

Risk And Reward For The Transmission Rebuilder



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Contributing Editor

All things in life that are rewarding are accompanied by some element of risk. Something as simple as going to the movies involves both risk and reward. You risk the purchase price of the ticket and your valuable time against the reward of a good performance and an enjoyable plot.

As a transmission rebuilder, you engage in risk-reward on a daily basis. You risk your capital investment, advertising, payroll expense, etc. against the reward of producing enough correctly priced transmission repairs to be profitable. The problem is maximizing reward while keeping risk to an acceptable minimum. The biggest liability faced by any transmission shop is warranty liability. For example, a certain shop has an annual volume of 500 rebuilt units plus miscellaneous repairs and reseal work that is warranted to the customer for an average of six months or 12,000 miles. With an average rebuild ticket running at \$800 per unit, this shop will have a collective warranty risk at any given point of approximately \$200,000. If the industry standard for comebacks is about 10%, then a shop can count on about \$40,000 worth of warranty work per year. I know that the comeback may not cost the shop the full retail price of the job to repair, but while a comeback is on the lift, a paying job is not.

Most rebuilders realize how important it is to minimize comebacks through quality production

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Put an End to Transfer Case Failures For Good!

Rockland Standard Gear Inc.

*Extreme HD • AWD-To-Part-Time Conversions
Slip-Yoke Eliminator Kits • AWD Low-Range Lockups
AWD Viscous Eliminators*

JEEP Transfer Cases

All Jeep Transfer Cases are Remanufactured with the Latest O.E. Components
**Includes New Morse Chain*

WRANGLER - XJ TJ MODEL 1997-2001
CHEROKEE - XJ MODEL 1994-2001
LIBERTY - XJ MODEL 1997-2001
GRAND CHEROKEE - ZJ 4X4 1999-2001
CHEROKEE/WAGNER/210 - 1994-1999

Rockland Standard Gear can custom fit all of these transfer cases to any TJ, YJ, ZJ, WJ, XJ & KJ model

FORD Transfer Cases

All Ford Transfer Cases are Remanufactured with the Latest O.E. Components
**Includes New Morse Chain*

EXPLORER - 1997-2001
EXPEDITION - 2001-2002
MAZDA - 1997-2001
BRONCO - 1997-2001
BRONCO 2 - 1997-2001
RANGER - 1997-2001
PICKUP - 1997-2001
ESCORT - 1997-2001

Dodge Transfer Cases

All Dodge Transfer Cases are Remanufactured with O.E. Components
**Includes New Morse Chain*

DURANGO - 1997-2001
DAKOTA - 1997-2001
RAM PICKUP - 1997-2001
RAM QUAD CAB - 1997-2001
RAMCHARGER - 1997-2001

GM Transfer Cases

All GM Transfer Cases are Remanufactured with the Latest O.E. Components with Updated Clutch Packs to Eliminate Chatter Problems

BLAZER - 1997-2001
BUICK - 1997-2001
CADILLAC - 1997-2001
CHEVROLET - 1997-2001
CORVETTE - 1997-2001
OLDSMOBILE - 1997-2001
PONTIAC - 1997-2001
SATURN - 1997-2001
SCHEMATIC - 1997-2001
TRUCK - 1997-2001
WAGON - 1997-2001

**Includes New Morse Chain*

Chatter-Free Transfer Case Lubricant

Prevent Costly T-Case Repairs

- Eliminates driveline chatter and shudder in clutch-type transfer cases*
- Prevents clutch failure from lubricant breakdown
- This is a lubricant not an additive

* Chatter-Free will not repair transfer cases that are already damaged!



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methods. There are, however, many areas that are not carefully managed that can be extremely costly to your business. From what

Warranties

"Unless that which is not covered is clearly spelled out, you are liable for any and all misfortunes the customer may encounter."

I have seen lately in the field, one area every shop should review is the warranty it issues to the customer. I see many repair orders with a few lines scrawled across them "parts and labor warranted for 6 months or 12,000," or a variation of same. Seems innocent enough, no fancy legal terms, everything cut and dried. The shops that issue that type of warranty are waiting for a ballistic missile to come through the door. If the customer who received such a warranty is, for example, on a vacation trip, and the transmission gives up under warranty, there's the downside. The customer loses three days of his vacation, his hotel reservation, a boat charter and two days of greens fees. He has every legal right to ask the issuing shop to pay for all his losses. Sounds crazy, right? Ask any attorney if this nightmare is true. How is this possible? The shop that wrote those innocent few lines violated virtually every rule warranties are based on. The Magnusson-Moss Act is the law of the land regarding

warranties. It specifies that in order for warranty to be limited in scope, the warranty must state clearly what is covered and what is not covered. Unless that which is not covered is clearly spelled out, you are liable for any and all misfortunes the customer may encounter. How about a \$10,000 comeback delivered by "our friendly legal system?"

Do's And Don'ts

Don't try and write your own warranty. Your expertise is in hydraulics and gears, and unless you're also a lawyer, leave it to the pros.

Do join a trade association or other collective group such as a franchise chain and use their warranty, which will have been prepared by experts and passed the test of judicial review.

Do make sure any warranty has a stop-loss feature. Commonly the language will include terms to the effect that a full refund of the purchase price of work performed is the most for which a shop can be liable.

Make sure that you have at least three types of warranty available.

One should be national in scope, protecting the customer who may be a distance from your shop. The second should cover local usage, as well as any repair that is not considered a full rebuild. The third should be specifically for standard transmissions or transfer cases. You must warranty a stick differently from an automatic, because the unit is subject to much greater driver control (or error) and abuse. None of the standard transmission rebuilders I know warranty a stick unit against gear breakage. It is virtually impossible to break gear train under normal usage. This type of damage in a rebuilt unit usually results from driver abuse, assembly error or some change in the vehicle configuration from

"Don't try to write your own warranty."

stock, such as oversize tires, increased engine performance or changed final-drive ratios. Now, there are some units out there that commonly break gears. This usually is not due to the manufacturer's poor design, but rather to a unit being under spec for the job it has to perform. As new models come out with increased torque and horsepower, transmission designs must be upgraded to accept the added stress.

Do make the customer a part of the warranty equation. Make sure the customer returns to the shop, say, two weeks after repairs were completed. Check the vehicle for proper, quiet, leak-free operation. Make the customer return for a second checkup just before the end of the warranty period. This protects the shop as much as the customer. Inform the customer of the need for periodic transmission service and establish the beginning of a repeat business relationship. The car makers demand periodic service intervals to keep the original warranty in force, why can't we learn from them?

Learn to manage risk and see your rewards increase. Quality work, quality parts and a quality warranty protect both the customer and the shop. Your reputation and your wallet are easily damaged. Make sure you warranty against such eventualities. ■