

A man with dark hair, wearing a tan textured sweater and a dark scarf, is leaning over a red and black road bicycle in a workshop. He is holding a white saddle. The background is filled with various tools and equipment, suggesting a bike repair shop or a workshop. The lighting is focused on the man and the bike, with the background slightly blurred.

Chapter 32

Extended Product Features

- **Section 32.1 Warranties**
- **Section 32.2 Credit**

Warranties

Key Terms

warranty

express
warranty

full warranty

limited
warranty

implied
warranty

warranty of
merchantability

warranty of
fitness for a
particular
purpose

disclaimer

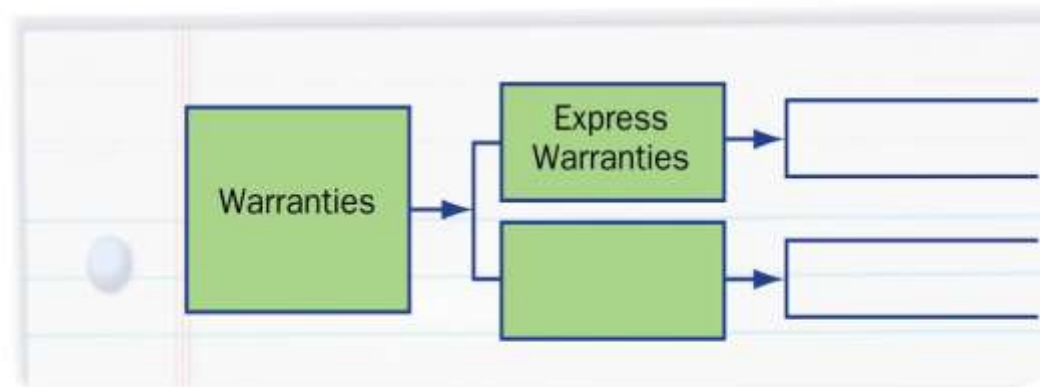
Objectives

- Identify different types of warranties
- Explore the importance of warranties in product planning
- Identify the major provisions of product safety legislation
- Explain consumer responsibilities and rights related to product performance

Warranties

Graphic Organizer

In a chart like the following one, take notes about extended features and warranties.



Warranties

warranty

A promise or guarantee given to a customer that a product will meet certain standards.

A **warranty** ◀ is a promise given to a customer that a product will meet certain standards. These standards typically apply to materials, workmanship, and performance.

Warranties

Guarantee is another term for warranty. A warranty is usually framed as a series of specific promises, while a guarantee is usually used in promotional phrases such as *money-back guarantee* and *satisfaction guaranteed*.

Warranties

Typical warranties set time or use limits for coverage and restrict the seller's liability.



4 kids. 11 grandchildren.
9 cars. 2 dogs. 3 remodels. 66 vacations.
1 roof.



We call metal roofing "Investment Grade Roofing." Why? Because, in your lifetime, a metal roof will save you money and add value to your home. For starters, metal roofing lasts for a long, long time. It comes with a warranty of up to 50 years—with low maintenance and no worries. What's more, a metal roof stands up to rain, snow, high winds, hail and wildfires. So it protects your home while it adds value to it. Metal Roofing is also beautiful, available in a wide range of styles and colors that enhance the look of any home. To learn more about Investment Grade Roofing—or to find a Metal Roofing Alliance Contractor—visit MetalRoofing.com. Then, years from now, you can brag about what a great investment you made.



Visit www.MetalRoofing.com

A 50-year warranty on a metal roof appeals to consumers who want low-maintenance roofing.

Role of Warranties in Product Planning

Warranties are an important element of product planning because they help increase sales and profits.

Warranties also:

- Generate customer feedback
- Encourage quality in product development
- Boost promotional efforts

Role of Warranties in Product Planning

Warranties come in two different forms:

- Express
- Implied

Each of these forms can be divided into specific types.

Express Warranties

express warranty



A warranty that is explicitly stated, in writing or verbally, to encourage a customer to make a purchase.

An **express warranty** ◀ is one that is explicitly stated, in writing or verbally, to encourage a customer to make a purchase. Warranties should always be printed in accessible locations and should be clearly worded.

Express Warranties

full warranty

A warranty that guarantees that if a product is found to be defective within the warranty period, it will be repaired or replaced at no cost to the purchaser.

One type of written warranty is the full warranty. A **full warranty** guarantees that if a product is found to be defective within the warranty period, it will be repaired or replaced at no cost to the purchaser.

Express Warranties

limited warranty



A warranty that excludes certain parts of the product from coverage or requires the customer to bear some of the expense for repairs resulting from defects.

The other type of written warranty is a limited warranty. A **limited warranty** may exclude certain parts of the product from coverage or require the customer to bear some of the expense for repairs resulting from defects.

Implied Warranties

implied warranty



A warranty that takes effect automatically by state law whenever a purchase is made.

An **implied warranty** is one that takes effect automatically by state law whenever a purchase is made. There are two types:

- Warranty of merchantability
- Warranty of fitness for a particular purpose

Implied Warranties

warranty of merchantability

The seller's promise that the product sold is fit for its intended purpose.

A **warranty of merchantability** ◀ is the seller's promise that the product sold is fit for its intended purpose.

Implied Warranties

warranty of fitness for a particular purpose



A warranty used when the seller advises a customer that a product is suitable for a particular use, and the customer acts on that advice.

A **warranty of fitness for a particular purpose** is used when the seller advises a customer that a product is suitable for a particular use, and the customer acts on that advice.

Warranty Disclaimers

disclaimer



A statement that contains exceptions to and exclusions from a warranty.

A **disclaimer** ◀ is a statement that contains exceptions to and exclusions from a warranty. Disclaimers are used to limit damages that can be recovered by a customer.

Role of Extended Warranties

Extended warranties or service contracts provide repairs or preventive maintenance for a specified length of time beyond a product's normal warranty period.

They are beneficial to both businesses and customers.

Other Extended Product Features

Other features used by product planners to boost customer satisfaction are:

- Delivery and installation
- Billing and service after the sale
- Directions for use and technical assistance
- Training

Consumer Laws and Agencies

Manufacturers must make products that meet all legal requirements. They must be safe, adequately labeled, and properly advertised. If not, the manufacturer could face fines or product recalls.



Federal Statutes

Making sure products meet all federal product safety standards is an important function of product planning.

The Magnuson-Moss Consumer Product Warranty Act of 1975 sets minimum standards for warranties on products that cost \$15 or more.

Federal Statutes

The Consumer Product Safety Commission (CPSC) monitors the safety of more than 15,000 nonfood items, such as:

- Toys
- Household/outdoor/sports/recreation products
- Appliances

Federal Statutes

When the CPSC finds any product defective or dangerous, it can:

- Issue a product safety alert
- Require warning labels
- Recall the product and order repairs
- Withdraw the product or prohibit its sale

State Statutes

Most state consumer protection laws are aimed at preventing poorly made or poorly serviced products. Most states require individuals such as auto mechanics and realtors to meet training requirements and hold a license or state certification before legally practicing their professions.

Consumer Rights and Responsibilities

Consumers can take several steps when they have not been adequately protected by a warranty:

- Contact the business that sold the product
- Contact the local, state, or federal offices that can assist with consumer complaints
- Take legal action

Consumer Rights and Responsibilities

Consumers can sue manufacturers on three grounds:

- Breach of federal law (written warranty)
- Breach of state law (implied warranty)
- Negligence

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SECTION 32.1 REVIEW

SECTION 32.1 REVIEW

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Credit

Key Terms

credit

30-day
accounts

installment
accounts

revolving
accounts

budget
accounts

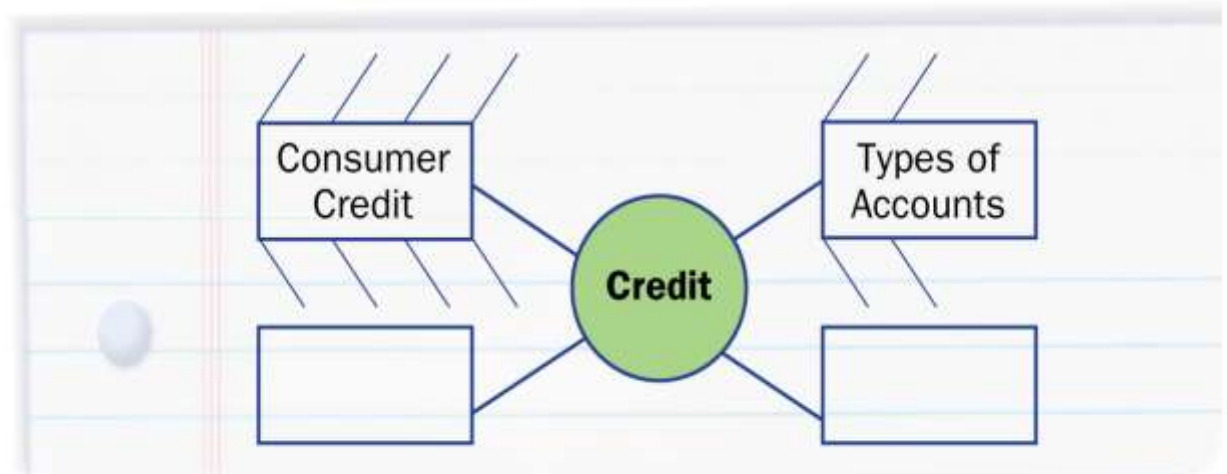
Objectives

- Describe the importance of credit
- Explain various sources of consumer credit
- Identify the types of credit accounts extended to consumers
- Discuss how businesses use trade credit

Credit

Graphic Organizer

In a chart like this one, jot notes about credit's features.



Credit and Its Importance

credit



The opportunity for businesses or individuals to obtain products or money in exchange for a promise to pay later.

Credit ◀ enables businesses or individuals to obtain products or money in exchange for a promise to pay later. The use of credit is essential to the U.S. and global economies.

Role of Credit

Without credit, millions of people would not be able to buy goods and services. By extending credit to its customers, a business provides a purchasing incentive and enhances its sales and profits.

Consumer Credit

Customers can apply for credit if they meet the lending company's criteria. Credit cards are issued with limits based on customers' ability to pay and their payment histories. Banks or their subsidiaries issue bank credit cards.

Consumer Credit

Some businesses are large enough to offer their own credit cards, known as proprietary or house cards. Usually, these cards do not have an annual fee, but they do have high interest rates.

Consumer Credit

Travel and entertainment cards require that transaction balances be paid in full each month. They also charge retailers a higher service fee, so some businesses do not accept these cards.

Rebate cards offer some type of reward or incentive to consumers who use them.

Consumer Credit

Affinity cards are credit cards issued by banks to demonstrate a consumer's loyalty to a:

- Team
- University
- Charity or business
- Other organization

Consumer Credit

The organization solicits its members or customers to offer them an affinity card to help with brand promotion. The card issuer returns a small percentage of the interest to the organization and reward points or miles to the customer.

Consumer Credit

A debit card authorizes the seller to withdraw funds directly from a bank account at the time of sale to pay for the purchase.

Loans are also a form of credit. Consumers and businesses obtain loans for the purchase of goods and services.

Types of Accounts

Four major consumer credit plans are in use today:

- Regular or 30-day accounts
- Installment accounts
- Revolving accounts
- Budget accounts

Types of Accounts

30-day accounts




Accounts that enable customers to charge purchases during a month and pay the balance in full within 30 days after they are billed.

Regular charge accounts, or **30-day accounts** ◀, enable customers to charge purchases during a month and pay the balance in full within 30 days after they are billed.

Types of Accounts

installment accounts

Accounts that allow for payment over a period of time; also known as time payment accounts.

Installment accounts , or time payment plans, allow for payment over a period of time. These are usually used for larger purchases such as:

- College education
- Travel and automobiles
- Appliances and furniture

Types of Accounts

revolving accounts



Charge accounts where the retailer determines the credit limit and payment terms.

With **revolving accounts**, the retailer determines the credit limit and payment terms. Under most arrangements, normal accounts become revolving accounts if the full amount is not paid for the billing period. Most billing cycles are 25-day periods.

Types of Accounts

budget accounts



Accounts that allow the payment of a purchased item over a certain time period without a finance charge.

Budget accounts ◀ allow for the payment of a purchased item over a certain time period without a finance charge. The most typical interest-free time period is 90 days. Offering budget accounts is one way that a company can stay competitive.

Business Credit

Suppliers sell raw materials, equipment, and inventory to businesses and agree to pay for these items with credit. Trade credit does not involve cards. Instead, the arrangements are made with credit memoranda, letters of credit, and credit drafts.

Legislation Affecting Credit

Many government regulations protect consumers and their credit standing, such as:

- Truth in lending
- Fair credit information recording
- Equal opportunity in lending
- Fair collection practices

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SECTION 32.2 REVIEW

SECTION 32.2 REVIEW

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FOCUS on KEY POINTS

Section 32.1

- Warranties are an important element of product planning because they help to increase sales and profits. Customers often base their purchasing decisions on the availability of warranties.

continued

FOCUS on KEY POINTS

Section 32.2

- Credit enables businesses or individuals to obtain products or money in exchange for a promise to pay later. The use of credit is essential to our economy. Many government regulations protect consumers and their credit standing along with providing information on the proper use of credit.



This chapter has helped prepare you to meet the following DECA performance indicators:

- Explain warranties and guarantees.
- Describe legal issues affecting businesses.
- Explain business ethics in product/service management.
- Respond to customer inquiries.
- Interpret business policies to customers/clients.



CHAPTER 32 REVIEW

CHAPTER 32 REVIEW

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