

Battery Warranties

Why It's Time to Change the Terms

For decades, retailers have differentiated between battery grades with varying warranty terms, based on cold cranking amps and starting power. The higher the starting power, the longer the warranty.

But the technology revolution making headlines in the automotive space demands that batteries do more than ever. When you look beyond the acronyms and technologies—start-stop vehicles, hybrid electric vehicles, full electric vehicles, autonomous driving, vehicle-to-vehicle communication, responsive braking, auto assist parking—you'll see that aligning warranties with starting power does not effectively serve this evolving market.

This gives us the perfect opportunity to take a fresh look at battery warranty terms.

COMPARE AND CONTRAST

Let's start with a look at warranty length relative to other purchases. First consider products that cost as much as or more than a battery:



\$129 - \$199

Retail Price

Window air conditioners come with a one-year manufacturer's warranty.



\$159 - \$199

Retail Price

Flat screen TVs come with a one-year manufacturer's warranty.



\$350 - \$600

Retail Price

Refrigerators come with a one-year manufacturer's warranty.



\$600+

Retail Price

Apple iPhones come with a one-year manufacturer's warranty.

See a pattern? Now compare the warranties above to those of common automotive aftermarket parts:

Grade	Wiper Blades	Headlamp Bulbs	Brake Pads	Shock Strut	Starter
Best	1 year or 12,000 miles OE Style	1 year	2 years OR Limited Lifetime Replaced if product fails due to material defect & as long as original purchaser has vehicle & receipt	Limited Lifetime Replaced if product fails due to material defect & as long as original purchaser has vehicle & receipt	Limited Lifetime Replaced if product fails due to material defect & as long as original purchaser has vehicle & receipt
Better	90 days	90 days	1 year	1 year	1 year
Good	30 days	30 days	90 days	90 days	90 days

Clearly, warranties on batteries are much longer than those for other consumer goods and even other automotive parts. What would happen if those warranty terms were reconfigured?

MAJOR INDUSTRY SAVINGS

Modified terms could start with a three-year replacement warranty on AGM batteries and look like this:

These terms more accurately reflect the realities of advanced battery technology. They still give retailers the opportunity to differentiate between grades. And, conservatively speaking, we estimate these proposed terms have the potential to save the industry **more than \$100M annual** in warranty expenses.

Line	CURRENT		PROPOSED	
	Free Replacement	Pro Rata Period	Free Replacement	Pro Rata Period
AGM	36	0	36	0
Best	36	24	24	0
Better	24	0	12	0
Good	12	0	6	0
Economy	3	0	3	0
Marine	12	0	6	0
Lawn & Garden	3	0	3	0

MINOR EFFECT ON PURCHASE DECISIONS

Now let's take the consumer's point of view. What role does warranty play in the purchase decision? To better understand this, let's look at some of the key insights from a recent Consumer Decision Process research report. There are three basic steps in the consumer decision process, and these steps have been very consistent over time.

Aware that they need a new battery

The first sign a new battery is needed...

40%

Car wouldn't start



21%

Battery seemed weak

Decide where to shop/buy a battery



Know **exactly which retailer** they will shop with

If deciding between multiple retailers

The **top 3 drivers** of selecting a retailer are:

1

Price

2

In-Stock

3

High Quality

Decide which battery to buy



Know **exactly which brand** they will buy

If deciding between multiple batteries

The **top 3 drivers** of selecting a battery are:

1

CCAs

2

Lowest Price

3

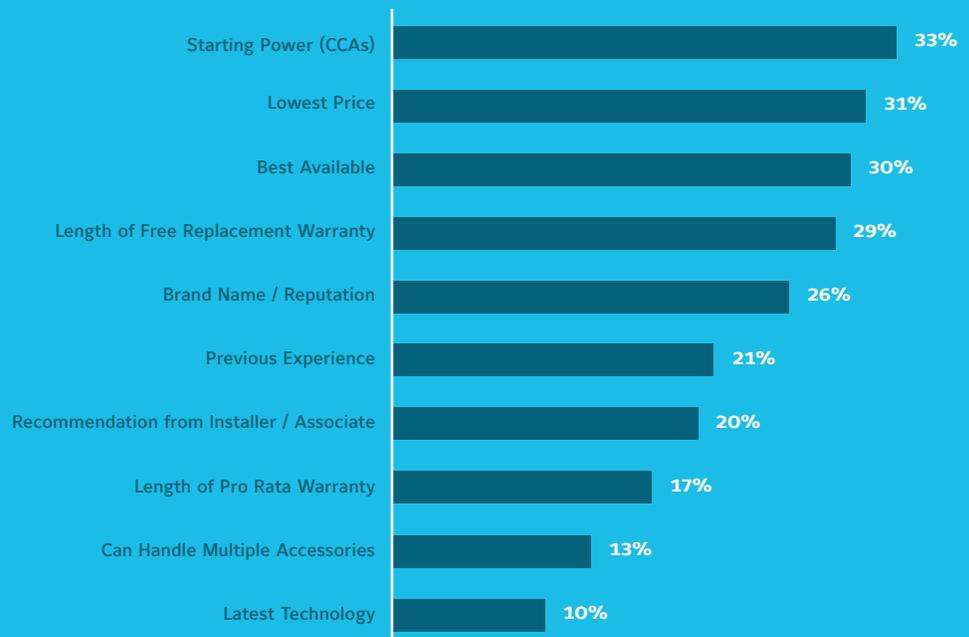
Best Available

As you can see, warranty does not register as one of the top three criteria consumers rely on when selecting an **outlet** or the **actual battery**. If we explore some of the pre-purchase behaviors of today's battery consumers, we find that 94% are doing some sort of research, with more and more consumers turning to the internet (52%) as a source of information. When searching on-line the consumer is looking for Price information (78%), vehicle fitment information (59%), Availability (51%) and finally warranty (44%).

AT THE SAME TIME

Less than a third of consumers rank length of free replacement warranty as a top driver in their purchase decision. It appears the warranty does not weigh heavily in the decision on which battery to buy.

TOP DRIVERS OF BATTERY CHOICE (RANKED 1ST / 2ND / 3RD)



CHANGE TERMS - AND ENFORCE POLICIES

Making warranty terms more realistic offers a good start on capturing savings. For maximum benefit, we also need to better enforce policies on warranty application. Let's look at a few scenarios.

What do you do if a consumer puts one of your batteries on the counter, and asks for a warranted replacement...

1

...but does not have proof of purchase, and is not in your customer database?

It's possible the battery came from a recently purchased used car. Last year, more than 49M used cars were sold in the United States—likely many of them with aftermarket batteries. Battery warranties are not transferable, so this consumer is not due a warranty and should be sold a new battery at full price.

2

...yet the battery tests good; it's just discharged.

A parasitic draw could be prematurely draining the battery. Handing over a new battery without a complete electrical systems check will only mask the real problem—and the consumer will soon be back for yet another warranty battery.

3

...yet the battery tests good; it's simply nearly the end of its warranty.

The battery is warranted against manufactured defects. If the battery tests good, the only reason to provide a warranty battery is to make the customer happy.

ADDRESSING THE "BATTERY FOR LIFE"

When consumers with a legitimate warranty claim return their battery to their local outlet, they get a new battery—and the warranty starts over. Doesn't this seem odd? If a customer buys a battery with a 36-month free replacement warranty, and the battery for whatever reason tests bad at 34 months, shouldn't the replacement battery be warranted for only the remaining two months? And what about consumers who don't have a legitimate claim, but are simply returning the battery near the end of the warranty period? Is this return simply to start the warranty clock over?

It's a real problem. In a recent survey, retailers told the National Retail Federation (NRF) that they expected 3.5 percent of their returns in the 2015 season would be fraudulent, at a cost of \$2.2 billion. In the retail battery category, which the NPD valued at \$3B as of May 2017, a 10 percent return rate puts product expenses in the \$300M range for retailers—and based on the NRF survey, \$9M of that would be fraudulent returns.

THE TIME IS RIGHT



The purpose of a product warranty is to give consumers confidence that the part they purchase is free of material or manufacturing defects.



With retail comparable store sales stressed and pressure on foot traffic, retailers have gone beyond that purpose, taking extreme measures to ensure consumers get exactly what they want, hoping to cultivate continued loyalty.



In turn, consumers sometimes have unrealistic expectations for warranty terms and policies.

However, many of our country's largest retailers are significantly changing their return policies.

The automotive aftermarket and the battery category can do the same. The time is right to reconfigure battery warranty terms and to enforce existing warranty policies. Your loyal customers will appreciate the consistency, and customers looking to take advantage will likely be discouraged. Either way, the result is reduced waste and increased profitability.