

Car warranty survey

A survey of new car buyers

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A report prepared for the Office of Fair Trading by MORI

Authors of the report

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This research report (available only on the internet) was prepared for the Office of Fair Trading by MORI as part of the Office of Fair Trading's market study of car warranties. The main report on the car warranties market study is available on the OFT website and in hard copy from the publications order line (see below).

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1 INTRODUCTION

- 1.1 This report presents the findings of a survey conducted by MORI Social Research Institute on behalf of Office of Fair Trading. The research assesses:
- how customers think about warranties and extended warranties when buying new or nearly new cars
 - consumers' knowledge (or perceptions) of the warranty terms and conditions
 - consumers' behaviour during the period of any such warranty
 - the perceived importance of using franchised dealers and complying with the terms of any warranty for consumers when deciding where to have their car serviced.
- 1.2 The survey results are based on 751 interviews with adults aged 17+ who had bought or been supplied with – as a company car driver – a new car for personal use within the past three years. Interviews were completed by telephone between 18-28 September 2003.
- 1.3 The sample was drawn from a commercial database of new car buyers. Loose quotas were set on type of car (from SMMT market share data), age, gender and social class (from separate MORI research for DfT). The results are weighted by age group.
- 1.4 This report contains an interpretative summary of the key findings, presentation slides, a topline (marked-up questionnaire), the technical details and computer tables of the survey results.
- 1.5 Overall results suggest that whilst consumers are dependent on dealerships for much of the information about warranties, warranties in the main appear to be regarded as important. On balance (whether rightly or wrongly) they are seen as helping the

consumer rather than disadvantaging them. Implicitly, warranties are not regarded as a way of saving people money – in terms of servicing costs – but rather as a safeguard against major problems and depreciation.

- 1.6 Once signed up with a franchised dealer – few car buyers look elsewhere for a warranty – most appear committed to servicing within the franchised network (at least initially). This dependency may stem in part from the wide feeling that servicing within the franchise network is necessary to comply with warranty terms and conditions, as well as the convenience of using them.

Sample profile

- 1.7 The profile of those buying new cars and choosing new company cars is much younger than the GB population overall, and comprises more professional people in work, compared with the GB population.

Table 1.1 – Sample profile of new car buyers

	GB population	Sample profile (unweighted)	Standard warranty	Free extension
	% = 100	Base: 751 % = 100	Base: 646 % = 100	Base: 94 % = 100
Gender				
Male	49	55	54	51
Female	51	45	46	49
Age				
17-34	34	12	22	23
35-54	34	51	48	50
55+	32	37	30	27
Social grade				
AB	24	36	37	34
C1/C2	48	48	49	54
DE	28	14	12	9

Working Status

Working	55	71	71	76
Not working	22	29	29	24
Retired	23	19	19	17

Sample profile: by car

1.8 Those choosing German cars are more likely to be working professionals; those choosing Japanese cars are more likely to be older and retired; Ford are more widely chosen by men and those in C1/C2 social classes; French cars are more likely to be chosen by young people aged 17-34 years; and Vauxhall are more often chosen by those aged 35-54 years, compared with other makes.

Table 1.2 – Sample profile of new car buyers by car

	Ford	Vauxhall	Any French	Any Japanese	Any German
	Base: 114	Base: 75*	Base: 169	Base: 114	Base: 96*
Gender					
Male	63	46	45	52	57
Female	37	54	55	48	43
Age					
17-34	27	22	31	15	25
35-54	48	54	41	42	46
55+	25	24	28	42	29
Social grade					
AB	26	29	33	42	52
C1/C2	60	48	51	42	40
DE	13	21	15	13	7
Working status					
Working	70	70	73	63	77
Not working	30	30	27	36	23
Retired	20	21	15	31	18

* Small base.

- 1.9 The most popular models are hatchbacks and saloons. Around half (55 per cent) choose a hatchback (rising to 74 per cent for Ford), whilst 17 per cent choose a saloon (29 per cent for German cars). MPV/People carriers are chosen by around one in 10 (nine per cent), whilst other types of car – estate, convertible, coupé, four-wheel drive/off road – are less popular.

Interpretation of the data

- 1.10 When interpreting overall results, it should be noted that a sample of 751 new car buyers or users, carries a margin of error of up to \pm four percentage points (95 times in 100). The difference required for significance between two sub-groups will be greater than this, and the actual difference will depend on the size of the sample and the finding itself (Please see the annexe on statistical reliability).

2 TAKE UP OF WARRANTIES

2.1 Most of those buying a new car or choosing a company car take up a standard warranty (92 per cent). One in 10 (10 per cent) are offered a free warranty extension beyond the period covered by the standard warranty, and 36 per cent are offered an extension at extra charge. However, few take up the option of a free extension, whether free or at extra cost (six per cent for each).

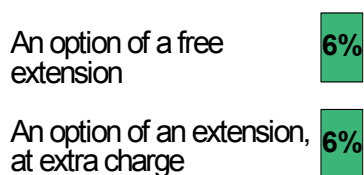
Table 2.1

Taking Delivery of a Car

Q27-29 *Did your car have a warranty when you bought or took delivery of it?*



Q30 *Which, if either, of the options did you take up?*



Base: All those taking delivery of a new car (751)

Source: MORI

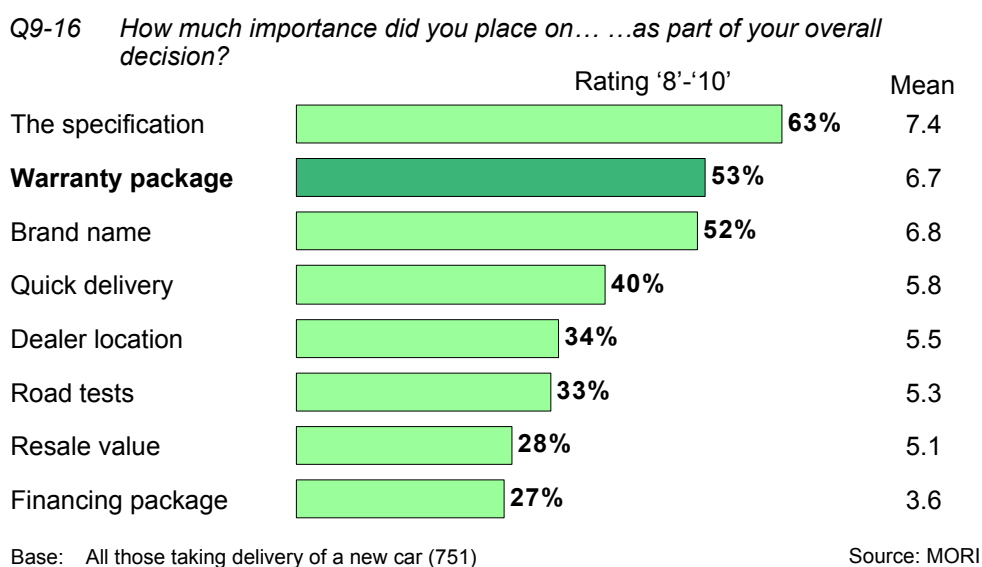
2.2 Free extended warranties are often discussed in the process of choosing a car. Of those who are offered a free extended warranty, most are offered one either before or during the process of choosing the car (63 per cent). By comparison, few of those choosing cars – around one in four (24 per cent) – are offered a free extension **after** the final choice of car has been made.

3 THE PURCHASE DECISION

3.1 Warranties are widely seen by new car buyers as an important consideration for deciding which make of car to choose – and this reflects the discussion of free warranties during the sales process. Indeed, the warranty package is ranked as the second most important factor when choosing a car, after the vehicle specification. (Please see chart below.)

Table 3.1

Warranties & Choosing a Car



3.2 The warranty package tends to be **less** important among:

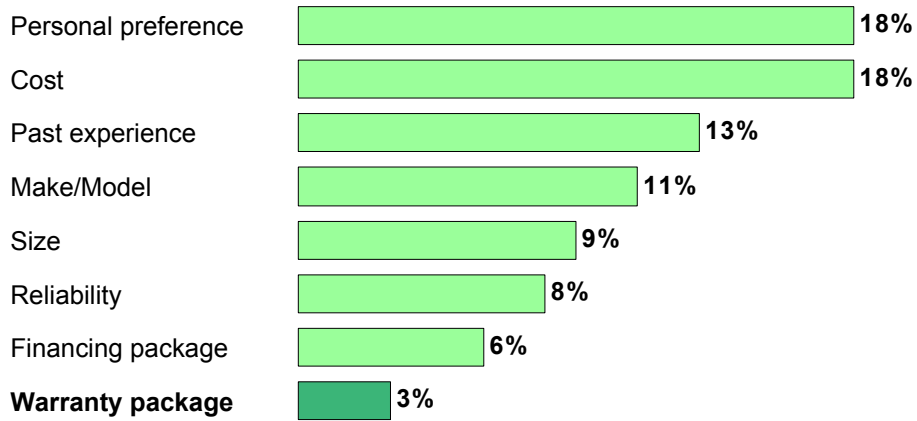
- Those choosing company cars (with an average rating of 3.5 out of 10, compared with 7.2 for those who are buying their own car)
- High mileage drivers (6.1 for those driving more than 13,000 miles per year, compared with 7.1 for those driving less than 8000 miles)

- Younger people (6.0 for those aged 17-34 years, compared with 7.4 for those aged 55 +)
- 3.3 The very low overall importance of 'financing package' derives from the 45 per cent who are simply not concerned with this at all (including of course company car drivers and those paying cash). Similarly, resale values tend not to be rated highly, given the status us depreciation as the 'hidden cost' of motoring.
- 3.4 The warranty package is **more** commonly seen as important among:
- Retired people (with an average rating of 7.6 out of 10, compared with 6.5 for those who are working)
 - Buyers of Japanese cars (7.5). The profile of Japanese car buyers has traditionally been somewhat older than that of European marques.
 - Those who know a 'great deal' or a 'fair amount' about the terms and conditions of the warranty on their car
- 3.5 Again, there is likely to be overlap between sub-groups here. Older people – who are more likely to buy their own car – are more likely to take an interest in warranty terms and conditions, and be attracted to the reputation of Japanese cars for reliability.
- 3.6 However, car warranties are often an 'added bonus', and not a deciding factor when choosing a car. When asked about the **single most important factor** that prompted people to choose their car, few people (three per cent) said the warranty package. By comparison, people's personal preference for the car model and make, its cost, and past experience are much more widely cited. (Please see chart below.)

Table 3.2

Warranties & Choosing a Car

Q17 *And which one thing above all else finally made you decide to have the car you did? (UNPROMPTED)*



Base: All those taking delivery of a new car (751)

Source: MORI

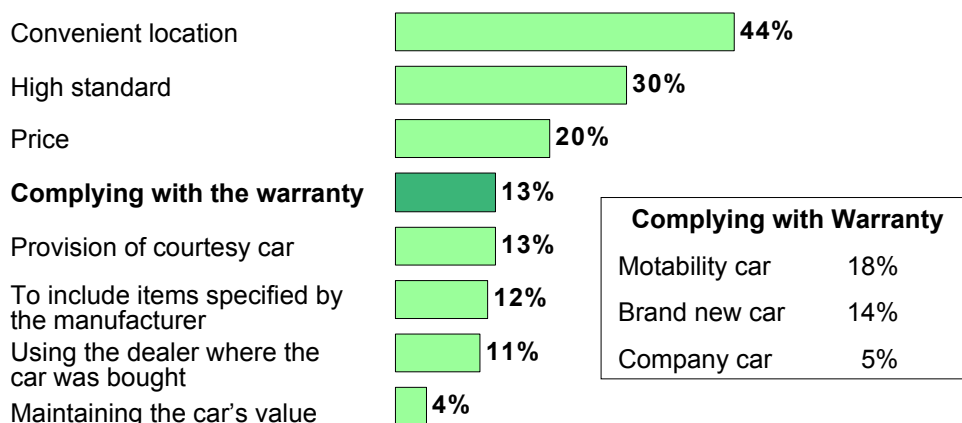
4 SERVICING PREFERENCES

- 4.1 At this early stage in a vehicle's life, servicing is contained almost wholly within the respective manufacturer's franchise networks (90 per cent +).
- 4.2 The **convenience** and the **standard** of the service are the most commonly cited factors when deciding where to have a car serviced – and by some margin. The price of the service is also seen as important. By comparison, compliance with the terms and conditions of a warranty is less widely mentioned, although this still accounts for one in eight drivers of new cars across Britain. (Please see chart below.)

Table 4.1

Servicing and Warranties

Q19 What are the two or three most important factors when deciding where to have your car serviced? (UNPROMPTED)



Base: All those taking delivery of a new car (751)

Source: MORI

- 4.3 Rightly or wrongly, servicing at franchised dealers is often seen (without prompting) as necessary in meeting manufacturers' requirements. When prompted, the issue of maintaining a car's secondhand value is also prevalent.
- 4.4 Compliance with a warranty is more widely seen as important among:

- Older people (19 per cent for those aged 55 + , compared with six per cent for those aged 17-34 years).
- Drivers of Motability vehicles (18 per cent). Although these people do not have such a financial state in their vehicle as private customers, they do of course have to comply with the terms of the Motability Scheme – which largely overlaps with warranty conditions – for fear of either losing their access to the Scheme, or suffering a breakdown (either of which would impact on them considerably).
- Those who have bought new cars (14 per cent, compared with five per cent for those who have chosen company cars).

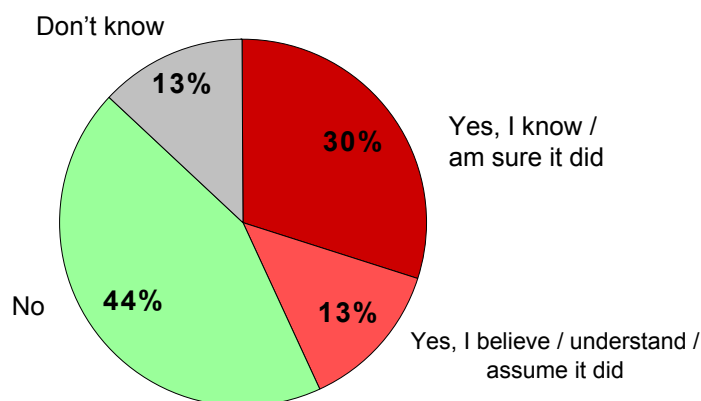
4.5 A large majority of drivers of new cars feel they must have servicing carried out at franchised dealers in order to comply with the terms and conditions of the warranty. Whilst many feel free to choose **any** franchised dealer for the make of car, few feel able to use independent garages. (Please see chart overleaf.)

4.6 Two in five (44 per cent) feel that they are restricted in their choice of servicing – for the warranty to remain valid. (See chart below.) Such restrictions are felt most widely among those who have taken up extended warranties (54 per cent), and those driving Vauxhall and French cars (49 per cent for each).

Table 4.2

Restrictions on Servicing

Q37 *And did the warranty impose any restriction on your choice of where you had your car serviced - if the warranty was to remain valid?*



Base: All those taking delivery of a new car (751)

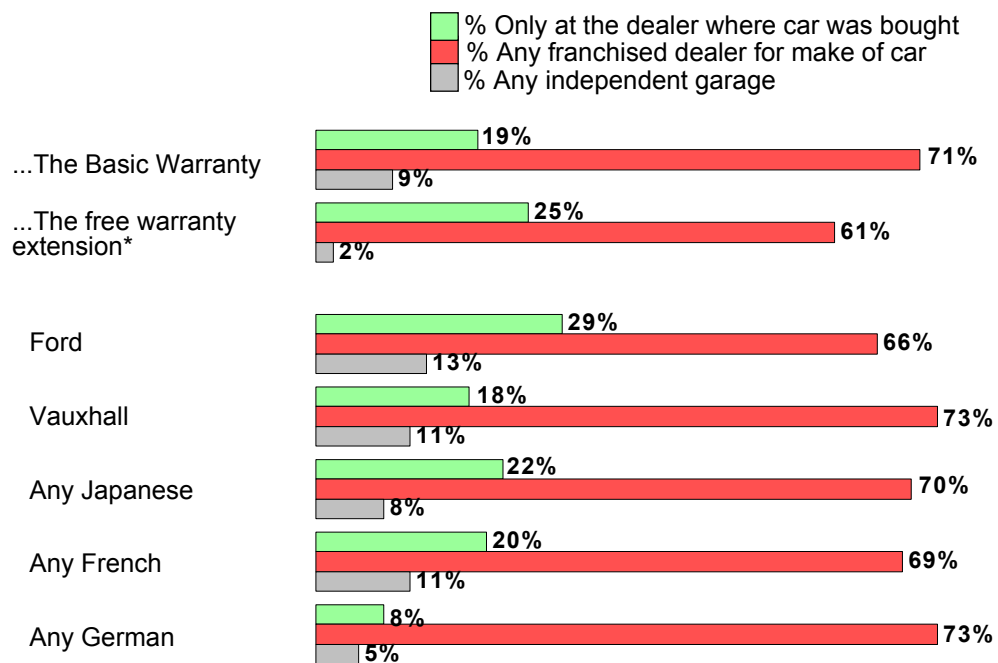
Source: MORI

- 4.7 Restrictions on servicing are more widely felt by those who have accepted free warranty extension, compared with those who are using a standard warranty. While around one in ten (nine per cent) feel that a basic warranty will allow them to use any independent garage for servicing, this drops to two per cent for a free warranty extension. (See chart overleaf.)
- 4.8 The perceived restrictions on servicing vary by manufacturer. Drivers of German cars, for example, are least likely to perceive the need to use the specific supplying dealer for servicing (though most feel it is necessary to stay within the franchise network). This may be some compensation for the high cost reported for servicing German cars (£145 per service vs £112 overall for all respondents).

Table 4.3

Restrictions on Servicing

Q36/39 Where can/could you have your car serviced, under the terms of...?



Base: All those taking delivery of a new car (751);
 All those offered a free warranty extension (74)
 All those taking delivery of a new car (Vauxhall - 75; Any Japanese - 114;
 Any French - 169; Ford - 114; Any German - 96)



* Small base

Source: MORI

Table 4.4

Franchised Dealers and Servicing Costs

Q21 How much was the most recent service (not including repair costs)?

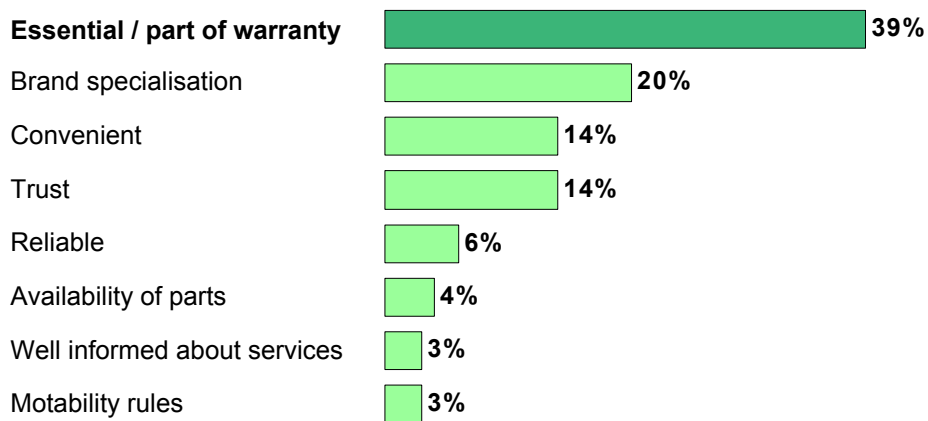
		Base
Overall		(456)
Basic warranty		(422)
A free extended warranty was taken up		(34)*
An extended warranty was bought, at extra charge		(28)*

4.9 Among those who have had their car serviced at a franchised dealer, the most common reason given – by around two-fifths (39 per cent) – is that this is an essential part of the warranty. This is more widely felt by drivers of Japanese new cars (55 per cent). Whilst other factors, like convenience and the reliability/standard of servicing are felt to be important for choosing which particular garage/dealer to use, the warranty appears the most important factor in **keeping** new car drivers within the franchise network (at least over the initial few years).

Table 4.5

Servicing and Warranties

Q25 *When you have had the car serviced at a franchised dealer for your make of car, why has that been? (UNPROMPTED)*



Base: All those having services at a franchised dealer (413)

Source: MORI

5 INFORMATION AND UNDERSTANDING

5.1 Most new car drivers are dependent on dealers and on the paperwork supplied with their car for information about any warranty. This is particularly the case for:

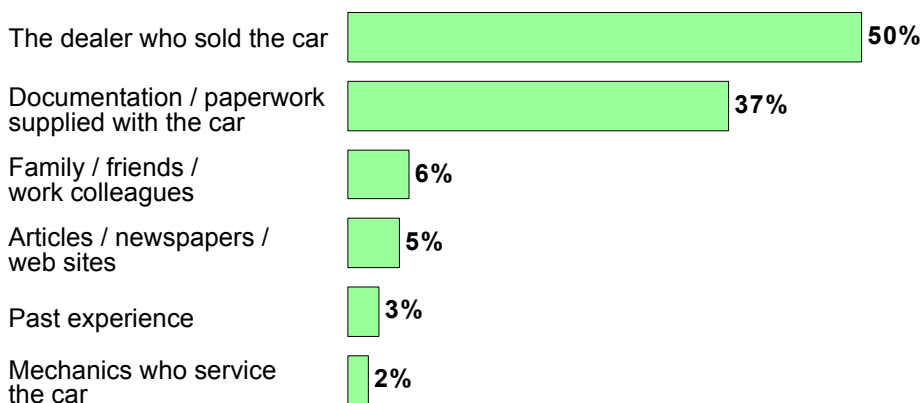
- women (54 per cent, compared with 47 per cent for men)
- drivers of French cars (58 per cent).

5.2 Compared with those who buy new cars, company car drivers tend to be much less reliant on dealerships for information about warranties (19 per cent, compared with 54 per cent respectively). For them, the documentation or paperwork that comes supplied with the car becomes relatively more important (38 per cent).

Table 5.1

Sources of Information about Warranties

Q33 From which sources of information did you find out about this warranty?



Base: All those taking delivery of a new car (751)

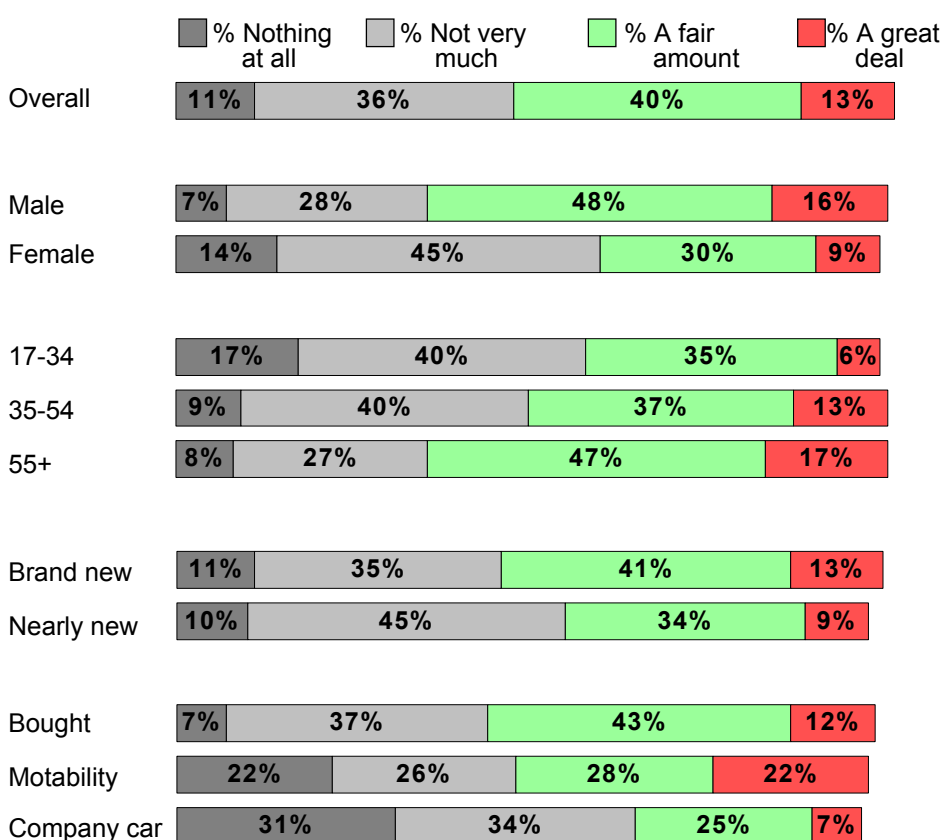
Source: MORI

5.3 Few new car drivers (13 per cent) know a great deal about the terms and conditions of their warranty, and this drops to less than one in ten among women, those aged under 35, and those driving company cars. Around one in 10 (11 per cent) say they know 'nothing at all' about the warranty on their car, rising to one in three of company car drivers. (Please see chart below.)

Table 5.2

Understanding of Terms & Conditions

Q32 *How much do you know about the Terms & Conditions of the warranty on your car?*



Base: All those taking delivery of a new car (751)

Source: MORI

5.4 Motability customers tend to be quite polarised, with a quarter apiece knowing 'a great deal' and 'nothing at all'.

6 ATTITUDES TOWARDS WARRANTIES

- 6.1 The main attraction of a warranty package – unprompted – is 'peace of mind' (almost half who see a warranty as important cite this, and very few give **specific** reasons relating to dealer service, depreciation etc.). This came through strongly in the verbatim comments (see below).

Table 6.1

The Warranty Package - Verbatim Comments

Warranties Giving Peace of Mind

...I wanted something to rely on, but hope nothing goes wrong

...I wanted to be confident that if anything went wrong, then I'd be in safe hands

...I like the added security of knowing that if anything goes wrong, it's going to get fixed

...Being a female and on my own, it would have to be a good warranty, as I am no good at mechanics

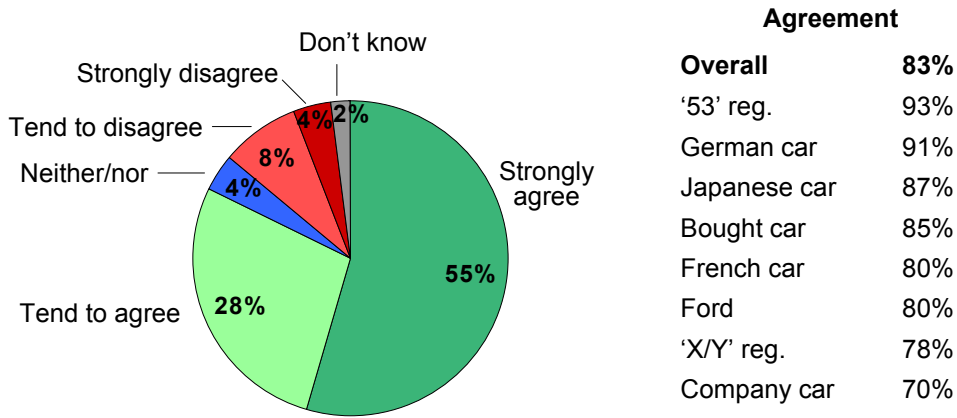
Source: MORI

- 6.2 When prompted, most new car drivers – around four in five – agree that the potentially high cost of repair makes a warranty important, and 55 per cent feel strongly about this. This is more widely felt among drivers of newer '53' registration cars, and German and Japanese cars. Company car drivers are much less likely to agree, compared with those who have spent their own money. (Please see chart below.)

Table 6.2

The Importance of the Warranty

Q34 How strongly do you agree or disagree that...?
 ...The potentially high cost of repair makes a warranty important



Base: All those taking delivery of a new car (751)

Source: MORI

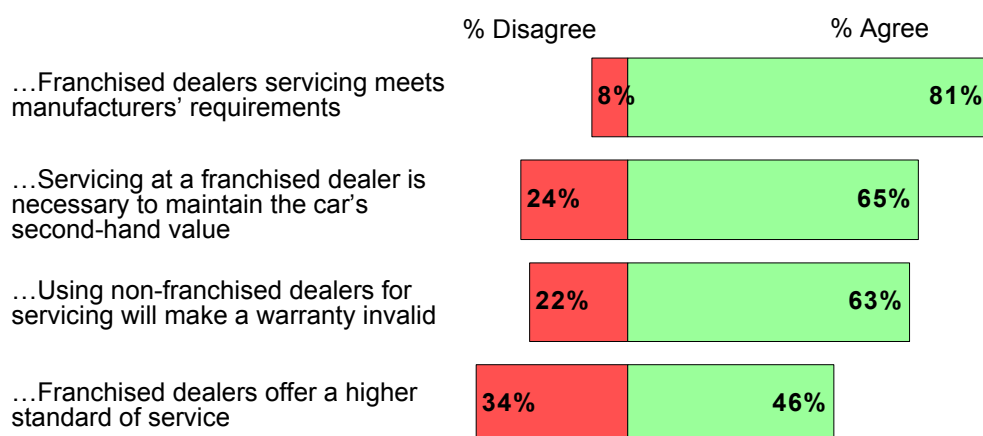
- 6.3 Franchised dealers are seen to benefit from being able to include items specified by the manufacturer. Four-fifths (81 per cent) agree that franchised dealers servicing meets manufacturers' requirements. There is little difference by make of car.
- 6.4 The importance of franchised dealers for servicing is enhanced by the perceived impact on depreciation. Around two in three (65 per cent) say that servicing at a franchised dealer is necessary to maintain a vehicle's second-hand value. Again, this is widely felt by those with newer '53' registration vehicles (80 per cent), and drivers of German cars (83 per cent) – the latter group placing far higher importance on 'resale value' in the initial purchase decision.
- 6.5 Around two in three (63 per cent) say that using a non-franchised dealer will make a warranty invalid. This is more commonly felt by Vauxhall drivers and drivers of German cars (69 per cent for each), and those driving '53' registration cars (74 per cent).

6.6 Opinion is more mixed on whether franchised dealers offer a higher standard of service (46 per cent agree vs 34 per cent disagree). There is **less** confidence among those in work (41 per cent), compared with those not in work and retired people (60 per cent for each of these groups). Drivers of German cars show the highest levels of confidence with the standard of service (57 per cent agree), and lowest among Ford drivers and (perhaps surprisingly) those driving Japanese cars (42 per cent for each). Japanese owners are, on average, paying close to the average price for servicing (£118 vs £112), while Ford customers pay less (£82).

Table 6.3

Understanding of Warranties

Q26 How strongly do you agree or disagree with the following statements...?



Base: All those taking delivery of a new car (751)

Source: MORI

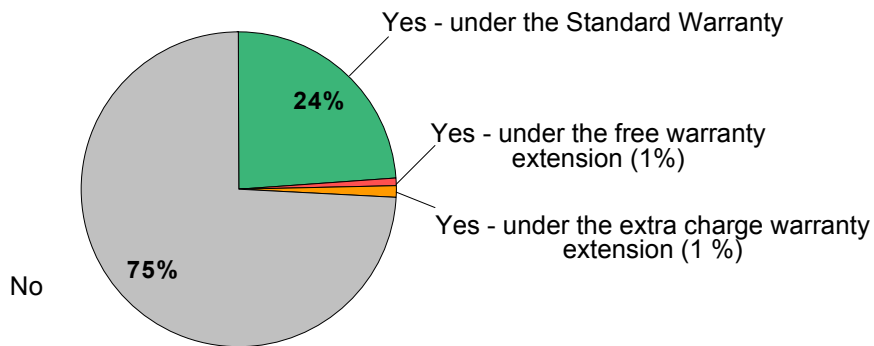
7 MAKING A CLAIM

7.1 Around one in four of those choosing new cars make a claim under a warranty, with most doing so under the terms of the standard warranty (see chart below).

Table 7.1

Making a Warranty Claim

Q43 *Have you ever made a claim for repair under any of the warranty types on your current car?*



Base: All those taking delivery of a new car (751)

Source: MORI

7.2 Among those who have made a claim under a warranty, there is a reasonable level of satisfaction with how their claim was handled (with an average score of 7.5 out of 10). Around half (46 per cent) gave a 10/10 score for the handling of their claim. However, some people do express dissatisfaction with warranties – one in eight (12 per cent) of those making a claim under a warranty gave a score of '1' out of 10. This is highlighted in some of the verbatim comments (see below).

Table 7.2

The Warranty Package - Verbatim Comments

Negative Comments

...They are not worth the paper they are written on

...Because it never covers the major problems

...It's all a bit of a con

...I didn't take it into consideration for choosing a car. It's just an added bonus

Source: MORI

- 7.3 Despite some negative feelings about warranties, few people give consideration to alternative suppliers of extended warranties (three per cent). Therefore, not only is the take up of warranties fairly low, but consideration of 'shopping around' for such cover is virtually non-existent. It seems, therefore, that despite respondents' view – when prompted – that warranties are important, they are not something to which prior thought is given.
- 7.4 It may be in some cases that customers believe that alternative sources for warranty cover are simply not available – in which case, this would raise question marks over perceived restriction of choice. However, it seems likely that a simple lack of investigation prior to a vehicle purchase is much more often the root cause.

ANNEXES

A TECHNICAL DETAILS

Fieldwork

- A.1 Fieldwork was carried out by MORI Telephone Surveys (MTS), a separate but wholly-owned subsidiary company, with more than 150 experienced telephone interviewers. All telephone interviews were carried out by fully trained and supervised interviewers, at a telephone centre in Edinburgh. No work was sub-contracted to other research agencies.
- A.2 All work – fieldwork and executive – was carried out to the standards laid down by the Market Research Society (MRS), ISO 9001, Interviewer Quality Control Scheme (IQCS) and Market Research Quality Standards Association (MRQSA).

Weighting

- A.3 The results are weighted by age group. The demographic profile of the sample is shown below, with weighted and unweighted data.

Table A.1 – Demographic profile of the sample with weighted and unweighted data

	Achieved (Unweighted)	Weighted
	%	%
Gender		
Male	55	53
Female	45	47
Age		
17-34	12	23
35-54	51	47
55+	37	30
Social Class		
AB	36	36
C1/C2	48	49
DE	14	13
Working Status		
Working	67	71
Not working	32	29
Retired	23	19

B STATISTICAL RELIABILITY

B.1 The sample tolerances that apply to the percentage results in this report are given in the table below. This table shows the possible variation that might be anticipated because a sample, rather than the entire population, was interviewed. As indicated, sampling tolerances vary with the size of the sample and the size of the percentage results.

Table B.1 - Approximate sampling tolerances applicable to percentages at or near these levels

	10% or 90%	30% or 70%	50%
<i>Base:</i>	±	±	±
All buyers and users of new cars (751)	2	3	4
All male buyers and users of new cars (413)	3	4	5
All those aged 55+ who have bought or taken delivery of a new car (276)	4	5	6

Source: MORI

B.2 For example, on a question where 50 per cent of new car buyers in a sample of 751 respond with a particular answer, the chances are 95 in 100 that this result would not vary more than four percentage points, plus or minus, from a complete coverage of the entire population of new car buyers using the same procedures.

B.3 Tolerances are also involved in the comparison of results from different parts of the sample. A difference, in other words, must be of at least a certain size to be considered statistically significant. The following table is a guide to the sampling tolerances applicable to comparisons.

Table B.2 - Differences required for significant at or near these percentages

	10% or 90%	30% or 70%	50%
<i>Base:</i>			
Male (413) vs Female (338)	4	7	7
Those aged 35-54 (381) vs Those aged 55+ (276)	5	7	8
Those working (503) vs Those retired (176)	5	7	9
<i>Source: MORI</i>			

B.4 For the differences between the results for those working and those retired to be statistically significant at the 95 per cent confidence level, for example, the results of the two samples must be greater than the values given in the table above, depending on the sample sizes.