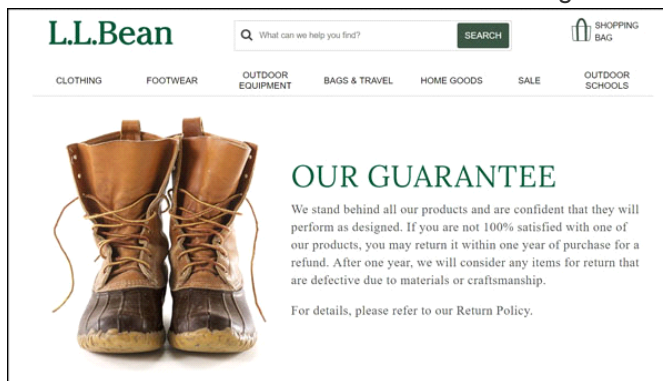


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Generous Warranties—Friend or Foe?

Valerie Nalls

By now we've all seen the infamous photo of the very dry Christmas tree in the return line at Costco after Christmas and also heard of outdoor outfitter giant L.L. Bean reducing its lifetime warranty to one year.



Retail giants raised the warranty and return bar years ago with full refunds issued after extended periods of time with no questions asked. The Home Depot has a one-year warranty policy on perennials, trees and shrubs, offering 90-days full refund and one year for store credit or replacement—both options requiring a receipt, perhaps a benefit of a pay-by-scan policy with its growers.

As an independent garden center, most managers think there's no way to compete with such a generous policy;

margins are too small, expenses are too high and most plants that don't make it are from consumer error—they only sell healthy plants. With L.L. Bean pulling back from their lifetime policy to a one-year policy, maybe it's time for everyone to take a good, objective look at their warranty policy to be sure it's their best fit and decide if they'll go the generous policy route or not.

Pictured: L.L. Bean recently changed from a lifetime warranty on its products to one year.

Consider it Marketing

As a retailer, you're probably familiar with that feeling of dread when you see a customer approaching you with a grocery bag containing the remains of a shrub. Dread. You don't want an altercation, but you can tell from a mile away that the poor plant wasn't watered since it left your shop. When you think about expanding your current 14-day warranty, it makes you want to pull your hair out. Cash flow is already tight and it seems like expanding your policy would just make it tighter, even if you were just offering replacements.

Having a generous policy means you have to give compensation for plants that died from lack of care and that might just be too much to swallow. It also leaves you open to be taken advantage of—a few people might abuse the system and use flowers for a party, not water them, then return them. Why would retailers even consider expanding or maintaining a generous policy?

One reason why some may opt for that is for branding and marketing. It may give a shopper the confidence they need to make the purchase, or to shop with you in the first place, especially if they're a new gardener.

It may give permission to coach your customers towards success. Consider an email or phone call that goes out to customers every two weeks after their purchase for the first 90 days. It might save you on returns, the customer might decide they want to expand their planting beds because of their newfound success and confidence, and they'll think you're the best thing since sliced bread for caring about them and how their plants are making out. This likely can be done through your email provider automatically rather than you emailing everyone individually, though there may be benefits to that as well. If you have a generous warranty, you may look like a company that's very confident in the health of your plants and like you truly want your customers to succeed.

Happy Customers = Word of Mouth

A generous warranty also empowers your sales staff. They no longer have to dread a warranty interaction with a customer, since a much higher percentage of returns would be covered. That may lead to less stress and strain on you and your team, and perhaps fewer bad online reviews. Word of mouth is so much faster now with social media and Yelp, one bad experience can now be heard by thousands of current and potential shoppers in a matter of minutes.

Maybe if we allocated the cost of warranty claims to the marketing portion of our budget instead of cost of goods, we might be able to wrap our heads around it better. That may be a more accurate description of it anyway and that shift in thinking might be just what's needed to give yourself the power to embrace it, and permission to leverage it, since it's a "marketing" tool.

"Go ahead and put in that new bed. You have a one-year full replacement warranty on the shrubs, and with it being your first new planting, that might be a good safety net. Do you mind if we contact you to remind you of regular maintenance on the shrubs? We would, obviously, prefer they survive!"

Additionally, maybe we should consider what the real costs of a generous warranty truly is. What's your percentage of returns or claims as a percentage of sales? What are the direct costs of the return? Are you offering a replacement or store credit? Remember that the cost isn't the retail cost of the replacement, but your wholesale cost. A good accounting of the direct costs of returns and claims might help you better decide what's best for your company.

You might have the data available to you in your POS system or you might be able to more closely track your claims this spring under your current policy. Once you can actually see the numbers, you can make a better educated decision on whether it's the right time to adjust your current policy in favor of one that's more fiscally responsible or more customer friendly. A sales transaction has risk on BOTH sides ... that of the customer and the retailer. **GP**

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