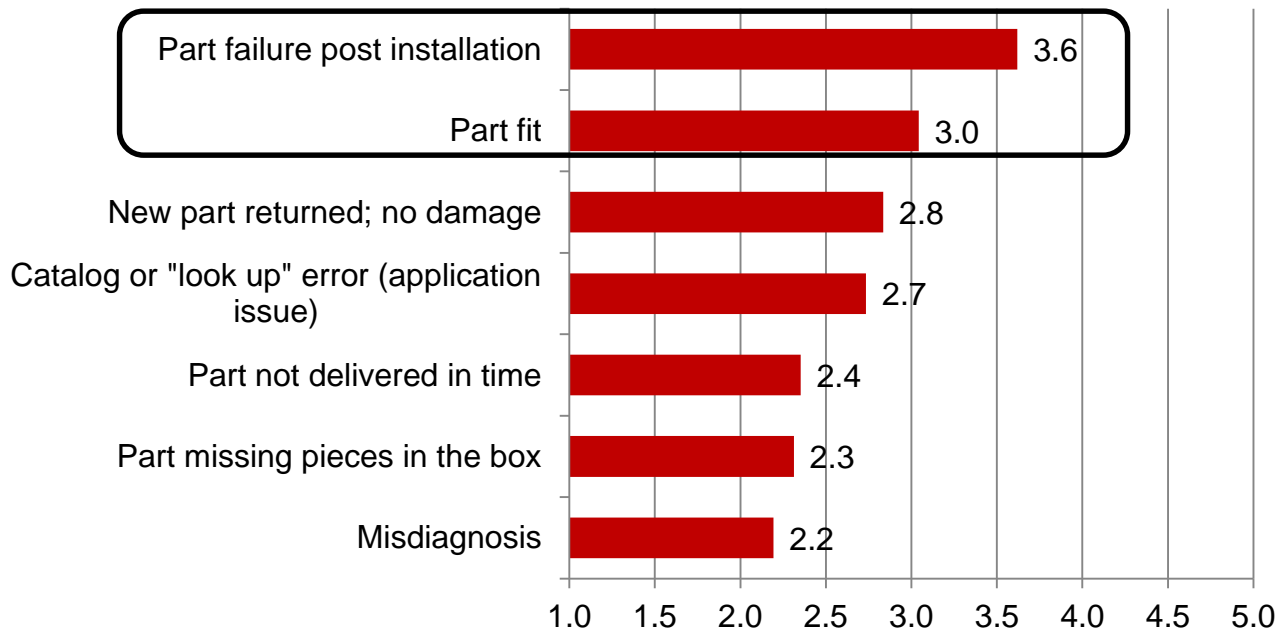
Base: n = 68

# Detailed Results

## Reasons for Warranty Returns

# Service technicians believe that “part failure post installation” and “part fit” are the largest contributors for returned parts

Based on your experience, please rate the following factors based on their contribution to returned parts.\*



Per recent AASA supplier Barometer, aftermarket suppliers feel that majority of returns are avoidable.

Base: n = 90

Note: scale is from 1 to 5 where 1 is “No contribution” and 5 is “Large contribution”

In the comments, service technicians indicated that the quality of parts plays a large role in their likelihood of being returned

*There are some respondents that link country of origin with quality*

What other factors not listed do you think contribute to warranty returns?

returnedpoor  
quality failure  
parts

**“Where they are made.**  
‘Made in China’: this is the biggest issue, more than all others combined.”

**“Quality of parts.”**

**“...Quality companies building quality parts are less likely to have problems with fit or fitment, premature failure due to material defects, etc.”**

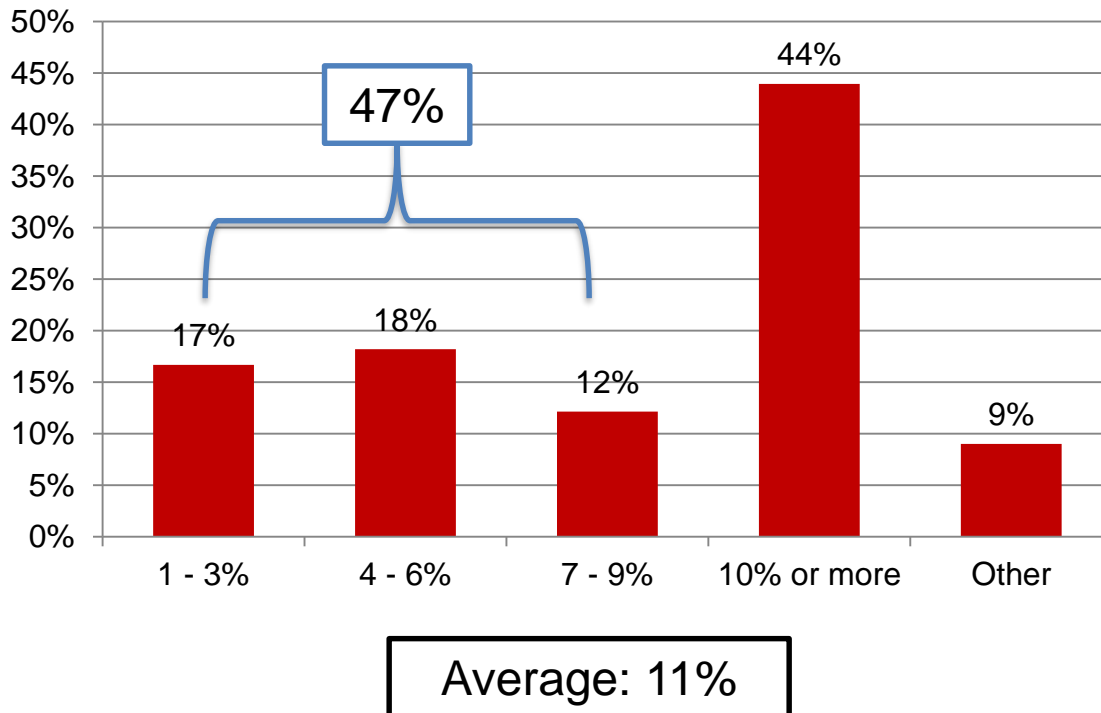
***For full results, see Appendix***

*Note: A word cloud was used to show the top 5 common words that were indicated in responses*



However, 47% of service technician respondents indicated that less than 10% of all parts returned were related to actual quality issues

What percentage of your "warranty" or "off invoice" returns/credits do you estimate were related to actual quality issues?



Part failure due to poor quality parts is the number one reason for a returned part

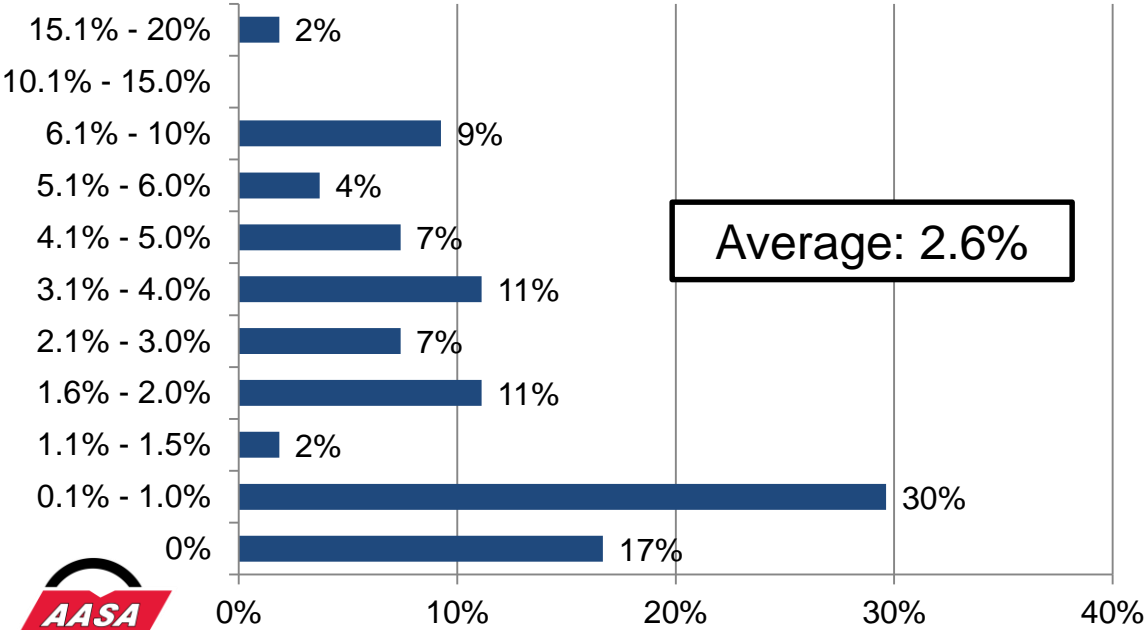
Yet, nearly half of service technician respondents indicated that less than 10% of parts returned were related to quality issues

AASA asks, "Why are the majority (~89%) of the other parts returned if not for a poor quality product?"

Base: n = 66

# Suppliers notice a similar phenomenon, with an estimated 2.6% of returned parts due to actual quality issues

**What percent of your gross aftermarket sales were credited under the "warranty bucket" or were given as "off invoice" in lieu of warranty?**



Source: 2013 AASA Pulse: KPI Benchmarks Survey



# Detailed Results

## Qualities of an Ideal Warranty Return System

# Service technicians were prompted to indicate the top WD and supplier for warranty best practice

*Although NAPA received several votes, there were very few service technicians that could name a supplier for warranty best practice (many continued to name NAPA)*

## Top 3 WDs/Distributors for warranty best practice

1. NAPA Auto Parts
2. O'Reilly's Auto Parts
3. WORLD PAC

## Top 3 Suppliers for Warranty Best Practice

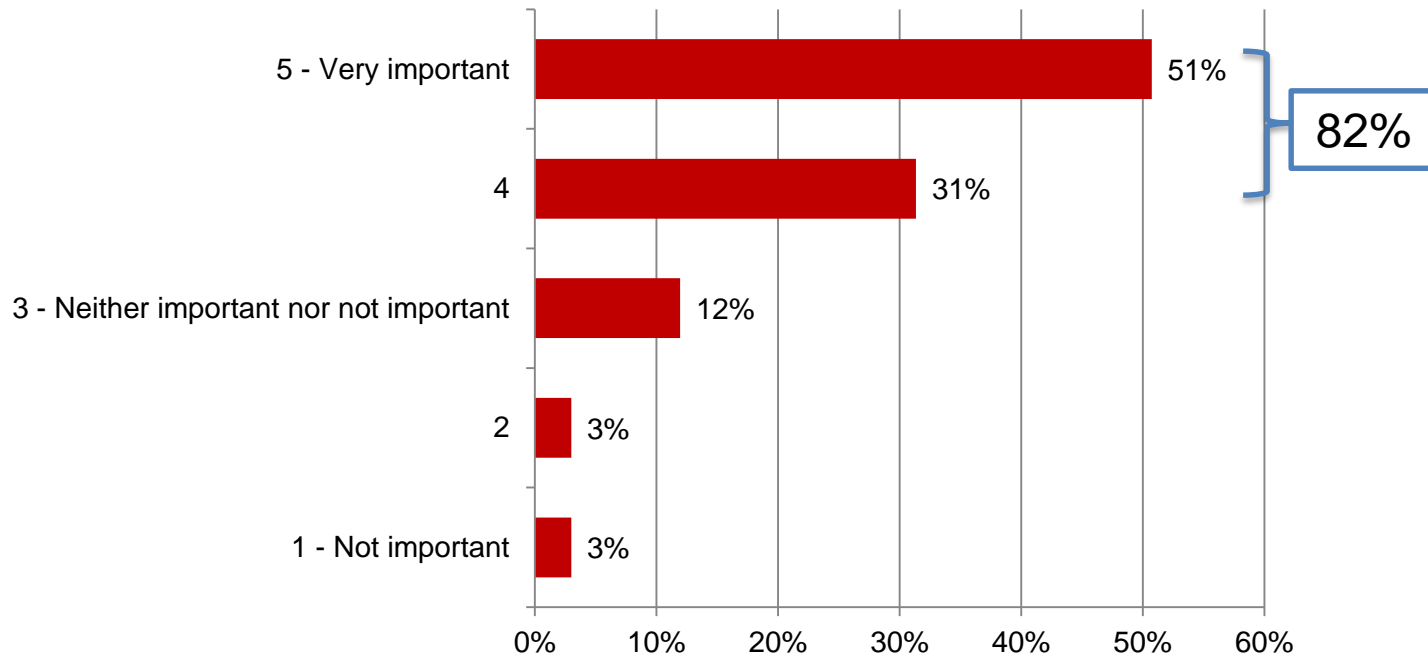
1. General Motors
2. Robert Bosch
3. Monroe (Tenneco)

*For full results, see Appendix*

*Note: WD/Distributor and Supplier Best Practice were asked as separate questions*

# Majority of service technician respondents, 82%, indicated the high importance of a “lenient return policy” when selecting their source for parts

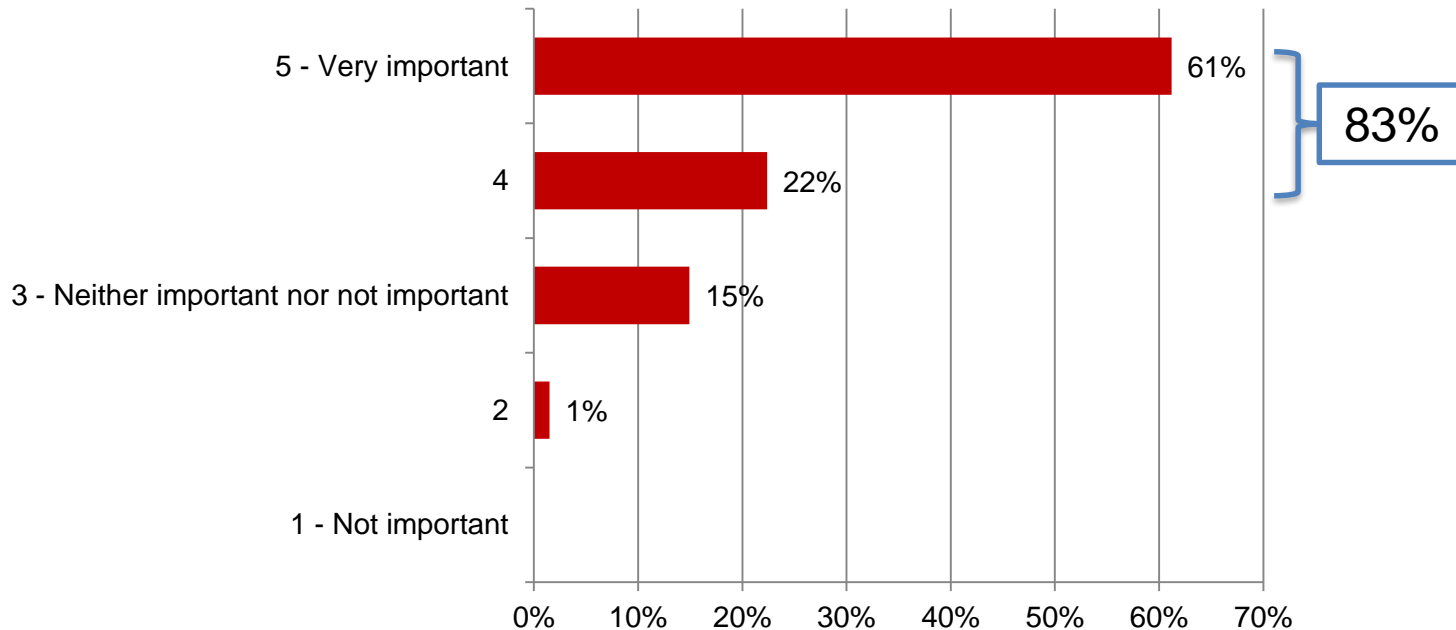
Please rate the importance of a lenient return policy in selecting your source for parts?



Base: n = 67

# 83% of service technician respondents indicated a high importance for an efficient, clear and fair warranty return form in selecting a source for parts

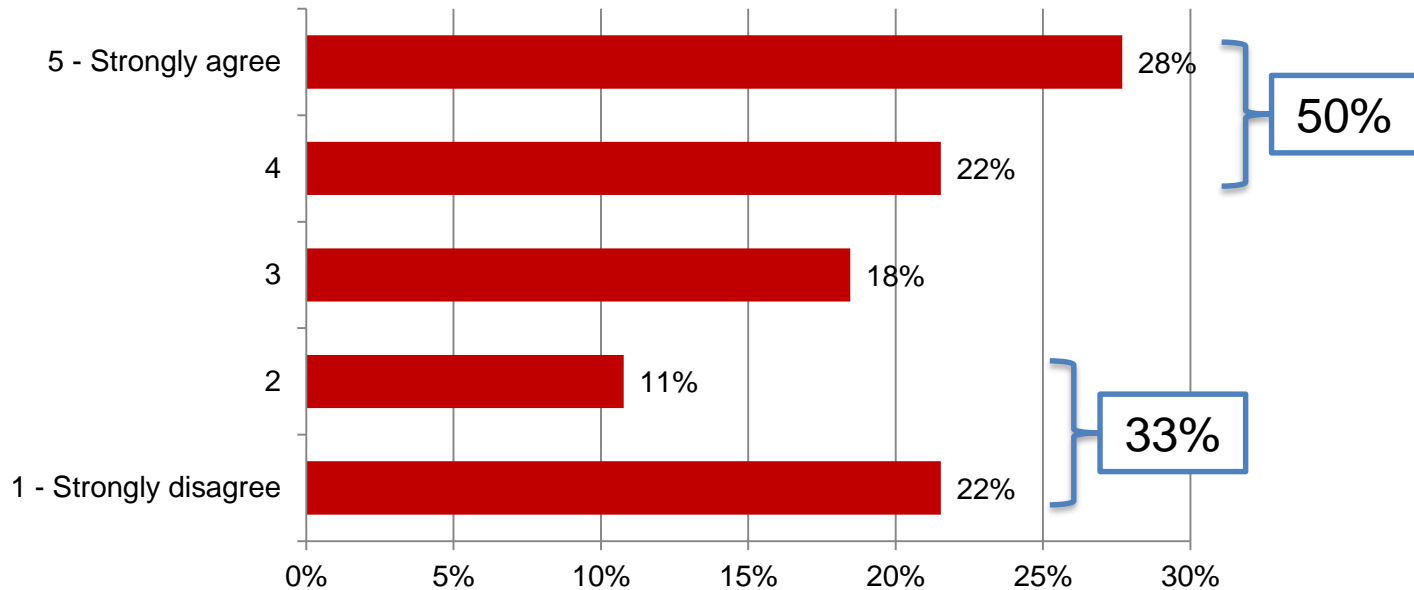
Please rate the importance of an efficient/clear/fair warranty return form and processing system in selecting your source for parts?



Base: n = 67

Half of respondents feel that a lifetime warranty encourages them to purchase a part whereas a third indicate it does not have any effect

**A part having a lifetime warranty encourages me to purchase that part over one that does not have a lifetime warranty.**



Base: n = 65

# Detailed Results

## Ways to Improve the Warranty Returns System



# Majority of respondents indicated a need for more “quality control” to improve the parts return process and decrease the amount of returned parts

What can be done to improve the parts return process and decrease the amount of returned parts?
“Better quality control”
“Better quality in the box, faster deliveries (or stocked parts availability, Good Counter people. (having pics online now really helps)”
“Better quality parts. <b>CHINA parts gone</b> ”
“In the big picture, <b>we need a way to let the manufacturers know our concerns</b> so they can get to the root of the problem and improve part quality...”
“ <b>Part quality should be verified by the manufacturer</b> instead of making the shop order, receive and inspect to find it isn't right...”
“ <b>Returned parts boxes and parts must be properly inspected</b> and not just put back on the shelf.”
“ <b>Sell quality parts or pull them off the market.</b> ”

- ### Ways to improve the parts return process
1. Better quality control
  2. Improve online cataloging system
  3. Better return form so that service technicians can properly voice the problem

*For full results, see Appendix*

# Appendix A: Full Answers to Selected Questions

# What other factors not listed do you think contribute to warranty returns? (1/2)

"Battery warranties are bad for shops"
"Being sent cores in boxes returned from other places"
"Boxed wrong at factory/damaged part"
"Brake pad formulations which have too much ceramic, or are marketed in a "Good Better Best" format which is based on marketing buzz words instead of "Good Better Best" based on driving conditions. I.E. semi metallic or carbon metallic for severe conditions."
"Condition of part"
"Customer satisfaction of part performance (NVH, etc...)"
"Defective"
"Didn't work out of the box"
"Failure at install or within 6-8 months"
"Finish quality or "trusted brand" inconsistency due to re-boxing of unknown supplier parts."
"Form/fit/function issues"
"Incorrectly labeled parts. Parts previously returned in box."
"Inferior quality. "
"Junk parts"
"Junk parts from China!"
"Mostly the allowable failure of a part is a concern. But to get a labor claim is almost impossible"
"Non- OEM parts seem to be more at risk of post install failure."

"Not replacing all parts needed by customer"
"Owner neglect or abuse."
"Part boxed wrong and receiving a defective part before installing."
"Part failure"
"PARTS THAT HAVE BEEN RETURNED WITHOUT INSPECTION PRIOR TO RESALE."
"Poor packaging on bumper covers- warped distorted scratch in textured areas"
"Poor quality or cheaply made. Mis-boxed."
"Poor quality when price is for high quality"
"Premature failure but out of warranty, OE part lasts 100k+ aftermarket part last 30% of that"
"Previously returned parts sent out again even though you know it was returned once for poor fit"
"QUALITY AND FIT OF THE REPLACEMENT PART"
"Quality of parts."
"RECEIVING USED PARTS IN BOX. ALREADY INSTALLED."
"Reconditioned bumpers are poor quality. CAPA parts haven't been tested as marketed."
"Using parts as test pieces"
"We only use OEM parts so with the rare exception there are no warranty issues."

# What other factors not listed do you think contribute to warranty returns? (2/2)

“What is not considered in this question is the roll sourcing plays in all this. Quality companies building quality parts are less likely to have problems with fit or fitment, premature failure due to material defects, etc.”

“Where they are made. "Made in China" This is the biggest issue, more than all others combined.”

“Wrong application. Wrong part ordered.”

# In your opinion, which WD/Distributor has the best practice for warranty returns? (1/2)

"About the same"
"ACI"
"Advance"
"Aline"
"All Distributors will Replace parts"
"All OEMs / and Keystone"
"Auto Service Plus-Uni-select"
"Automotive Products, 1-800 Radiator"
"AutoZone"
"AutoZone and Fishers"
"Baxter Auto Parts"
"Bumper to Bumper"
"CA State Auto Parts"
"CARQUEST"
"CARQUEST"
"CARQUEST"
"FEDERATED/FISHER"
"First call"
"GP"
"Lordco"
"Motive parts"
"NAPA"
"NAPA"
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"O'Reilly"
"O'Reilly"
"O'Reilly's"
"O'Reilly's"
"O'Reilly's"
"Parts Plus / NAPA"
"Uni-select"
"WORLD PAC"

# In your opinion, which WD/Distributor has the best practice for warranty returns? (2/2)

"WORLD PAC"
"WORLD PAC"
"WORLD PAC"
"WORLD PAC"
"WORLD PAC"
"WORLD PAC and Warren Dist. Inc."

# In your opinion, which manufacturer has the best practice for warranty returns?

"1-800 Radiator"
"About the same"
"All Manufacturers are Good"
"AutoZone"
"BCA"
"Delphi"
"Dorman"
"Federal Mogul"
"GM"
"GM"
"GM"
"Hard to say as the WD/Jobber may be making the manufacturer look good by handling the warranty downstream"
"Individual dealerships seem to be different."
"Jaguar"
"Jasper"
"Jasper"
"Keystone"
"Monroe"
"Moog"
"Moog"

"Most"
"Monroe"
"NAPA"
"NAPA"
"NAPA"
"NAPA"
"NAPA"
"O'Reilly"
"O'Reilly's"
"Toyota"
"WAGNER"

# What can be done to improve the parts return process and decrease the amount of returned parts? (1/3)

"A form where we can describe the problem and it actually gets to the engineering dept. to address the issues"
"Aside from the obvious quality issues, a comprehensive universally accepted policy and accompanying process"
"Better education for the employees"
"Better estimating software"
"Better picture and part identification"
"Better Quality"
"BETTER QUALITY"
"Better Quality control"
"Better quality control"
"Better quality in the box, faster deliveries (or stocked parts availability, Good Counter people. (having pics online now really helps)"
"Better quality parts"
"Better quality parts result in less need for parts returns"
"Better quality parts. CHINA parts gone"
"Better sales people"
"Consistent brand quality"
"Correct Vehicle Info BEFORE ordering & Quality of manufacturing."
"Distributor should get parts delivered faster, and correctly"
"Do not do business with companies that will not offer warranty claims and pay labor claims within 30 days."

"DOCUMENTED PROCEDURES"
"Doing fine as is"
"Electronic cataloging needs to be more specific. Sometimes you order both options because its not clear and then send one back."
"Embrace technician and owner feedback. All online catalogs should have a tab to report catalog errors or provide feedback on specific parts."
"Faster credits-to hard to track after return especially if labor claim involved"
"For those repair facilities that are known for quality and fairness, simply take care of them. Start using better quality components when manufacturing the parts. Also, I don't see any place for me to voice my opinion about the lack of labor claims and what needs to be done to fix that problem"
"FORMS WITH FOLLOW UP, THE MANUFACTURER AND WD DO NOT COORDINATE AND LOOSE MORE THEN A FAIR SHARE OF CLAIMS."
"Get rid of reman. parts"
"Higher parts quality, better technician training"
"Improve parts quality and fit"



# What can be done to improve the parts return process and decrease the amount of returned parts? (2/3)

“Improve parts quality. Over the years we have tracked our parts failures and no longer purchase certain brands because of less than acceptable quality. In my opinion, a high presentably of shops incorrectly diagnose the problem, then blame the part. Or, they put on the cheapest part and wonder why it does not perform correctly.”

“Improved European accuracy of parts and availability”

“In the big picture, we need a way to let the mfg.'s know our concerns so they can get to the root of the problem and improve part quality. We need a return form that”

“INSPECTING RETURNED PARTS BEFORE RESTOCKING”

“Labor claim help. i.e. when a seal takes out an entire timing belt job. manufacturer will always deny the claim. but if I had sent the job down to a far enough away Napa repair center it would have been taken care of under warranty at no charge. but instead I have to eat 70% of the labor most of the time.”

“Manufacturers man up & admit they have problems”

“More accurate on parts descriptions”

“Ordering accuracy, the Parts trader format has people quoting wrong parts, poor quality parts or parts they don't have”

“Overall quality, parts cataloging, counter person knowledge”

“Part quality should be verified by the manufacturer instead of making the shop order, receive and inspect to find it isn't right. This causes costly delays to the shop while the insurer and vendor agreement means the vendor will supply a new part and the shop can do it again for 1/2 price and tie up their stall in the meantime. Warranty should mean the shop is fully paid for their trouble.”

“Prevent defects.”

“Quality”

“Quality control”

“Quality control”

“Returned parts boxes and parts must be properly inspected and not just put back on the shelf.”

“Right parts in the boxes”

“Sell quality parts or pull them off the market.”

“SELL USA MADE PARTS”

# What can be done to improve the parts return process and decrease the amount of returned parts? (3/3)

“Simple easy form to fill out. We have to wait from 3 to 6 months to find out if they are going to pay on a labor claim from NAPA. By that time we cannot collect from the customer on the labor claim if they deny it. The customer wants to know when the car is brought in if the part and the labor will be covered. So you have a lot of uncollected labor losses at the end of the year. You should get an answer in 24 hours if they are going to cover the labor on a defective part and how much. This also makes an accounting nightmare as we keep invoices open for months waiting for a labor payment. Then the amount of the labor payment is unknown. So you have to go back and adjust these old invoices to match the payment. If they go back to the previous year it messes up your taxes.”

“Stop making junk!”

“Take returned parts out do not resend”

“The parts returns can be eliminated if we can just get some good parts!”

“Track cause of part failure in a timely manner to address concerns”

“Try to design the replacement parts to better than OEM if possible”

# Is there a particular category of parts that you find are subject to more warranty returns than others? (1/2)

"Aftermarket, recons and LKQ."
"Aftermarket engine mounts, axle shafts."
"Any aftermarket new or rebuilt alternator, starter, water pump. They use inferior quality bearings that fail in 30 to 50,000. Have to use dealer parts for longer lasting repair."
"BRAKES"
"Brakes"
"Brakes"
"Bumper covers"
"Bumpers"
"Coolant parts"
"Electrical starters alternators"
"Electrical"
"Electrical"
"ELECTRICAL"
"Electrical"
"Electrical & EVAP"
"Electrical related"
"Electrical rotating"
"ELECTRICAL/STARTER/ALTERNATOR"
"Electronic"
"Electronics"
"Emissions"

"Emissions"
"FUEL PUMPS"
"Gaskets"
"Headlights / bumper covers"
"Lamps"
"Many of those are parts that were pre-ordered for a job that may not have come in"
"Parts made in China"
"Power steering"
"Power steering"
"Power steering pumps"
"Power steering racks and pumps"
"Rebuilt AC Compressors"
"Reman"
"Reman parts"
"Reman parts"
"REMAN ROTATING PARTS"
"'Remanufactured' parts"
"Rotating Electrical"
"Rotating electrical"
"Rotating electrical"
"Rotating electrical, Engine management"
"Seals and rotating parts"
"Starter/alternators"

# Is there a particular category of parts that you find are subject to more warranty returns than others? (2/2)

“Water pump, seals”

“Water pumps”

“WATER PUMPS, ALTERNATORS”

“Wheel bearings”

“Wheel bearing or hub assembly”

# Appendix B: Methodology and Contact Information

# AASA/ ASA 2014 Parts Warranty and Labor Claims Survey Notes

- The purpose of the survey was to gauge service technicians responses regarding questions on parts warranty and labor claims.
- Participation is only available to ASA members. **There were 90 survey responses.**
- This report is only available to AASA members and combines results from our 2013 Q2 Barometer Report and 2013 AASA Pulse report.
- Comments are edited only for spelling and diction and may contain grammatical errors due to their verbatim nature.
- Responses to this survey are confidential. Therefore, only aggregated results will be reported. Individual responses will not be released and will be destroyed after results are compiled.

Thank you to our partner, ASA!



*The Automotive Service Association (ASA) advances professionalism and excellence in the automotive repair industry through education, representation and member services. Since 1951, the Automotive Service Association (ASA) has been the leading organization for owners and managers of automotive service businesses that strive to deliver excellence in service and repairs to consumers.*

*For more information, please visit their website:*

*[www.asashop.org](http://www.asashop.org)*

# Contact Information

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