

December 5, 1989

MEMO TO: Mike Nixon

FROM: Gerry Westerfield

RE: Aftermarket Part Guarantee Program

In view of the need for information in a short time, it is not feasible to outline any entire program. As an alternative I will set forth key points that I feel should be considered for inclusion in a program. These points, and others, which are considered valid could be used by our public relations people to develop a useful, effective "Message to Our Policyholders" statement. That statement would, in effect, reflect State Farm's program.

- Include "fit" along with corrosion rust-through. A program of only protection against corrosion will have little impact on the consumer because of the remoteness of the subject. Protection against non-fit addresses an immediate concern and will have impact. Also, a program which addresses fit can include plastic parts (header panels, fascia, etc.) while corrosion relates only to sheet metal parts.
- Some mention should be made of CAPA parts, even if we only say we are happy about developments.
- Don't limit our program to CAPA parts; there are many good parts that will never become certified, such as air conditioner condensers, radiator cores and some bumpers. We do not want to build a program which excludes those.
- Say something positive about quality repairers who insist on using quality replacement parts. Mention the fact many repairers guarantee their work - some for the duration of vehicle ownership - and we want to "join" those people in seeing to it the vehicle owner gets quality repairs.
- Include the points of our quality parts criteria, but in a narrative form similar to the approach used in the State Farm "Wrinkles" brochure.
- Point out that many non-OEM manufacturers and suppliers offer long term warranties - usually sufficient to afford adequate protection, but "just in case" things don't work out, "State

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Farm is there" to insure the customer is satisfied. We might use some logical examples which do not reflect adversely on the supplier. For example, we would not want to say that the supplier might go out of business (although that is a possibility) but we could make the point the vehicle owner might move to another part of the country. The supplier might not have a facility in the new area but State Farm would still be there.

- Along the same line, we should mention the length of time we have been in business, our size in terms of agents, claims offices and claim representatives. The point to be made is that if a customer wants to talk to State Farm about a problem they need not look far.
- We should mention some of the reasons why we are supportive of the competition brought about by alternative parts - which support is the reason we are introducing this program in the first place.
- Some good examples are price reductions, of course, but also, the substantially extended warranties which have been introduced. For example, both Ford and GM offer substantially better warranties on replacement sheet metal than on the original sheet metal. This reflects one of the many benefits derived from healthy competition.
- Emphasize that we are supporting competition - not alternative parts, per se.
- Refer to the parts as quality replacement parts or alternative parts. Do not refer to them as non-OEM parts. The latter term not only carries a negative connotation (non), it is out of date.
- Emphasize customer satisfaction rather than a "guarantee" or "warranty." The public has become generally immune to the PR hype which usually end by saying in fine print, "see your dealer for details." A more appropriate and meaningful reference is to "a promise." That word is straightforward and carries a compelling connotation that people can relate to.
- Mention the number of first-party claims we pay each year and relate this number to "keeping a promise." Now, we are going to make one more "promise" - that of ultimate customer satisfaction should he or she have a fit or corrosion problem with an alternative part that was selected because we based our payment on its use.

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- Emphasize that the entire promise is contained herein; no fine print; no gimmicks; and no hidden costs to the vehicle owner. Of course, we must be factual and be sure that the entire promise - with its limitations - is clear and unambiguous in the narrative.

Even though this may seem to be an extensive list of points to include, it should make for a rather straightforward statement provided we omit glitter. For example, we can say (1) we support the existence of alternative parts competition because it holds down repair costs and generates extended warranties; (2) we recognize that manufacturers, suppliers and repairers provide warranties and we don't want to come between those folks and their (our) customers. (Repairers are particularly sensitive about this.) (3) We want quality repairs; (4) we want our customers to share our concern for repair costs and join us in our support of competition; (5) we aren't going to ask our customers to help us unless we promise to help them so, in return for their support of competition we promise; (6) we will consider only alternative parts that are guaranteed for fit and against perforation rust-through for as long as they own the car. And (7) if that's not enough, we'll see that the part is repaired or replaced to the owner's satisfaction - at our expense.

  
GSW:pb

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