



>Abstract

AgriComp, a supplier of computer systems for farmers, has surveyed its dealers on whether to change its procedure for settling warranty claim disputes. Currently local dealers handle warranty services for customers via local repair followed by a reimbursement claim to AgriComp. Denied claims follow an internal company appeal process. Dealers have been complaining about the fairness of the appeal process and in a recent survey were asked to respond to an alternative process, an impartial mediator. The student is asked to review survey results and determine whether the costly external mediator process would be worth implementing to keep the dealers happy.

>The Scenario

“How do I make sense of all this?” asked Jody, as he prepared to write his report to the dealer relations committee. He stared at the 292 responses to a survey of AgriComp’s dealers as he began to ponder the problem. The question was whether to recommend a change to AgriComp’s current procedures for settling warranty claim disputes with its dealers.

AgriComp sold computer systems to farmers, who used the systems for such purposes as crop rotation planning and spreadsheet analysis for financial planning. Many also used the systems to provide remote access to agriculture-oriented databases, market news, and even weather information. The equipment was assembled at company headquarters in southern Minnesota. The software was provided by subcontractors but was distributed under AgriComp’s name. Both the hardware and software were sold through some 350 affiliated dealers nationwide, 292 of whom had responded to Jody’s survey. It was relations with these dealers that concerned him.

The local dealers handled warranty service for AgriComp products. When hardware or software problems occurred, they arranged for appropriate repairs to be made locally and submitted vouchers to AgriComp headquarters in Minnesota. The headquarters staff reviewed the vouchers and issued reimbursement checks to the dealer. Occasionally claims were denied when the staff found that the particular repair was not covered by the company’s warranty or the warranty had expired. In such cases, the dealer was more or less stuck for the cost of the repairs, and this had caused occasional hard feelings.

The company had an internal appeals process for dealers to follow to protest such denials but, at the last dealers’ meeting, Jody had heard a lot of grumbling about that process. More than one dealer had suggested that it was useless, as appeals were always denied. For the dealers, the costs of repairs might correspond to the profits on many systems, so their concern was understandable.

Jody knew that clearer warranty instructions would help. Sometimes the dealers couldn’t understand exactly what was or wasn’t covered by warranty. In that kind of case, they often arranged for the repairs (to keep the customer happy) and took their chances on reimbursement. New documentation currently being developed would probably help with that part of the problem.

This case was inspired by an actual survey taken during 1993, but we have disguised the nature of the organization and its products, as well as the particular issue in the survey.

In a corridor conversation at the dealers’ meeting, one dealer had suggested that perhaps in cases of dispute, an impartial mediator, external to the company, might be called in to settle the matter. In the annual survey of dealers, Jody had included a question about that



proposal. As part of a one-page survey, dealers were asked to respond to the statement “The warranty appeals process should be replaced by a process using impartial mediators,” on a scale of 1 to 5, where 1 indicated “Strongly agree,” 3 indicated “Neither agree nor disagree,” and 5 indicated “Strongly disagree.” Each dealer was also asked to give the number of times in the last three years in which he or she had used the warranty appeals process. Answers to this question were 0, 1, 2, and “3 or more.”

Part of the data from that survey is contained on the accompanying CD in the file AGRICOMP.

Jody was willing to consider changing the warranty appeals process along the lines suggested, if it was important to the dealers. It would cost the company some money, both for the external mediator and (perhaps) for increased costs from appeals the company lost, but keeping the dealers happy was obviously important.

Variable	Label
REP	The dealer’s support for replacing the existing warranty appeals system with a mediator system (1 = “Strongly agree,” 3 = “Neither agree nor disagree,” and 5 = “Strongly disagree”).
USE	The number of times the dealer used the appeals process (3 = 3 or more).

>Discussion

- 1 Jody wonders just how important the process is to the dealers. Was there widespread discontent, or had he just heard from a few malcontents at the dealers’ meeting?

>Source

Used with permission of Peter G. Bryant and Marlene A. Smith, *Practical Data Analysis: Case Studies in Business Statistics*, Irwin, 1995.

>Sources

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