

Builder-Provided Extended Warranties and Service Plans: Business Opportunity or Bad Idea?

August 18, 2020



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TODAY'S PRESENTATION

AGENDA



Background



Opportunity



Business Concept

Extended warranty



Path Forward

Future of home warranty



Q&A

Discussion



Contact Info

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Background: Home Warranty

BACKGROUND : WARRANTY



BUILDER WARRANTY

Typical Warranty

One Year Duration

BACKGROUND : WARRANTY



BUILDER WARRANTY

Typical Warranty

One Year Warranty Duration



THIRD PARTY WARRANTY

Some builders purchase

2-year to 10-year Duration

“insurance policy”

Offer marketing materials

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One Year Warranty Duration



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WHY?

Builders do not want to handle warranty administration / call backs

Third party handles warranty administration, provides guidelines, etc.

BACKGROUND: TIME LIMITS CONSTRUCTION DEFECT LAW

Each state has its own laws for governing the process of resolving disputes between project owners and for the work.



Statute of Repose

State Average

8.4 YEARS
AVERAGE



Understanding the Opportunity

OPPORTUNITY – Questions



Why would a builder want to
“disconnect” with clients after the sale?

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Are past clients a source of referral business?

OPPORTUNITY – Questions



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Are past clients a source of referral business?



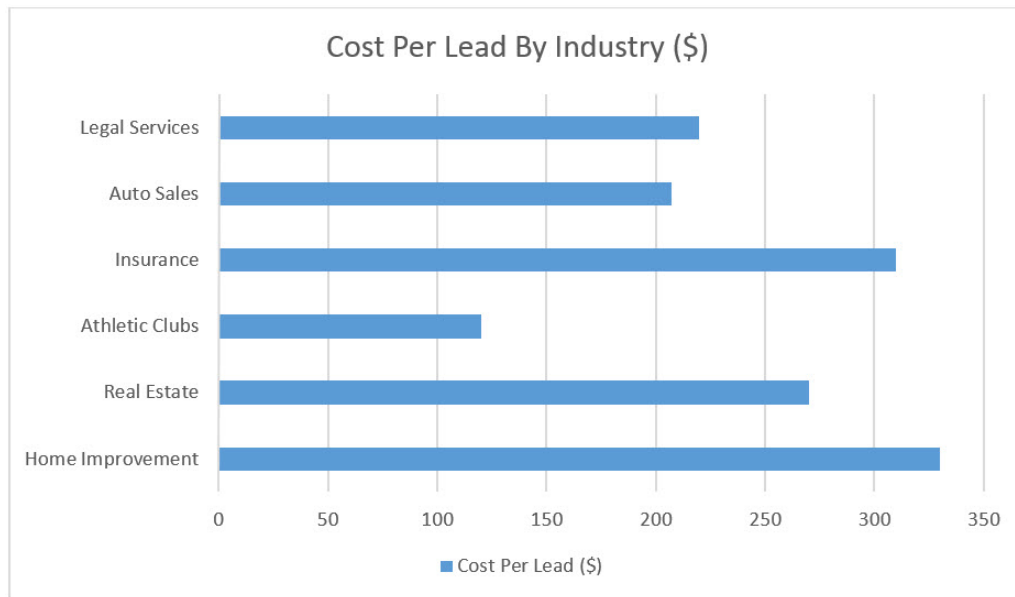
Why outsource customer satisfaction?

OPPORTUNITY – Cost-Per-Lead

Let's understand the actual cost-per-lead:

Divide the total amount spent on marketing by the number of leads received

Generalized cost-per-lead benchmarks by industry



Source: <https://www.liontreegroup.com/cpl/2020-average-cost-per-lead-and-cost-per-appointment-benchmarks/>

OPPORTUNITY – Second Most Expensive Asset

Warranty Ratio:

Average Life Span of a Car | Average Car Warranty



11.5 years/average lifespan

(Source: IHS Automotive, 2015; United States Department of Transportation 2017)



3 year/36,000 mile warranty

(Source: Edgerton 2010).

OPPORTUNITY – Second Most Expensive Asset

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(Source: Edgerton 2010).

26% of average automobile lifespan covered by warranty

OPPORTUNITY – Most Expensive Asset

Warranty Ratio:

Typical Warranty Home (in Years) | Lifespan of Product



2 years (new home warranty assumption)



50-100 years or more (for a home built today)
(Source: Swiss Life Group 2018; Geffner 2010).

OPPORTUNITY – Most Expensive Asset

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(Source: Swiss Life Group 2018; Geffner 2010).

At only a 50 year lifespan = 4% of average home lifespan



Business Concept

BUSINESS CONCEPT

Extended Warranty

- Include a service plan
- Ensure the house is properly maintained
- Opportunity to stay connected with customer
- Cultivate positive reviews
- Grow referral business

Business Opportunities

- Low risk to builder
- Product warranties provide longer coverage than current builder warranties

Indicators

- Net Promoter Score (NPS)

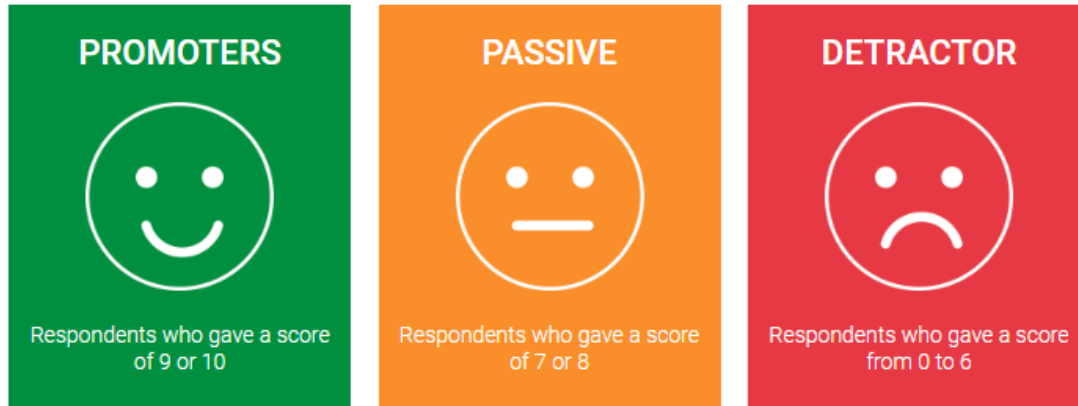
BUSINESS CONCEPT – Net Promoter Score

Net Promoter Score (NPS)

- Measures **customer experience** of your brand and provides the best metric to anchor your customer
- Measures the willingness of customers to recommend a company's products or services
- Index ranges from -100 to 100
- 10-30 = good
- >50 is excellent

BUSINESS CONCEPT – Net Promoter Score (NPS)

NPS= No. of Promoters – No. of Detractors/Total No. of Respondents x 100





Path Forward

PATH FORWARD

ULTIMATE GOAL: “CUSTOMER FOR LIFE”



Positive Customer Experience

PATH FORWARD

ULTIMATE GOAL: “CUSTOMER FOR LIFE”



Positive Customer Experience



Maintain Customer Satisfaction

PATH FORWARD

ULTIMATE GOAL: “CUSTOMER FOR LIFE”



Positive Customer Experience



Maintain Customer Satisfaction



GREAT reviews, social media

PATH FORWARD

ULTIMATE GOAL: “CUSTOMER FOR LIFE”



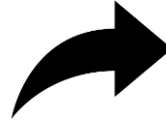
Positive Customer Experience



Maintain Customer Satisfaction



GREAT reviews, social media



Referrals



Q&A/Discussion

COMMUNICATION



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THANK YOU



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