



Attention: Used Truck Dealers

Warranties are not just peace of mind, but critical business protection for your customers.

Robert S. Amico
President
National Truck Protection, Inc.

Given the rising cost of fuel, tightened credit markets and tougher competition, the already slim-margined trucking industry is reaching new heights in its requirements for operational efficiency. Efficiency in trucking has always been an essential element to remaining solvent but, in today's market, if a carrier is not already efficient, or if they cannot maintain their efficiency, they may be in for a rough ride.

This is particularly important for owner operators and small fleet owners who are the majority of purchasers of used trucks. In these businesses, their contingency plans are few, the margin for error is very small, and the tolerance for unforeseen costs and economic pressures are minimal. So, for owner operators or small fleet owners, it's fairly clear that the best way for them to protect their business is to *protect their largest investment and most critical operating assets - their trucks*. Generally, they can't afford to make mistakes in this area so as a seller of trucks, you can play a big role in making sure they have all the relevant information they need, when they buy a vehicle from you.

There is no greater area of financial risk for the "small trucker" than in the costs associated with purchasing and maintaining a truck. To make matters worse, on any given day, some truckers make the conscious (and risky) decision to decline to purchase a warranty when buying a used vehicle. As you know, this decision proves to be disastrous for many, as it can leave them financially exposed with few options or alternatives, and this often results in repossession. **Unless a trucker has the financial resources to absorb significant, unexpected repair expenses, they may put their entire business in jeopardy with just one mechanical failure.**

While the OEM's and the used truck industry in general have done a great job of increasing the quality and reliability of used trucks, unfortunately there is no way to predict if, or when a truck will experience a mechanical problem; small or large, only once or repeatedly. However, there is an easy, sensible way for owner operators to avoid potential problems and at the same time protect their businesses – that is to purchase a warranty that shields them from the costs of unforeseen catastrophic breakdowns and repairs.

When you compare the average price of a warranty, to the parts and labor costs of typical breakdowns, it's hard to believe that anyone would opt out of buying a warranty. One of the primary reasons why this happens is that most truckers don't know the costs of common breakdown repairs. In addition, they don't have, or don't fully understand the warranty proposition when making their vehicle purchases.

So, this is how you can help them. At the very least, make sure that you shed light on this important issue and provide relevant information to anyone considering a used truck and warranty purchase. Here are some simple questions a buyer needs to answer whenever they purchase a vehicle.

1. Do they need an extended warranty? Let's review some warranty basics. The warranty is designed to protect them from potential occurrences that can be very costly and consequently financially devastating. So answering this question requires them to think about statistical likelihood and probability, combined with potential outcomes and financial ramifications. Simple probability indicates that, the older the vehicle or the higher the mileage, the greater the probability of a failure. *In general, if it is relatively or reasonably likely that they may experience some type of mechanical breakdown while they own the vehicle, and if the costs required to make repairs can literally put them out of business, then they need warranty protection.*

2. What will a breakdown cost if they don't have a warranty? Answering this requires them to consider all of the component costs they will incur when they have a breakdown. Start with towing. Towing costs vary greatly but in general, it can be expensive. Next, look at labor rates. They range on average in the US from \$80 - \$125/hr. Depending on the severity of a mechanical problem; labor can be a large part of the total cost of a repair bill. Now factor in the cost of parts. Parts are a big wildcard, because what is needed will depend on the problem, its severity, and the availability of the needed parts. So to help understand what these costs could look like, here are some common breakdowns and typical repair costs that include parts and labor:

- Turbo failures - \$1400-\$5500*
- Head Gaskets - \$1700-\$6000*
- Fuel injectors - \$550-\$1400*
- Fuel Injector Sleeves - \$1300-\$2000*
- Oil Consumption Blow by - \$3800-\$7500*
- Pistons/Rings - \$7000-\$21,000*
- Crankshaft failure- \$8000 - \$20,000*
- Cracked cylinder head - \$4000-\$7000*

Source – NTP Inc. Database of repair expenses over a 25 year period.

3. What type of warranty is best? First, it is important to note that all warranties are not created equally. That means, simply buying a warranty is not necessarily going to protect a buyer. It is critical that buyers *closely examine and compare* what is covered under the warranty. Make sure they have the coverage they need for their vehicle and make sure there are not limitations that eliminate the coverage they are looking for. Don't be fooled on this; some warranty companies sell products that may not protect your customers because of restrictive coverage limitations. There are two components to examine and understand; 1) Coverage – get as comprehensive as they can afford, and 2) Term – Match the term to their ownership plan.

4. Can your buyer afford a warranty? You need to answer this question with another question. That is, can they afford not to have a warranty? If they have a breakdown, can they afford the cost of repairs and the service downtime? And worse, can they afford multiple breakdowns? Warranty buyers frequently find that the cost of the warranty pays for itself with just one breakdown, let alone multiple problems. Finance companies are happy to work with buyers on helping them build the price of a warranty into their purchase. This can amortize the cost of the warranty while providing immediate protection. It makes smart business sense. *If possible, spread the cost of a warranty over many years and consider the opportunity cost to determine affordability.*

So, if you are selling a vehicle, think about selling a warranty and protect your buyer's business. The trucking industry is better served when owner operators and small fleet owners are thriving. In addition, research shows that selling a NTP warranty can provide ongoing benefits to the dealer as well:

Dealer Benefits Summary:

- **Increases Customer Satisfaction** – *Positive experience; pre and post purchase*
- **External Service Responsibility** – *NTP 24/7 Breakdown Assistance – Less dealer burden*
- **NTP Specialists Manage Repair Process** – *Ensuring work gets done correctly*
- **The Largest Service Network** – *Gets trucks back in service quickly*
- **Increases Likelihood of Repeat Purchases** – *Customer loyalty creates future sales*
- **Differentiates Your Trucks** – *Ascribe a quality value that you can stand behind confidently*
- **Protects Your Dealership** – *Warranties provide clarity on service liability*
- **Claims handled by NTP** – *Insulates dealers from negatives*
- **Builds Trust** – *Creates long term partnerships*
- **Strengthens Brand Equity** – *Builds corporate value*
- **Promotes Positive “word of mouth”** – *Develops new business*

Make your company stronger by protecting your customers. Remember, a warranty may provide peace of mind, but more importantly it provides critical business protection. If you would like to receive free guidance and warranty information: Call NTP's warranty hotline at 800-950-3377 or visit www.ntpwarranty.com