

Protection Plans: A Retailer's Guide to Choosing a Warranty Partner



A joint study created in collaboration with Square Trade and the Consumer Electronics Association (CEA)[®]

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In an ever-competitive environment, retailers now have a tremendous opportunity to turn a common customer pain point into a surprisingly positive experience. Extended warranties – now known as “protection plans” – can help retailers achieve profitability while creating an “above and beyond” consumer experience. This guide will help retailers understand consumer motivations behind protection plans, explore what to look for in a warranty partner, and demonstrate how an effective warranty provider can increase revenue and attachment rates.

Consumers' relationship with technology has evolved dramatically over the last few years, impacting how protection plans are viewed, what attributes and benefits are most compelling and how they are most effectively sold. Three trends are at work here:

1. Consumers allocate more money to technology than ever before, and use consumer electronics devices more heavily than ever before. We depend on our devices to keep us organized, informed, entertained and connected. And no one can stand being without a device for very long.
2. Consumers research purchases, companies and their reputation more than ever before.
3. We have become an increasingly mobile society: consumers bring their devices everywhere, making them increasingly at risk for damage.

Recent research from the Consumer Electronics Association (CEA) reveals useful findings on consumers, devices and protection. The following white paper summarizes what retailers need to know about this changing category and provides 10 steps they can take to benefit from consumer behavior:

TOP 5 THINGS CUSTOMERS CARE ABOUT WHEN BUYING A PROTECTION PLAN

- 1 Total cost of product
- 2 Cost of protection plan
- 3 Immediate replacement of product
- 4 Breakability of product
- 5 Customer Service

1. Brand Recognition Important

Most consumers (70%) want to know about the company behind their protection plan and 57 percent say the protection plan brand's reputation plays an important role in purchase decisions. Look for a protection provider partner that is known for a focus on excellent customer service, provides a hassle-free claims process and has a consumer brand that people trust.

QUALITIES OF A DESIRABLE PROTECTION PLAN PROVIDER



Why Brand Matters:

Most consumers (70%) want to know about the company behind their protection plan. Six in ten (57%) say the protection plan brand's reputation plays an important role in their purchase decision.



2. Cost Isn't the Only Factor Consumers Consider

Consumers buy protection plans for a variety of reasons. While cost continues to be an importance consideration, other factors have entered into the buying decision. How much will a replacement device cost? How quickly will it be delivered? How breakable is the product being purchased, and does the protection plan company have a trusted reputation?

What else matters?

- Speedy replacements. Half (48%) expect immediate replacement when devices break.
- Past experiences. Personal experience with similar products is the most important purchase driver for 30% of buyers.
- Trusted reputation. One in four (25%) say trusting the provider and its reputation is important.
- Straight talk. One in three (31%) say clear communication of the plan purchase is essential.

3. Accidental Damage Coverage is Critical

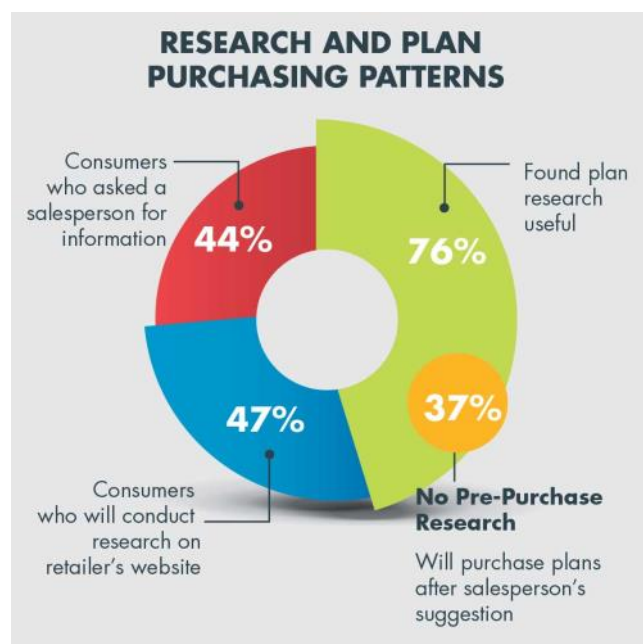
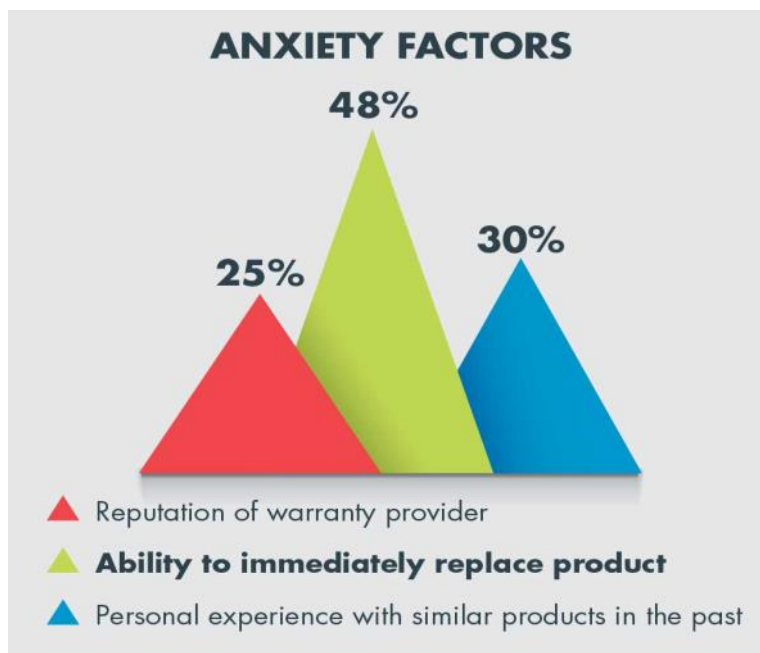
The majority of consumers are likely to purchase protection plans if it covers accidental damage. Many providers in the category are maligned for not covering common catastrophic accidents like drop damage and submerges. Choosing a partner that effectively covers real-life, everyday device accidents will certainly help customer satisfaction and retention, and likely increase plan sales over time.

Remind the Consumer:

- Risk scenarios: The "breakability of product" is an important factor in their decision to purchase a plan (42% say it is important or very important).
- Real cost of product replacement: Many consumers don't realize the true cost of a device – unaware that they'll pay \$700 to replace their smartphone out contract – not the \$200 they initially paid for it. Six in ten (58%) say product cost is the most important motivating factor.
- Peace of mind: Protection plans allow consumers to carry their devices anywhere knowing they are covered should an accident occur.

4. Assume that Consumers Will Do Their Research

Customer reviews and third party endorsement of a protection plan company plays a critical role in overcoming customer concerns. Clear, transparent and consistent communication about the protection plans offered also bolsters customer confidence. Three quarters (76%) of consumers say the research they do beforehand positively impacts their warranty purchase decision. For example, SquareTrade is easily researchable by consumers through reviews and social media – bolstering consumers' trust in the brand. However, the role of the sales associate continues to have a big impact with 37% of consumers saying they purchased a protection plan after a salesperson suggested it.



How Consumers Research:

- Almost half (47%) of plan purchasers visited a retailer's website prior to purchase
- Four in ten plan purchasers (44%) asked a salesperson for plan information
- One in four (37%) non-researchers say they purchased a plan after a salesperson recommendation

5. Where the Rubber Meets the Road: Transparency & Customer Service

Concerns over coverage loopholes and fine print deter half (53%) of consumers from purchasing protection plans – citing loopholes as their biggest frustration. In addition, one in three (31%) experienced poor customer service and consider the claims process overall too difficult. Look for a protection plan partner like Square-Trade that not only provides clear, easy to understand coverage explanations, but also one with a reputation for excellent customer service, transparency and consumer trust.

Retailers must address consumer doubt about customer service for protection plans

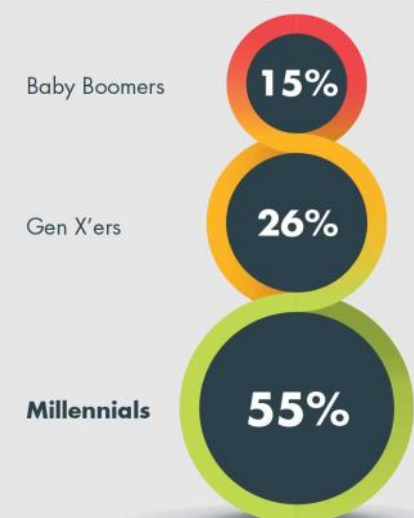
- Better empathy training: Many consumers (24%) say customer service representatives are unhelpful/rude. Better training and screening of customer care agents can have a lasting impact. A little empathy goes a long way.
- Easy claims process: Plans with easy claims and service processes increase the likelihood of future plan purchases.
- Customer service can also be improved with the following: speedy response times (22%), clear terms (16%), no hassle (16%), helpful sales reps (15%) and replacement services (12%).

What Consumers Want:

- Better communication from protection plan provider (79%)
- Less fine print (68%)

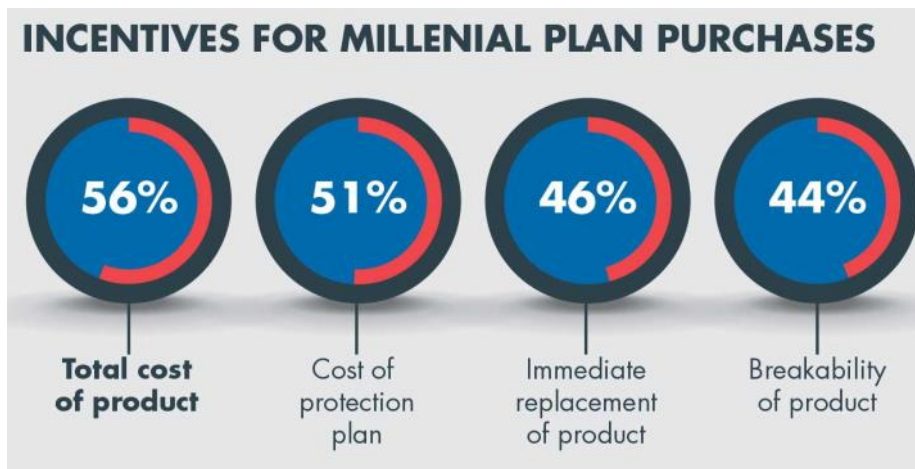
**6. Generational Differences – Millennials are Sweet Spot**

Protection plan purchasers are equally likely to be male or female. However, consumers 18-33 (i.e., the Millennial generation) are more likely to purchase protection. In fact, seven in ten (69%) Millennials know whether or not they will purchase a protection plan prior to purchase and will purchase it along with the device.

RECENT PLAN PURCHASES BY GENERATION

Maximizing the Sweet Spot

- Highlight need to protect high-priced items that are central to their social and professional lives. Product cost is the most important motivator for over half (56%).
- Stress affordability of protection plans, especially for high-priced devices. Half (51%) plan cost is critical when deciding whether to purchase.
- Emphasize device vulnerability and speed of product replacement when promoting plans.



Final Thoughts

Consumers are inundated with choices. CEA research shows consumers are not only open to buying protection plans but want to buy them to protect their most important possession – their mobile devices.

Research shows brand clearly matters among those buying protection plans. In fact, six in 10 of these consumers say a protection plan's brand matters in their purchasing decisions. Retailers who embrace this guide will see the success through servicing the ever-growing needs of their consumers.

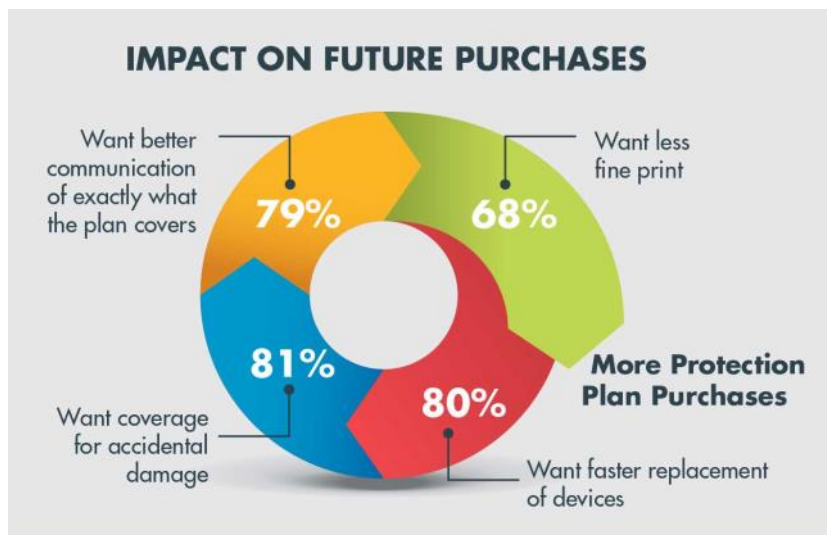
The market for protection plans is almost as diverse and evolving as the devices they protect. As a retailer, it is important to acknowledge the choices swirling around consumers. With one in five consumers purchasing a protection plan in the last two years, the challenge for retailers lies beyond purchase justification. Consumers must be convinced of their devices' value and vulnerabilities, as well as, crucially, the reputation of their protection plan provider.

WHY CUSTOMER ARE NOT BUYING PROTECTION PLANS



Consumers often choose not to purchase warranties because they've been burned by warranty companies in the past: they perceive too many loopholes in plan coverage, have had a bad customer service experience(s), and believe the claims process might be too difficult. The successful retailer will bypass these pitfalls in the path to purchase by offering protection plans from a reassuring, trusted, reputable provider with exceptional customer service. One such provider is SquareTrade.

All told, consumers are optimistic about future CE warranty purchases. If they were to purchase a CE product today, half of CE warranty purchasers would be likely to purchase a warranty for eight of 16 key CE products, including notebook/laptop computers, HDTVs and smartphones. Forging strategic partnerships with protection plan providers and understanding how consumer demographics influence device (and subsequent protection plan) purchasing will help retailers hone their recommendations and increase sales.



The Consumer Electronics Association is a member of the Marketing Research Association (MRA) and adheres to the MRA's Code of Marketing Research Standards.

Any questions regarding the study should be directed to CEA Market Research staff at research@CE.org.

About CEA

The Consumer Electronics Association (CEA) is the preeminent trade association promoting growth in the \$203 billion U.S. consumer electronics industry. More than 2,000 companies enjoy the benefits of CEA membership, including legislative advocacy, market research, technical training and education, industry promotion and the fostering of business and strategic relationships. CEA also sponsors and manages the International CES - The Global Stage for Innovation. All profits from CES are reinvested into CEA's industry services.

CEA Market Research

CEA is the authoritative source for consumer technology market research. With a rich 75+ year history of market research, CEA's industry knowledge is relied upon by the technology community, financial markets, the media and economists.

CEA offers the following types of market research to help CEA, members and professionals within the industry stay on top of trends.

- Consumer and business-to-business research studies
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