



# Service Manager Bulletin

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**Warranty Retailer Counseling Process (WRCP) Policy Document**

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## “Right first time in Time”

Since January 2002, Volvo’s Warranty Department has been tracking Retailer’s warranty spending by utilizing the Warranty Retailer Counseling Process (WRCP). The Warranty Retailer Counseling Process (WRCP) is used to gauge individual retailer performance on objective measures over time. By setting clear performance expectations and parameters and assisting retailers in focusing on individual processes and procedures, all retailers are provided with adequate tools to help achieve the ultimate goal of qualifying for self-authorization status.

There are many factors that may contribute to a warranty index being high. Some factors may be beyond the retailer’s control and we do not intend to discourage necessary and appropriate repairs. However, when an index is high, many times there are factors that retailer personnel can influence.

Entry into the Warranty Retailer Counseling Process (WRCP) is based on statistical variances using the size of the Retailer and their percentage of warranty costs above the market average. Retailers can find their *Warranty Index* on their monthly Warranty Performance Report. This report is designed to be used as a tool for both Volvo as well as retailers as an aid in monitoring individual retailer efficiency regarding warranty performance. The monthly *Operation Number Exception Report* is also a tool designed to inform the retailer where they may be significantly over represented on specific op codes.

### Retailer Groups:

#### X-Small Retailers

United States: 0 -100\*

Canada: 0 – 75\*



## Small Retailers

United States: 101 – 200\*  
Canada: 76 – 150\*

## Medium Retailers

United States: 201- 350\*  
Canada: 151- 450\*

## Large Retailers

United States: 351-500\*  
Canada: 451- 700\*

## X-Large Retailers

United States: 501 - \*  
Canada: 701 -\*

**\* The number of cars serviced (warranty) over a rolling three month period.**

## Action Points for US & Canadian Retailers

### *X- Small Retailers*

**US: 0-100\* cars serviced**

**Canada: 0-75\* cars serviced**

- Level 0) Warranty indexes above normal but below 40% (No action)
- Level 1) Normal 2 of 3 months, no months above 40% (self-authorization for a 3 month period)
- Level 2) 2 of 3 months above 40% (letter of self analysis)
- Level 3) 2 of 3 months above 40% (on-site or remote Audit and any Goodwill self-authorization privileges suspended)
- Level 4) 2 of 3 months above 40% (TMA parts return)
- Level 5) 2 of 3 months above 40% (on-site comprehensive Audit)
- Level 6) 2 of 3 months above 40% (actions to be determined)

### *Small Retailers*

**US: 101- 200\* cars serviced**

**Canada: 76- 150\* cars serviced**

- Level 0) Warranty indexes above normal but below 25% (No action)
- Level 1) Normal 2 of 3 months, no months above 25% (self-authorization for a 3 month period)
- Level 2) 2 of 3 months above 25% (letter of self analysis)
- Level 3) 2 of 3 months above 25% (on-site or remote Audit & any Goodwill self-authorization privileges suspended)
- Level 4) 2 of 3 months above 25% (TMA parts return)
- Level 5) 2 of 3 months above 25% (on-site comprehensive Audit)
- Level 6) 2 of 3 months above 25% (actions to be determined)



### ***Medium Retailers***

**US: 201- 350\* cars serviced**

**Canada: 151- 450\* cars serviced**

Level 0) Warranty indexes above normal but below 10% (No action)

Level 1) Normal 2 of 3 months, no months above 10% (self-authorization for a 3 month period)

Level 2) 2 of 3 months above 10% (letter of self analysis)

Level 3) 2 of 3 months above 10% (on-site or remote Audit & any Goodwill self-authorization privileges suspended)

Level 4) 2 of 3 months above 10% (TMA parts return)

Level 5) 2 of 3 months above 10% (on-site comprehensive Audit)

Level 6) 2 of 3 months above 10% (actions to be determined)

### ***Large Retailers***

**US: 351-500\* cars serviced**

**Canada: 451-700\* cars serviced**

Level 0) Warranty indexes above normal but below 7% (No action)

Level 1) Normal 2 of 3 months, no months above 7% (self-authorization for a 3 month period)

Level 2) 2 of 3 months above 7% (letter of self analysis)

Level 3) 2 of 3 months above 7% (on-site or remote Audit & any Goodwill self-authorization privileges suspended)

Level 4) 2 of 3 months above 7% (TMA parts return)

Level 5) 2 of 3 months above 7% (on-site comprehensive Audit)

Level 6) 2 of 3 months above 7% (actions to be determined)

### ***Mega Retailers***

**US: 501 and higher\* cars serviced**

**Canada: 701 and higher\* cars serviced**

Level 0) Warranty indexes above normal but below 5% (No action)

Level 1) Normal 2 of 3 months, no months above 5% (self-authorization for a 3 month period)

Level 2) 2 of 3 months above 5% (letter of self analysis)

Level 3) 2 of 3 months above 5% (on-site or remote Audit & any Goodwill self-authorization privileges suspended)

Level 4) 2 of 3 months above 5% (TMA parts return)

Level 5) 2 of 3 months above 5% (on-site comprehensive Audit)

Level 6) 2 of 3 months above 5% (actions to be determined)

**\* The number of cars serviced (warranty) over a rolling three month period.**

**A three month process improvement period is standard before movement to the next level is considered.**

**All results are reviewed quarterly for revalidation.**



## Definition and Requirements for each Level

### Level 0 – No Action

If a retailer's warranty index is above "normal" but below the target percentage (40%, 25%, 10%, 7% or 5% based on the size of the dealer) then no action by the retailer is required.

*Note: Normal equals at or below market area average.*

### Level 1 – Self- Authorization

If a Retailer maintains a Warranty Index of "normal" for 2 of 3 months and is also below the target percentage (40%, 25%, 10%, 7% or 5%), they will become self-authorizing for a three-month period.

- Retailers will receive a letter notifying them of their self-authorizing eligibility

*Note: Retailers that re-qualify for self-authorization privileges will receive a letter from the Warranty Department congratulating them on their continued positive performance and they should continue authorizing their claims for another 3 month period.*

*Note: All self-authorized warranty claims are subject to verification of data, parts testing results and audit requirements. Evidence of misuse of self-authorization may result in immediate termination of the ability to self authorize, elimination of future eligibility, and the potential debiting of any and or all claims self-authorized during the eligible period.*

### Level 2 - Retailer Self Review Process

If a Retailer's warranty index is above the target percentage (40%, 25%, 10%, 7% or 5%) for 2 of 3 months, they will enter the counseling process (WRCP).

- Retailers will receive a letter advising them that they have entered the counseling process.
- Each retailer will be provided with a self review packet that will include all the information applicable to entry in Level 2
- A list of claims identified by the Warranty Department as possibly out of line, which may be contributing to their high warranty cost, will be provided. **Volvo requires that the Volvo Service Manager performs the self review and completes the Action Plan for submission to Volvo.**
- The self review packet and an Action Plan must be completed and returned to Volvo by the deadline indicated in the notification letter.

### Level 3 – Dealer Audit (Updated\*)

If a Retailer's warranty index remains above the target percentage (40%, 25%, 10%, 7% or 5%) for 2 of 3 months after a Level 2 – Self Review has been completed, they will advance to Level 3 – Dealer Audit.

- Retailers will receive a letter advising them that they have advanced to Level 3 – Dealer Audit.
- Retailers will be advised if the audit will be conducted on-site at the retail facility or remotely by the VCUSA Audit Department. This decision is at Volvo's discretion.



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- A remote audit will include an internal review of specific claims identified by the Audit Department as possibly out of line which may be contributing to the retailer's high warranty cost. Volvo will provide the retailer with a list of repair orders that must be mailed in for review. Once the Audit is completed, an Auditor will contact the Service Manager and set up a conference call meeting to review the findings and provide constructive feedback.
- A detailed summary of the findings and any areas for change will be identified and provided to the retailer and Volvo management for review.
- The Auditor will initiate charge-backs for missing repair orders not supplied and any gross misrepresentation
- A detailed action plan approved for submission and signed by the Service Manager will be due within thirty (30) days of the Dealer Audit being completed.
- Retailers that have previously had a Level 3 – Dealer Audit completed, any time after January 1, 2009, that re-enter the process and advance to a Level 3 again will automatically be subject to a comprehensive Level 5 – Audit.
- Retailers who are Level 3 or above within the WRCP will have their **goodwill self- authorization privileges suspended** until such time they have achieved a level less than Level 3.

***Note:** Those retailers that were self-authorizing prior to entry to Level 3 will receive a letter from the Warranty Department that they have lost their self-authorization privileges. **Any Goodwill self-authorizing privileges will also be suspended.***

### **Level 4 - TMA Parts Return**

If a retailer's warranty index remains above the target percentage (40%, 25%, 10%, 7% or 5%) for 2 of 3 months after a Level 3 – Dealer Audit has been completed, they will advance to Level 4 – TMA Parts Return.

- Retailers will receive a letter advising them that they have advanced to Level 4 – TMA Parts Return.
- Specific parts identified by the Warranty Department and TMA will be put on return for a 3 month period.
- Any Goodwill self-authorizing privileges will also be suspended.

### **Level 5 – Dealer Audit (Updated\*)**

If a retailer's warranty index remains above the target percentage (40%, 25%, 10%, 7% or 5%) for 2 of 3 months after a Level 4 – TMA Parts Return has been completed, they will advance to a comprehensive Level 5 – Dealer Audit.

- Retailers will receive a letter advising them that they have advanced to a comprehensive Level 5 – Dealer Audit and when the Audit will be conducted.
- A Volvo Auditor will conduct an on-site Audit, basing the analysis on current performance in relation to the previous Level 3 – Dealer Audit and Level 4 – TMA Parts Return.
- The Volvo Auditor will initiate charge-backs for non-compliant areas found during the Audit.



- A detailed action plan approved for submission and signed by the Retailer Principal will be due within thirty (30) days of receiving the Audit Summary Report. This due-date will be specified in the report.
- Any Goodwill self authorizing privileges will also be suspended.

### Level 6 – Measures to be Determined

- These actions will be retailer specific based upon the circumstances.
- Retailers will be notified of any further actions by Volvo's Audit Department.

### Entering/Exiting Warranty Retailer Counseling Process *(Updated\*)*

- At the end of the three-month period, a retailer whose costs have been reduced to the accepted level will be removed from the program for having achieved their targets toward reducing their warranty costs.
- A retailer who returns to out of line conditions within *six months* after exiting the program would re-enter the program escalating to the *next higher level*.
- Those retailers that have had a Level 3- Dealer Audit completed any time after January 1, 2009 that re-enter the process (at Level 0 or 2) and advance to Level 3 again, will automatically be subject to a comprehensive Level 5 – Dealer Audit.
- Retailers who are Level 3 or above within the WRCP will have their goodwill self- authorization suspended until such time they have achieved a level less than Level 3.

### PLEASE NOTE:

*VCUSA may conduct Audits outside the scope of this program at any time.*

*There may be instances when conditions outside this process warrant immediate action. As a result, audits, TMA parts returns or any other action deemed necessary may be conducted outside the scope of this process at VCUSA's discretion.*