

## An Analysis of Automobile Warranty Service Dissatisfaction

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### ABSTRACT

While current data has demonstrated that consumers are very dissatisfied with auto repair service, no study has every considered consumer dissatisfaction with new car warranty service. This paper focuses on: (1) the size of and reasons for auto warranty satisfaction, and (2) the likely effect of that dissatisfaction on brand loyalty.

### INTRODUCTION

A warranty is an affirmation by a seller of the quality or performance of the goods to be sold. On its face, the warranty promise is a reasonable way of reducing the buyer's perceived risk as he prepares to make a purchase, especially in the case of high-priced durables. The reasonableness of this promise as a risk reducer and/or inducement to purchase is to be questioned, however, as the satisfaction with this promise's fulfillment (perceived or otherwise) decreases. The literature to date reveals that this scheme of product assurance as used with automobile warranties has provided almost as much dissatisfaction as satisfaction (Braden, 1977; Feldman, 1976; Kahn, 1979). Although the problem is well known, a thorough analysis of the nature of owner dissatisfaction with auto warranty service has not been made publicly available to date, nor have any attempts to estimate effects of this dissatisfaction on repurchase intentions been published. Given the number of consumers affected, the importance of the automobile to the American consumer, and the concern of automakers with brand loyalty maintenance, this omission is considered serious. The research discussed here was undertaken in an attempt to fill this void.

### METHODOLOGY

1978 and 1979 model new car owners of a major domestic automaker provided the population base. A stratified cluster sample, by geographical region and vehicle type (e.g., compact, intermediate, etc.), was used, with 2330 qualifying sample elements being chosen; all 2330 had had at least one warranty repair made during calendar year 1978. A four-page questionnaire was pretested then mailed to these individuals in May of 1979. More than one-third of the sample responded between May 15 and June 15, 1979, with 675 usable questionnaires actually being tabulated.

The research focused specifically on those who claimed to be dissatisfied with the new car warranty service and attempted to discover:

- 1.) the size of this dissatisfied segment
- 2.) whether those who were dissatisfied had expected better service
- 3.) primary reasons for dissatisfaction
- 4.) the relationship between warranty service dissatisfaction and the willingness to repurchase from that same manufacturer, and

- 5.) the effect past "brand loyalty" has on the willingness of the dissatisfied to repurchase.

### RESULTS

Taking these five research objectives in order, the following survey results were obtained:

#### Expectations for Warranty Service

Given the general agreement in studies to date regarding unmet expectations and post-purchase dissonance (Aiello, Czepiel, Rosenberg, 1977; Anderson, 1973; Hempel, 1977; Miller, 1977; Pfaff, 1972; Valle, 1977), it was not surprising to find that expectations for warranty service have a strong influence on later satisfaction levels. Respondents in this survey were asked to check whether warranty service was as expected, better than expected or worse than expected. Out of 675 respondents, 57% said service was worse than expected. More to the point, out of 289 service-dissatisfied respondents, 85% stated that they expected better service. This finding, statistically significant at the 1% level, indicated clearly that disappointed service expectations contribute to service dissatisfaction.

#### Primary Reasons for Dissatisfaction

The most frequently mentioned reason for service dissatisfaction was repeat service visits for the same problem--either not getting it fixed correctly or not getting it fixed at all the first time. Of the 289 service-dissatisfied, 87% checked repeat service visits as one source of dissatisfaction (respondents were invited to check as many as applied). In addition, repeat visits was also most often mentioned as the most irritating service problem.

Second most frequently mentioned source of dissatisfaction was "work poorly or incorrectly done," with 74% of the dissatisfied mentioning this as a source of dissatisfaction. To complete the pattern, this problem was also the second most irritating. Thus it was concluded that repeat visits for the same repair is the worst warranty service problem, both in terms of frequency experienced and magnitude of irritation, while repair work that is poorly done is the next worst problem.

#### Dissatisfaction and Willingness to Repurchase

If we are to take repurchase intentions as serious indicators of probable outcomes, 130 or nearly half of the service-dissatisfied respondents will not purchase another car from the same manufacturer--69 of these will not do so specifically because of dissatisfaction with service or problems related to getting service under warranty. Put another way, 69 out of 675 consumers surveyed, approximately 10%, will not repurchase from the same manufacturer because of warranty service dissatisfaction.

#### Effects of Past Brand Loyalty

Through the inclusion of questionnaire items re-

garding previously owned vehicles, it was learned that 53% of survey respondents had a vehicle from the same manufacturer as their last car and about one-third had the manufacturer's product as last and next-last car; for purposes of this analysis these latter are considered to have exhibited some degree of brand loyalty and hence are called "brand loyal." With this information, we are in a position to examine whether or not the brand loyal are more prone to repurchase than the non-brand loyal.

TABLE 1  
Observed Frequencies of Repurchase Intentions  
Observed Frequencies

Satisfaction measure	Observed Frequencies		
	One of Last 2 cars from same mfr. (n=216)	Neither of last 2 cars from same mfr. (n=186)	Neither of last 2 cars from same mfr. (n=179)
Will not repurchase	19%	27%	34%

The data in the above table, statistically significant at the 1% level, led to the conclusion that previous brand-loyal behavior does affect repurchase intentions. Even though dissatisfied, the brand loyal owner is more reluctant than the non-brand loyal owner to dissolve established purchase patterns with a particular manufacturer. However, it should not be assumed that previous brand loyalty provides a manufacturer with any guarantees: of the 69 respondents who will not repurchase because of service dissatisfaction (discussed above), 25% had been brand loyal, as defined herein, up to this point.

Thus we see that brand loyal owners are less prone to repurchase failure, but that brand loyalty can be dislodged and long-time buyers lost through service dissatisfaction.

A summation of research results, then, reads as follows:

- a.) At least one-fourth of new-car owners are dissatisfied with warranty service, with repeat visits for the same problem most often cited as reason for dissatisfaction.
- b.) 85% of the service-dissatisfied had expected better service.
- c.) About half of the service-dissatisfied will not repurchase from the same manufacturer, with 25% stating they will not do so specifically because of dissatisfaction with warranty service.
- d.) Of those who will not repurchase because of service dissatisfaction, 25% had been brand loyal.

While earlier satisfaction/dissatisfaction studies have addressed many products and services, it should be noted that neither scholarly nor proprietary research published to date has dealt directly and quantitatively with effects of dissatisfaction on repurchase intentions and brand loyalty. Consideration of these notions is imperative in the present marketplace.

#### RECOMMENDATIONS

From a consumer welfare point of view, it is apparent that we are facing a satisfaction shortfall which has significant severity and affects millions of consumers and consuming families. Also, from a profits-management point of view, it seems that brand exits in the neighborhood of 10% due to service dissatisfaction would

command attention. A first recommendation is the establishment by automakers of means to continuously monitor service satisfaction and dissatisfaction. Such a system will allow use of warranty service satisfaction measures as actionable data upon which improvements can be based.

Secondly, it is suggested that a corporate marketing plan whose goal is the reduction of warranty service dissatisfaction would serve overall consumer welfare (corporations do have social responsibilities), would reduce brand exits for that corporation, and would increase brand switches to its product. Two broad opportunities for implementation of such a plan are available:

- 1.) Reduce dissatisfaction associated with warranty service visits--perhaps through support of auto mechanic service training centers, dealer incentive programs, or vertical integration by auto companies for better control (at present dealers are not owned by manufacturers, but are independent businessmen under franchise).
- 2.) Reduce the opportunity for consumer dissatisfaction of this kind by improving off-line quality at manufacturing plants. Current competition with Japanese and European automakers, efforts to improve quality control and the movement toward in-vehicle self-diagnostic equipment may all contribute to better product quality.

It cannot be overemphasized that service dissatisfaction in general is a serious problem in this country (Best, Andreason, 1977; Day, Bodur, 1977), and indications are strong that dissatisfaction with automobile warranty service is one of the most severe and widespread of all service problems. This research indicates that warranty service dissatisfaction is sizeable, does lead to repurchase failure, and may even disrupt prior brand loyalty. For many reasons, it is hoped that automakers will become fully aware of the facts of warranty service dissatisfaction and find them both unacceptable and reversible.

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