

# Consumer Choice

## Product Warranties and Service Contracts

A warranty (or guarantee) describes the manufacturer's or seller's commitment to stand behind their products. It tells what will be done if a problem develops within a certain time period. Warranties vary in the amount of coverage they provide. So, just as you compare the style, price and other characteristics of competing products before you buy, also compare their warranties.

Businesses offer warranties for various reasons. As a promotional device, they can help consumers differentiate between competing products and help foster brand loyalty. From a management standpoint, warranties can act as a corporate commitment to customer satisfaction. At the same time, they can also help limit the manufacturer's or seller's liability. Consumers tend to rely on warranties as indicators of product quality and reliability—especially since it is almost impossible to observe these characteristics at the time of purchase—and use this information in their purchasing decisions and

when seeking redress when products fail to perform as expected.

### Written Warranties

Written warranties come with most major consumer purchases, although they are not legally required. Federal law does require that, *where a written warranty is provided*, it must meet certain requirements. For example, written warranties for consumer products costing more than \$15 must be available for you to read before buying the product.

The protection offered by written warranties varies greatly, so it is important to compare warranties *before* making a purchase. Here are some questions to keep in mind when comparing warranties.

- *What parts and problems are covered by the warranty?*

Check to see if any parts of the product or types of repair problems are excluded from coverage.

- *Are any expenses excluded from coverage?*

Some warranties require you to pay for labor charges, while others cover both labor and parts. Sometimes the coverage varies with the time period—such as both labor and parts covered for one year, but only parts covered the second year.

- *How long does the warranty last?*

The time period for coverage varies with different companies and products. Check the warranty to see

when it expires. However, if you reported a covered defect to the company during the warranty period and the product was not fixed, the company is responsible for correcting the problem, even after the warranty period expires.

- *What will you have to do to get repairs?*

Warranties often require that a product be returned to an authorized dealer for repair. If there is no nearby dealer, this can be inconvenient and expensive. However, maintenance and repairs done by unauthorized dealers (or by the consumer) may void the warranty and cause you to have to pay for labor and/or parts.

- *What will the company do if the product fails?*

Find out if the company will repair or replace the product, or return your money. If you have used the product for a period of time before the problem developed, will only part of the repair or replacement cost be paid?

- *Does the warranty cover “consequential damages”?*

Most warranties do not cover consequential damages. This means the company will not pay for any

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damage the product caused, or your time and expense in getting the damage repaired. For example, if your freezer breaks and the food in it spoils, the company will not pay for the food you lost.

• *Are there any conditions or limitations on the warranty?*

Some warranties will only provide coverage if you maintain or use the product as directed. For example, a warranty may cover only personal uses—as opposed to business uses—of the product. Some cover only the first owner of the product. Make sure the warranty will meet your needs.

Most warranties are invalid if the consumer abuses the product or if an accident, such as fire or water damage, causes a problem

- One clue to answers for some of the previous questions is whether the written warranty is “full” or “limited.” A “full” warranty means:
- The written warranty does not limit the duration of implied warranties (discussed below).
  - Warranty service is provided to anyone who owns the product during the warranty period—not just the first purchaser.
  - Warranty service is provided free of charge, including such costs as returning the product or removing and reinstalling the product when necessary.
  - If the product can't be fixed (or hasn't been after a reasonable number of tries), the consumer may choose either a replacement or a full refund.
  - The consumer does not have to do anything unreasonable in order to get warranty service.

The warranty is “limited” if any of these statements is *not* true. Remember that you may receive a “full” warranty on a particular part of the product and a “limited” warranty—or no warranty—on the

rest of the product.

### **Implied Warranties**

Regardless of whether your purchase comes with a written warranty or not, Kansas law provides for “implied” warranties. Almost every consumer purchase is covered by an implied warranty.

The most common type of implied warranty is called a “warranty of merchantability.” This means the seller promises that the product will do what it is supposed to do. For example, a toaster will toast bread and a washing machine will wash clothes.

Another type of implied warranty is the “warranty of fitness for a particular purpose.” This applies when you buy a product relying on the seller's advice that it is suitable for your needs. For example, a seller who suggests that you buy a certain sleeping bag for zero-degree weather warrants that the sleeping bag will be suitable for zero-degree weather. Be sure the salesperson puts this in writing.

If problems arise that are not covered by the written warranty, investigate the protection given by your implied warranty. With a few exceptions, Kansas sellers cannot limit these implied warranties on goods sold to consumers—such as selling an item “as is”—unless the defect or defects are known by the consumer and accepted as part of the sale. (For more information about implied warranty coverage in Kansas, contact the Office of the Attorney General. The toll free number for consumer assistance is 1-800-432-2310.)

### **Verbal Warranties**

Sometimes salespeople will make a verbal promise. For example, they may tell you that the store will provide free repairs.

However, if this claim is not in writing you may not be able to get the promised service. *Have the salesperson put the promise in writing, or do not count on the service.* This is also important if you are relying on the salesperson's advice that the product is suitable for a particular purpose.

### **Credit Card Services**

Some bankcards—primarily “gold” cards—and at least one travel and entertainment card offer additional services to cardholders that, in effect, provide some warranty coverage. For example, purchase protection generally provides a reimbursement (after any insurance reimbursement and usually up to a specific amount) for a credit card purchase where the item is stolen or damaged within a specified period of time after purchase. This protection may not cover certain types of theft or damage, however. Another service of these credit cards is the extension of a written warranty, up to a specified time period (such as an additional year). The consumer needs to evaluate whether such coverage is worth any additional finance charges associated with these cards, as opposed to other credit cards.

### **Service Contracts**

When you buy a car, electronic equipment, or a major appliance, you may be offered a service contract. Although often called “extended warranties,” service contracts are not warranties. Warranties are included in the price of the product. Service contracts are separate from the product, at an extra cost.

Service contracts are like insurance—you are paying a “premium” to insure against loss. As with other

insurance, first dollar coverage (insuring against even small out-of-pocket losses) can be expensive. Consumers need to carefully weigh the cost of this “insurance” with the likelihood of the product needing repairs, the potential cost of repairs (and maintenance, if covered by the service contract), their ability to pay for maintenance and repairs when needed, and the value they place on “security” (not having the worry about unexpected maintenance and repair costs). One alternative might be purchasing a higher quality product and then placing the funds (that would have been used to purchase a service contract) into a “repair fund.”

To decide whether you need a service contract, consider several questions:

- What does the service contract cover? Does the service contract cover repairs that would already be covered by a warranty? Does it cover routine maintenance? The service contract may cover only certain parts of a product or specific repairs. Read the contract carefully. If the contract does not list something as specifically covered, assume that it is not. Remember, service contracts generally do not cover repairs resulting from misuse or failure to maintain the product properly. Further, you may be obligated to take certain action, such as notifying the company of problems, to ensure the service contract is not voided.
- Do you have to pay a deductible (a portion of the maintenance and/or repair costs) or a per-visit fee?
- How much does the service contract cost? Is the product likely to need repairs (and what are their potential costs)?
- How long is the service contract in effect? When does it begin and end?

- Is labor included in the service contract?
  - Where can the repairs be done? If the service contract is offered by a local retailer or dealer, what happens if problems develop while you are traveling or after you move away from the area? If the product must be repaired elsewhere, is the cost of shipping included? In the case of automobiles, is the cost of towing and/or a rental car included?
  - If you later decide to cancel the service contract, can you get a refund? Is there a cancellation fee?
  - Can you purchase a service contract later? You may be able to purchase a service contract later, after you have owned the product for some time—such as after the warranty period expires. Does the service contract cost more if you wait to purchase?
  - If you sell the product, is the service contract transferable? Is there a transfer fee?
  - How are maintenance and repairs paid for—are they paid directly or do you pay for them and then get reimbursed?
  - What is the reputation of the company offering the service contract? Does the company provide quality service? Will they stand behind their maintenance and repairs? How financially sound are they? Be aware that there is generally little recourse if the company goes out of business.
  - If there is a disagreement with the company providing the service, is there a dispute settlement or arbitration process that can be followed?
- If you decide to purchase a service contract, be sure to use it to get covered maintenance and repairs done, when needed. Some people who purchase service contracts never use them. Some-

times this is because covered maintenance and repairs were not needed (or needed maintenance and repairs were not covered). But other times, service contracts were not used because the purchasers moved to another location or forgot they had one.

Be sure to keep a copy of the relevant paperwork for maintenance and repairs made. And remember, since service contracts tend to be profitable for many businesses, high pressure sales pitches may be used to encourage you to purchase them.

### ***Preventing Problems***

To minimize the chance of a problem with your warranty, take these precautions

1. Consider the reputation of the company offering the warranty (such as by contacting the Kansas Attorney General’s Office or the Better Business Bureau). A warranty offered by a company that is disreputable or that goes out of business may be worthless.
2. Before you buy, read the warranty. Find what protection it gives by answering the questions on page 1.
3. Save the sales slip and attach it to the warranty (or develop some other means of keeping track of these receipts). File these documents in a home file where you keep important papers or a warranty notebook. If a warranty registration card is provided, be sure to fill it out and mail it back. You may need these documents to prove the date of purchase, or in the case of a warranty limited to first purchasers, to prove that you were the original buyer.
4. Read the instruction manual carefully before using the product and refer to it often. Use and care information needs to be kept as long

as you own the product.

5. Soon after purchase, try out the product's features, controls, and parts. You need to discover defects or problems early, while it is still under warranty, and report it to the retailer promptly. It is wise to use authorized service dealers. Read the warranty carefully.

6. Perform any maintenance or inspections required by the warranty. Be sure to keep track of when defects or problems were detected and a history of all maintenance and repairs done (what, when, by whom). Also keep a history of out-of-warranty maintenance and repairs.

7. Use the product according to the manufacturer's instructions. Abuse or misuse of the product will often cancel warranty coverage.

### **Be Realistic in Your Expectations**

Read your product instructions and warranty carefully. Do not expect features or performances the product was not designed to give, or assume warranty coverage that was not promised. Having a warranty does not mean you automatically get a refund if the product is defective. The company may be entitled to try to repair it first.

### **Resolving Disputes**

If a problem develops, follow the instructions in the warranty. The first step is usually to discuss your complaint with the seller. Be sure to keep a written record of your attempts to resolve the problem. Disputes can usually be

resolved at this level. If you cannot reach an agreement, write the manufacturer about the problem and send copies (not originals) of relevant information. It's a good idea to send letters by certified mail. Keep copies of all correspondence.

If you can't get satisfaction from the seller or the manufacturer, the Kansas Attorney General's Office may be able to help. For some major consumer purchases, such as appliances and automobiles, there are dispute resolution organizations that arbitrate disagreements. The manufacturer, the Kansas Attorney General's Office, or your County Extension Agent can tell you whom to contact. Consult your warranty; dispute resolution may be a required first step before going to court.

If the amount of money in dispute is \$1,000 or less, you might consider filing a Kansas small claims procedure. The filing fee is low, the process is simple, and in the courtroom, lawyers cannot represent either party involved. The clerk of the District Court can tell you how to proceed. If none of these actions resolves a dispute and a large sum of money is involved, you may want to consider a lawsuit. An attorney can advise you whether and how to proceed.

### **Adapted from:**

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