



CENTRICITY

How to Sell More Extended Service Contracts



Introduction

Extended service contracts allow manufacturers and retailers to offer their customers worry-free protection on their product purchases, knowing that if their new purchase breaks, it will be fixed or replaced.

Understanding who buys extended service contracts and the reasons for their purchases will help retailers and manufacturers sell more, grow their business, maximize profitability, and ultimately improve customer loyalty.

Research across a variety of products and industries shows that the reasons for purchasing extended product protection vary by merchandise as well as by consumer age and gender of the consumer. Regardless of whether shoppers are Baby Boomers, Gen X, Millennials or Gen Z, today's consumer tends to do research before purchasing by reading product reviews, and seeking recommendations from their family, friends, and other social networks.

Across the board, consumers expect excellent customer service and demand a personalized shopping experience. Providing customized extended service plan options can differentiate your brand as a retailer or manufacturer. Don't miss any opportunity to ask the customer to protect their valuable product by purchasing an extended service contract. Today's stressed-out consumers will appreciate a salesperson's desire to alleviate future headaches and unexpected hits to their wallet.



Product Characteristics

Studies have shown that when the value of the product goes up, so does the likelihood that buyers will purchase an extended service contract to protect it. But it is important to understand that the value of a product is not just based on its price.

Shoppers actually visualize the importance a product has on their daily lives, and what it will mean to them to be without it, according to a Journal of Commerce study. Even though products are usually replaceable, a consumer may place a high personal value on items like their mobile devices, jewelry, or gym equipment.

This emotional attachment causes them to be risk-averse and seek increased protection for those items. Consumers are much more likely to purchase extended service contracts for products they do not want to live without and that they value highly in their everyday life. To illustrate the lost revenue to retailers and manufacturers who fail to prioritize service contracts in their sales strategies, studies show that one in five consumers say they were never offered an extended service contract when purchasing a kitchen appliance or electronics.



Promotional Factors

Research shows that when products are purchased at a discount, consumers are more likely to purchase extended service contracts. Shoppers are willing to pay a pre-determined amount for specific products, and when those prices are discounted, consumers will perceive the bundled price with an extended service contract to be an added value

Customers are also more likely to apply any savings from purchasing a discounted product to a service contract if the customer is asked at the time of purchase.

47%

More than half of shoppers in a recent study -- 47% -- said they are more likely to choose a brand if they offer product protection plans at the time of purchase.

Gender

Female consumers are more risk-averse, and purchase more extended service contracts than their male counterparts. Women are also more involved in buying decisions for large household items than ever before. As women increasingly take the lead in these transactions, it is important for retailers and manufacturers to be aware that women are more likely to make a purchase of \$1,000 or more if product protection is bundled with the product or easily added at the time of the purchase.

Past Usage of Extended Service Contracts

One of the greatest predictors of whether your customer will purchase an extended service contract is whether they have purchased one previously. Prior experience with the claims and service process will make it much more likely that the consumer will purchase protection for any new products they are buying, even if they are completely different categories or brands.

Retailers and manufacturers need to treat these customers as their most valuable lifetime customers. You can assume that customers who meet this criteria show significant brand loyalty, with a high risk aversion and high probability of adding product protection to all of their high-value purchases.

82.7%

A Retail Product study found that 82.7% of consumers who have previously purchased an extended service contract are likely to buy it for future purchases



Consumer Research

Consumers understand the importance of research before making a purchase decision. Retailers can ensure an easier buying experience for consumers by simplifying their retail pricing, and making sure their sales teams understand the different service plans available and how to promote each of their benefits.

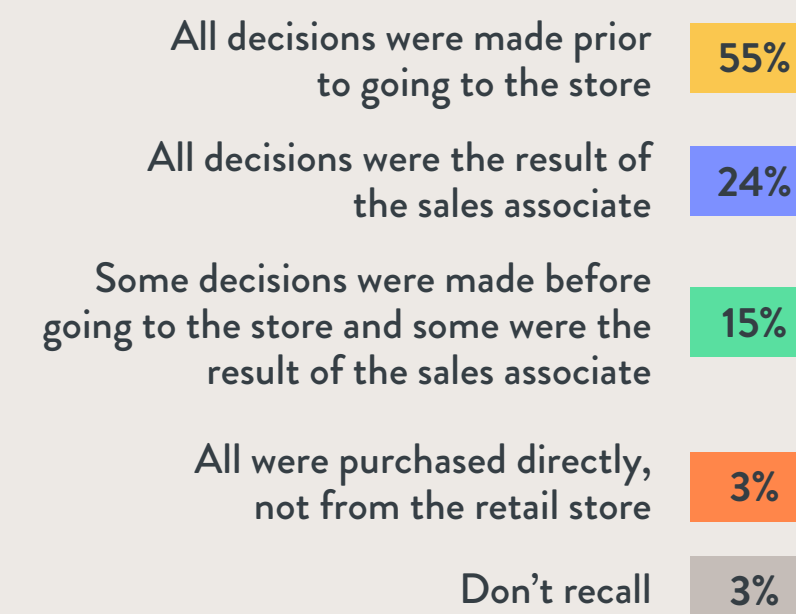
Compelling in-store point-of-purchase materials can pique a consumer's interest in adding an extended service plan, even if that was not part of their earlier product research. For your eCommerce experience, consumers often do online research before or instead of visiting brick-and-mortar stores, so information on product protection needs to be prominent on product description pages throughout your site.

A seamless online experience is important for shoppers that never enter a brick-and-mortar location. A dedicated website landing page with detailed features and benefits of the plan will convince your customers to purchase product protection.

Presenting extended service contract options early in a customer's buying journey, both in-person and online, is important to increasing the likelihood that a consumer will add it to their cart along with their original purchase. Make it obvious that purchasing an extended service contract is a recommended add-on for products purchased online. Don't make service contracts an afterthought during the final stages of check-out when it may be too late to change a consumer's mind about the overall purchase price.

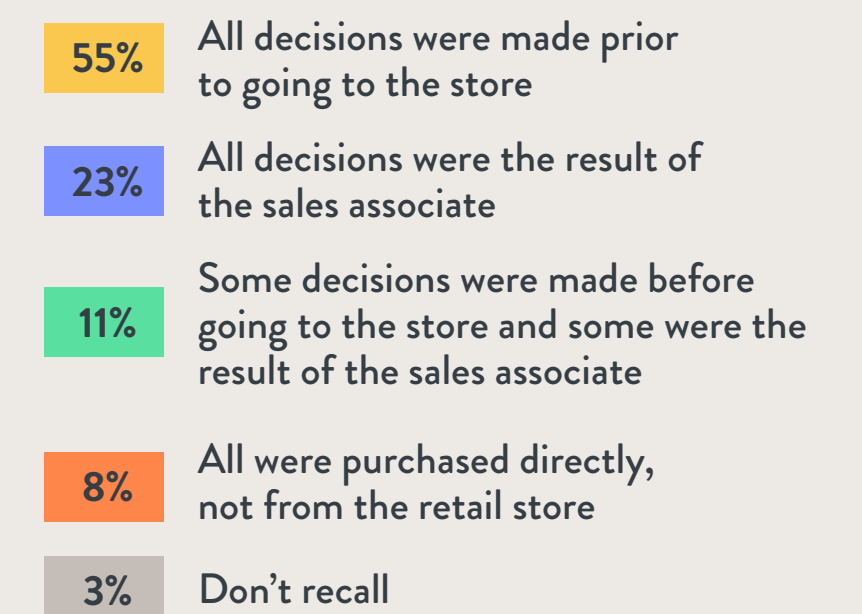
Consumer Electronics

(base = 232 - those who purchased at least one consumer electronic product)



Major Appliances

(base = 73 - those who purchased at least one major appliance)





Age

The largest demographic age group is Millennials, born between 1981 and 1996. Millennials are the most active generation on social media and therefore greatly influenced by reviews and the opinions of an unprecedentedly broad social network. Customer testimonials, videos, and product reviews are highly valued by Millennials as they make buying decisions on both specific products and the prospect of adding an extended service contract.

To appeal to Gen X, Millennials, and Gen Z buyers, make sure your e-Commerce site is mobile-friendly and service contract options are easy to access online in this format. These generations are technology natives, they are used to information being presented in brief, visually appealing ways. You will lose them in the purchase process if you require them to scroll or read lengthy explanations.

Millennials and Gen Z also are more likely to be “early adopters”, keen to embrace any new technology. Fortunately for retailers and manufacturers, early adopters are also among the most likely to purchase extended service contracts, knowing these products may not always be stable or easy to repair.

Baby Boomers are distinct from younger generations in their purchasing habits. They are much less likely to purchase products on a whim, and they are far more likely to read the fine print and understand exactly what is covered in their extended service contract, which is why transparency is most important to this age group. Boomers can be some of the most loyal customers, driven by overall perceived value. They also place immense value on excellent customer service.

Conclusion and Action Plan

So how can retailers or manufacturers capture this research and implement practices on their sales teams to ensure higher extended service contract sales?

1 Always ask for the sale

Your sales team should recommend extended service contracts to each and every customer. Make sure your sales team and your e-commerce presence make it easy for customers to purchase extended service contracts early and often in each transaction. More than a third of consumers (37%) said they would purchase and spend more if they were offered extended product protection at checkout.

2 Implement eCommerce Best Practices

For online shopping, make sure you have a seamless display of extended service contract options along with the product description. Don't make customers add the product to their cart to see those options.

Consumers who are offered product protection early appear willing to spend more money shopping online than those who aren't. So, merchants who don't optimize their online experiences will miss out on an important revenue stream.

3 Offer Custom Service Benefits

Consider customizing your extended service plans to provide your customers with unique benefits. For example, offer food replacement if a refrigerator fails, or laundromat reimbursement if a washer or dryer breaks. Customers can visualize themselves using these practical benefits and be more inclined to purchase the service plan.

4 Bundle Protection with Product Promotions

Whenever running promotions or sales, bundle the extended service contract with the product. It's easy to show the dollar value of the plan and how they can afford to purchase it at the same time as they're making their new product purchase. Consumers love to feel like they've gotten a deal and a bundled plan often appears more attractive to them.

5 Omni-Channel Marketing

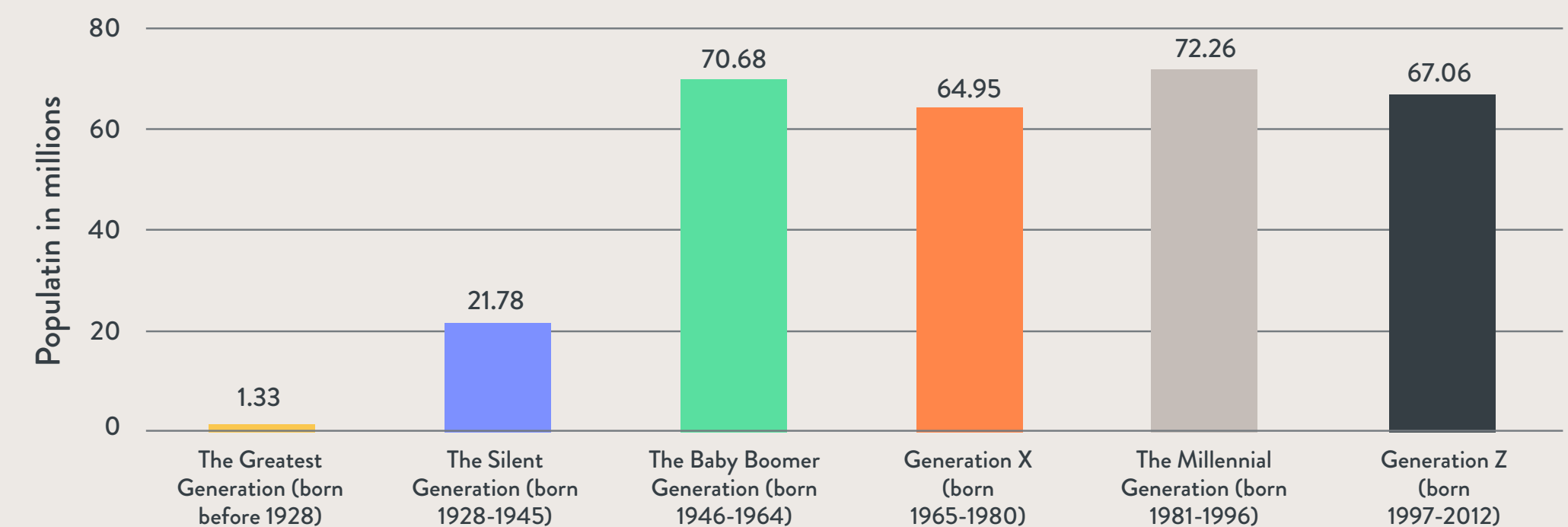
Deploy multiple channels of marketing to promote extended service contracts including social media, videos, and printed brochures. Be sure to include reviews and real customer testimonials, which Millennials and Gen Z buyers find more trustworthy.

6 Target your best audience

Whether it be early adopters, women, or Baby Boomers, select your target market and then understand what motivates them to value the product they are purchasing. The more they value it, the more they will want to protect it.

7 Offer extended service plans even after the purchase

For anyone that missed purchasing product protection at the time of the sale, make sure you also offer it after purchase. This can be an important revenue stream and make customers feel valued. It's also a best practice to charge a higher retail price if selling the extended service contract after the purchase. This incentivizes customers to add product protection at the point of sale.



Build Customer Loyalty

Plan to maximize revenue from extended service contract sales by implementing these tips. You'll build customer loyalty that lasts a lifetime and grow your business.

Centricity partners with retailers and manufacturers to provide customized product protection solutions that drive revenue resulting in happy, loyal customers. We offer extended service contract services at the time of purchase and plans after that can be purchased after the sale.

If you want to learn more about our product protection plans and customized implementation and training, contact us today.



CENTRICITY

Get in touch 888.421.2476 sales@centricity.com

11101 Roosevelt Blvd. N., St Petersburg, FL 33716

[CENTRICITY.COM](https://www.centricity.com)

