



Innovation in Retail Product Protection: *An Executive Summary*

F R O S T  S U L L I V A N

A Frost & Sullivan Executive Summary

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INTRODUCTION AND MARKET OVERVIEW

The adoption of retail product protection plans continues to increase in the United States. Frost & Sullivan estimates the total North American retail product protection market size to be approximately \$8 billion-\$10 billion in 2015 across consumer electronics (CE), appliances, jewelry, sporting goods, furniture, and other product categories. Strong support of leading retailers and original equipment manufacturers (OEMs), coupled with greater consumer awareness of the need and utility of retail product protection plans, continue to drive demand for retail product protection solutions.

Exhibit 1: Key Benefits of Retail Product Protection for Retailers



Source: Frost & Sullivan

THE NEED FOR INNOVATION IN RETAIL PRODUCT PROTECTION

The retailer plays a critical role in the end-to-end customer journey. Frost & Sullivan research indicates that a significant percentage of shoppers initially reach out to the retailer when they need help with consumer electronics (CE) devices. A positive experience with a protection plan has proven to strengthen the retailer's brand equity and significantly increase its net promoter score (NPS). On the other hand, the absence of a protection plan can greatly diminish the ability of a retailer to assist customers, which negatively impacts customer loyalty and decreases the likelihood of product repurchase. As plans have become increasingly commoditized in the US retail product protection market, it is more important than ever for retailers to partner with providers that are focused on product innovation.

BEST PRACTICES IN INNOVATION THROUGHOUT THE END-TO-END CUSTOMER JOURNEY

Retail industry Mega Trends point to the need to deliver omni-channel, comprehensive, integrated, and transparent retail product protection solutions. In order to fully realize the benefits of retail product protection, retailers must optimize the customer experience along the core areas of their journey, including:

1. Pre-purchase and Purchase
2. Protection Plan Registration
3. Claims Processing
4. Fulfillment

Exhibit 2: Different Stages of the Customer Experience Journey for Retail Product Protection



Source: Frost & Sullivan

INNOVATIVE STRATEGIES OF LEADING RETAIL PRODUCT PROTECTION INDUSTRY PARTICIPANTS

Frost & Sullivan has highlighted the innovative strategies of the following leading industry participants in the US retail product protection market:

- Assurant Solutions (Assurant)
- Asurion
- SquareTrade
- Warrantech

Leading retail product protection providers have adopted a holistic approach that enhances the customer experience. For example, many retailers are beginning to offer technical support services, so that both customers and retailers have one place to call for CE product needs.

KEY RESEARCH FINDINGS

The following are some of the key findings of this research.

- The commoditization of retail product protection plans has made it critical for retailers to partner with product protection providers that are focused on product innovation. Retailers should partner with providers that can enhance the consumer experience along all stages of the customer experience journey, including: 1) pre-purchase and purchase, 2) protection plan registration, 3) claims processing, and 4) fulfillment.
- Successfully assisting consumers with product issues has proven to generate strong positive sentiments toward retailers, which results in enhanced customer loyalty, increased revenue, and more in-store visits. Therefore, retailers should view product protection as a marketing opportunity that delivers strong long-term benefits and drives customer loyalty.
- By leveraging advanced online and mobile solutions, retail product protection providers can simplify the process of plan registration. Services such as Asurion's text-to-register help simplify the process of registration and are resonating with customers.
- Market trends point to the need for integrated protection services that allow consumers to obtain device protection and technical support in one single protection offering. Providers that offer such services are well positioned to drive growth of retailers' service initiatives.

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