



The Word on Warranties

Warranty Service for Builders and Remodelers by Carol Smith (Home Builder Press, 1991; 800/223-2665). 191 pages. Softcover, 7x10. \$22.

How important is your reputation as a builder? Do you get a lot of referrals and repeat business? Do your subs make you look good when a callback comes up? Do you become upset and defensive in response to a customer complaint?



And do you later regret that you "gave away the store" in an effort to please a dissatisfied customer? All of these questions are intimately related to your warranty program; and your warranty policy strongly affects your prospects for continued success in business.

Warranty Service for Builders and Remodelers is a good overall introduction to all aspects of warranty programs. Although it is written for bigger builders, it acknowledges the special needs of small contractors and includes lots of sample warranty clauses that you can use to work up your own policy.

According to author Carol Smith, you can view your legal obligation to fulfill warranty claims as a necessary evil or as a way to create an outstanding company reputation. Smith's aim is to help you achieve the latter without having to resort to a "blank check" policy for disgruntled customers.

First, you must choose the type of warranty you wish to provide, and Smith identifies several. *Implied* warranties are assumed by law in virtually every state, and even a written agreement to waive them may not get you off the hook. *Express* warranties (written or verbal) set out specific terms regarding the performance and time limits of your service program. These are usually limited, since no sane builder wants to issue a full refund if a defect can't be successfully remedied (as is true with a full warranty).

Smith also compares a self-insured program to an insured warranty like H.O.W. With the former, you risk the cost of potential repairs and legal disputes. Third-party programs, on the other hand, protect both owner and builder, and the builder shares responsibility for expenses with the warranty company.

In any case, the costs must be reflected in your pricing. And you must be aware of the Magnuson-Moss Act (enforced by the Federal

Trade Commission), which sets criteria and disclosure standards that require warranties to be written in simple language, not legalese.

Another critical piece of the puzzle has to do with managing or, in Smith's words, "adjusting"

your clients' expectations about warranty service. To do this, you have to have a clearly defined program, communicate it in advance to your clients, and participate in a certain amount of give-and-take. Sometimes this means going the proverbial extra mile to make a client happy.

Rarely is the warranty itself subject to adjustment, so it's vitally important that your customers understand how you will respond to claims, what standards you will apply, and how long they should expect to wait for service (except in emergency cases, which you should attend to immediately).

Smith discusses in detail how to select, train, and keep warranty personnel. She writes about administering warranty service, from the initial contact through making the repair, tracking progress, and following up. She also discusses when warranty claims may be legitimately denied, how to promote successful subcontractor relations, and how to survive confrontations with contentious clients.

If these sound like areas in which your firm needs work, *Warranty Service* will provide some answers. ■

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— Josie Masterson-Glen