



Retail Product Protection Plans in the United States

A Market and Competitive Overview

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

A Frost & Sullivan White Paper

Introduction 3

Retail Product Protection Market in the United States 3

Key Drivers for Retail Product Protection 4

Consumer Benefits from Retail Product Protection..... 5

Key Purchase Drivers for Retail Protection -

What Consumers Look for in a Product Protection Plan 6

Types of Retail Product Protection Options Available to Consumers..... 6

Retail Product Protection Plans-Key Objectives for Retailers..... 7

Identifying a Protection Partner..... 8

***Leading Industry Participants* 8**

Market Share Analysis..... 9

Selection Parameters 10

***A. Product Capabilities* 10**

***B. Customer Support & Service Innovation* 12**

***C. Sales Enablement* 14**

***D. Marketing Capabilities*..... 16**

The Last Word 18

RETAIL PRODUCT PROTECTION PLANS – A MARKET OVERVIEW

INTRODUCTION

This Frost & Sullivan paper presents an overview of the retail product protection plan¹ market in the United States. The insight analyzes the key elements of advanced retail product protection plans, and outlines the benefits for both consumers and retailers. Additionally, Frost & Sullivan evaluates the industry's most progressive retail product protection products from market-leading providers.

RETAIL PRODUCT PROTECTION MARKET IN THE UNITED STATES

The adoption of retail product protection plans continues to increase in the United States. Frost & Sullivan estimates the total US retail product protection market size to be approximately \$8 billion to \$10 billion across consumer electronics, 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.



Frost & Sullivan estimates the total retail product protection plan market size to be approximately \$8 billion to \$10 billion across electronics, appliances, jewelry, sporting goods, furniture, and other categories.

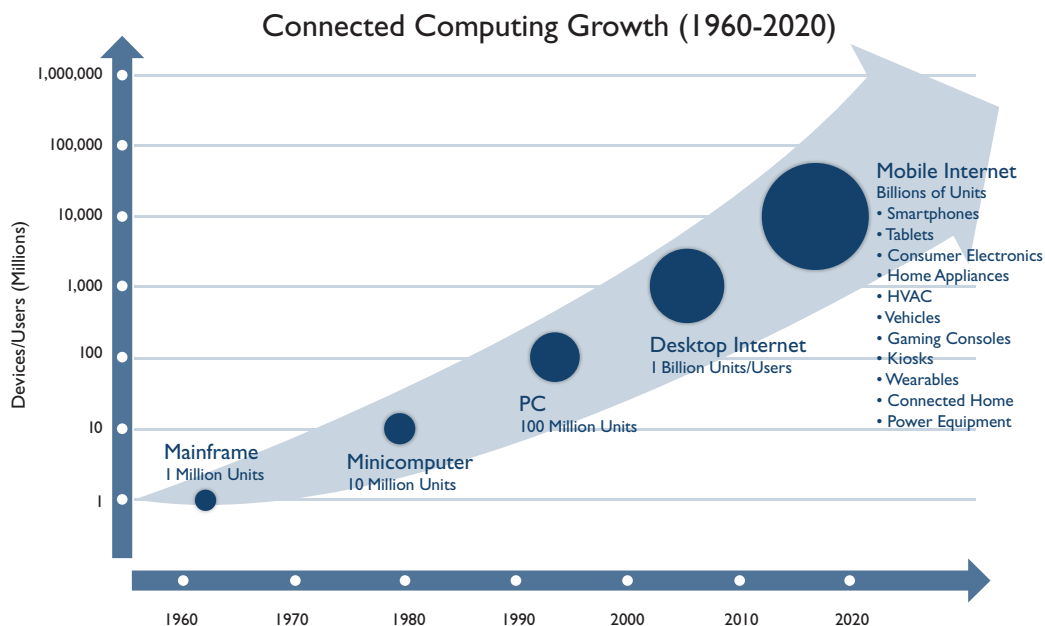


The rapidly increasing penetration of “connected” consumer electronics has materialized as one of the most significant growth drivers for the retail product protection industry. The embedded computing ecosystem market, in particular, is rapidly gaining prominence as technology moves into the post-personal computer (PC) phase. The concept of Internet of Things (IoT) and advances in machine-to-machine (M2M) communication have fundamentally driven the rapid growth (and complexity) of the embedded computing ecosystem. By 2020, Frost & Sullivan anticipates there will be more than 20 billion connected devices worldwide. From consumer electronics and vehicles, to home appliances and wearables, everything has the potential to be connected—call it the “100 percent ceiling.”

¹ Retail product protection programs are usually add-on services that extend a product's manufacturer warranty and allow consumers to minimize or eliminate the impact of product problems and/or incidents. A “problem” is an issue that causes the product to no longer be usable, requiring repair or replacement.

Exhibit I depicts the evolution of connected computing.

Exhibit I



Source: Morgan Stanley/Frost & Sullivan

KEY DRIVERS FOR RETAIL PRODUCT PROTECTION

Issues with electronics or appliances requiring repairs or replacement are prevalent in today's marketplace. In fact, Frost & Sullivan's research indicates that roughly one in five retail customers that have purchased an electronics device or a major appliance is likely to have a problem with the product within the first 12 months. Retail product protection plans offer consumers a convenient option to mitigate unanticipated disruptions in product usage. While protection programs cannot "prevent" a problem, they provide a defined path for consumers to resolve their product issues by receiving assistance to repair or replace their covered product. For example, a retail product protection plan can offer protection from defects in materials and workmanship after expiration of the manufacturer warranty, and the consumer may be eligible for product repairs or replacement should a problem arise with the covered product.

The retail product protection market in the United States has changed significantly over the past few years. According to the Consumer Electronics Association (CEA), industry revenue for consumer electronics (CE) is likely to reach a record \$211.3 billion in 2014, a steady 2% increase from \$207 billion in sales in 2013. With the average number of connected devices per household increasing steadily in the United States, Frost & Sullivan anticipates the total addressable market for retail product protection to continue to increase in the next few years. Smartphone, tablets, and other emerging product categories—such as 3D printers, Bluetooth wireless speakers, convertible PCs, health and fitness devices, smart watches, and Ultra HD television displays are expected to drive CE industry growth.

Initially positioned as a value-added service (VAS), retail product protection plans have evolved to provide integral tools for retailers to enhance customer loyalty and to generate incremental category sales. In fact, certain innovators in retail product protection have expanded their offerings to support comprehensive product

protection plans that include loss and theft coverage for thriving mobile device categories such as smartphones. Moreover, post-sale technical support has become an increasingly important factor to help customers troubleshoot device issues, reduce product returns, and optimize their overall customer experience.

Other drivers of retail product protection include:

- **Strong Support from Big Box Retailers and National Retailers:** Leading retailers are struggling to maintain customer loyalty and share in a competitive environment driven by online retailers (particularly for CE devices). This has driven leading retailers to offer innovative and effective value-added services, such as retail product protection plans, that can help generate incremental sales, improve customer satisfaction, and increase the “stickiness” of a retailer’s brand.
- **Enhanced Customer Support Experience:** The leading retail product protection providers consistently deliver efficient claims, repair and replacement services across product categories. This has helped establish the credibility of the retail product protection category. Advanced customer support capabilities have materialized in certain protection plans to address the diverse (and evolving) requirements of consumers. These include robust self-service options (through telephony and digital); timely and transparent customer communications through the claim and service journey; integrated supply-chain management (such as depots and service centers to fix or replace the product quickly); and international coverage and multilingual support.
- **Connected Devices and Need for Post-Sale Support:** Connected consumer electronics and appliances are increasingly becoming central to consumers’ daily lives. With ubiquitous connectivity and advances in home automation, there are opportunities to provide comprehensive “household” protection offerings. Additionally, while ‘smarter’ devices may or may not fail at a higher frequency, they create complexity and interoperability issues that often require more technical support than what OEMs typically offer. These emerging needs provide an opportunity for retail product protection plans to include post-sale technical support as a value-added enhancement.

CONSUMER BENEFITS FROM RETAIL PRODUCT PROTECTION

Growing consumer awareness about the need, importance, and value of retail product protection is another key driver for protection services in the United States. Consumers are increasingly realizing that it is prudent to purchase protection for a small upfront payment (or monthly subscription payment) to ensure continued use of a product, rather than having to possibly spend hundreds or thousands of dollars to repair or replace a malfunctioning product. The top consumer benefits of retail product protection plans include:

- **Protection from Unexpected Costs:** Retail product protection plans take on the cost of repairing or replacing a covered product. The more advanced protection plans also offer post-sale technical support, which often leads to additional savings for consumers that might have to go to a third-party provider for technical support.
- **Single-Source Solution for Product Repair or Replacement:** Retail product protection plans provide a defined path for consumers to resolve product problems. Consumers don’t have to determine who to call for product issues (i.e., the OEM, the retailer, or the local repair person). A comprehensive protection plan can offer consumers a single-source solution for all protection needs and deliver services in a convenient and seamless manner.

- **High-Quality Product Care:** Leading retail product protection providers ensure that products that have a problem are repaired properly, in the best facilities, according to the manufacturer-specified guidelines. By working with qualified technicians, leading retail product protection providers can ensure that product issues are fully addressed. This prevents repeat product breakdowns, which is an important benefit.

KEY PURCHASE DRIVERS FOR RETAIL PROTECTION – WHAT CONSUMERS LOOK FOR IN A PRODUCT PROTECTION PLAN

Frost & Sullivan's research indicates that the most important purchase drivers for retail product protection plans include:

- **Coverage Terms:** Including length of the term (two, three, or five years), and the types of problems covered; for example, malfunction, or accidental damage from handling (ADH).
- **The Price of the Plan:** Typically consumers look at the price of plan relative to price of the covered product in order to justify the cost.
- **Protection from Unexpected Repair and Replacement Costs:** Consumers want protection from unanticipated out of pocket expenses.
- **Service Experience and Speed of Replacement:** Consumers place a high premium on the quality of service. Providers that deliver a fragmented consumer experience consistently get low scores for customer satisfaction. Additionally, the speed of replacement for products is a critical factor.

TYPES OF RETAIL PRODUCT PROTECTION OPTIONS AVAILABLE TO CONSUMERS

There are several distinct approaches to product protection plans. The following are currently the main types of retail product protection options available to consumers in the United States:

- **Retail Branded Product Protection Plans:** Examples include Walmart Product Care Plans, Target Protect, Best Buy Geek Squad Protection, the Home Depot Protection Plans, and Lowe's Protection Plans.
- **OEM-Branded Product Protection Plans:** Examples include AppleCare/AppleCare+ (for Apple Inc. products), and extended warranties offered by OEMs such as Carrier Corporation and Whirlpool.
- **Third-Party, Direct-to-Consumer Product Protection Plan Providers:** Examples include offerings from companies such as SquareTrade and Assurant 360.

Exhibit 2 presents the various retail product protection options in the United States in 2014.

Exhibit 2

	Retailer Protection Plans	OEM Protection Plans	Other Direct to Consumer
Brand	<ul style="list-style-type: none"> • Retailer Brand • Retailer Experience 	<ul style="list-style-type: none"> • OEM Brand • OEM-Controlled Experience 	<ul style="list-style-type: none"> • Third-Party Brand • Disintermediation from Retailer
Channel	<ul style="list-style-type: none"> • All Retailer Channels • Only Available to Customers • Omni-channel Marketing 	<ul style="list-style-type: none"> • OEM Channels • Retailers • Carriers 	<ul style="list-style-type: none"> • Web • Retailers • Omni-channel Marketing
Product	<ul style="list-style-type: none"> • Accidental Damage from Handling • Extended Warranty • Marketing Service Channels • High Service Levels 	<ul style="list-style-type: none"> • Accidental Damage from Handling • Extended Warranty • Repairs Done Only by Authorized Providers 	<ul style="list-style-type: none"> • Accidental Damage from Handling • Extended Warranty • Fewer Service Channels • Varying Service Levels
Price	<ul style="list-style-type: none"> • One-Time Fee with Defined Period After Device Purchase • Charged by Retailer • Monthly Subscription 	<ul style="list-style-type: none"> • One-Time Fee with Defined Period After Device Purchase • Charged by Channel 	<ul style="list-style-type: none"> • One-Time Fee with Defined Period After Device Purchase • Charged by Retailer or Provider • Monthly Subscription

Source: Frost & Sullivan

At a high level, the three important types of industry participants include:

- The entity selling the retail product protection plan. This includes retailers that offer either self-managed or third-party-managed retail product protection plans to their customers.
- The entity obligated under the plan terms to provide the service. These generally include the “obligor,” which is responsible for delivering the protection service. Obligor work with “underwriters,” which are insurance companies that underwrite the service contracts.
- The service providers. In-house or third-party network of repair and/or replacement service providers that provide on-site/in-home or depot repair and replacement services.

RETAIL PRODUCT PROTECTION PLANS – KEY OBJECTIVES FOR RETAILERS

Frost & Sullivan believes that depending on the desired program structure and objectives, retail product protection plans can help retailers meet the following strategic objectives:

- **Improved Customer Satisfaction:** Effective and customer-friendly retail product protection programs can generate a noticeable uplift in customer satisfaction scores when customers use the service and file a claim. This is especially true for comprehensive and integrated retail protection solutions that deliver a suite of related VAS, such as pre-purchase advice, post-purchase technical support, self-help solutions for common product-related issues, and product upgrade and trade-in solutions.

- **Increased Loyalty:** Successful retail product protection plans that deliver a good customer experience across different product categories can increase customer loyalty. This is a significant benefit in today's retail environment where retailers are facing increased competitive threats from online retailers, and are struggling to differentiate themselves. Importantly, protection programs should be designed such that consumers attribute a good customer experience back to the retailer in order to realize this objective.
- **Increased Store Visits:** Increased customer loyalty translates into more customer visits, which helps generate additional sales. Consumers that have an impressive retail product protection experience are more likely to purchase another product from the same retailer. When customers associate a clear connection of the value with pre and post sales services with a distinct retailer, this inevitably brings them back for repeat business.
- **Increased Revenues:** Increased customer loyalty leads to increased store visits, which ultimately drives incremental product sales opportunities. Additionally, retailers increase their top (and bottom) lines from revenue generated from the upsell of the product protection plan itself. Therefore, retailers are encouraged to promote retail product protection services within the channels they control and offer an end-to-end, integrated user experience that incorporates all components of retail product protection.

IDENTIFYING A PROTECTION PARTNER

Leading Industry Participants

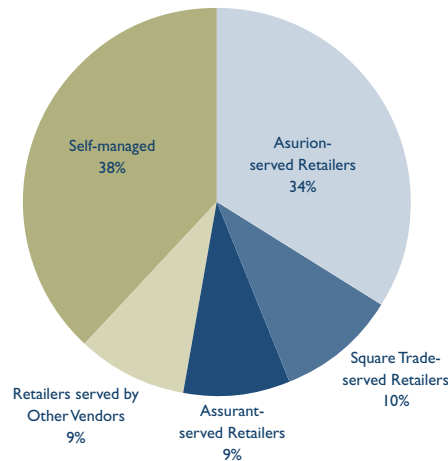
The following market participants in the retail product protection category have been considered in this analysis:

- Assurant Solutions (Assurant)
- Asurion
- Service Net (AIG Warranty)
- SquareTrade
- Warrantech

Parameters such as scale of operations, customer installed base, retail consumer contracts under management, and retail strategy were used to identify these industry leaders. With the exception of SquareTrade, all of the companies support retailer-branded operations. Apple Inc has not been considered in this analysis as AppleCare is an OEM-branded protection offering.

MARKET SHARE ANALYSIS

Exhibit 3 - Retailers Served by Protection Providers: Aggregate CE and Appliances Category Market Share, US, 2013



All figures are rounded, the base year is 2013.

Source: Frost & Sullivan

Exhibit 3 uses the sales of retailers as a proxy to show the relative market position of various retail protection providers in the CE and major appliances product categories in the United States. It does not show the market shares of retail product protection providers. Leading retailers prefer working with a single provider for their retail product protection requirements. However, online retailers—such as Amazon—offer protection solutions from multiple providers, which has been considered in this analysis. While this analysis does not represent 100% of the CE and major appliance retail sales in the United States, it is estimated that these market shares are based on sales representing more than 90% of CE and major appliance retail sales in the United States.

The key highlights of this analysis are:

- The self-managed retail product protection category represents nearly 38 percent of the total addressable market. Best Buy and Sears are the two main retailers that offer self-managed retail product protection solutions in the United States. Some providers may have a role to play in the self-managed protection market as well. However, this research deliverable does not focus on self-managed retail product protection plans.
- With customers such as Wal Mart Stores, Inc., Target Corporation, and The Home Depot, Asurion commands a 34 percent market share of the category spend for CE and major appliances in the United States. Thus, retailers that work with Asurion for their retail product protection requirements currently command a 34 percent market share in the CE and major appliances product categories in the United States.
- SquareTrade and Assurant represent the next 19 percent of the total addressable market. These participants have some notable accounts in their customer portfolio. For example, SquareTrade services Staples customers, and Assurant services Lowe's customers.

MARKET SHARE IMPLICATIONS FOR RETAILERS

Based on Frost & Sullivan analysis, market share is a good proxy for several attributes that are important for retailers to consider as part of their product protection programs.

- **Scale:** Retail product protection providers that work with leading retailers have the required scale to deliver efficient protection solutions. These providers have the expertise in managing the complex supply chain and logistics for product repairs and replacements, and can successfully handle repairs and replacements for multiple types and categories of products in a retail environment.
- **Customer Service:** Larger providers have demonstrated a track record of serving large retailers and for providing high quality service to customers.
- **Protection from Market Fluctuations:** Larger providers may have underwriter structures that can help isolate the retailer from the ongoing variations in cost and regulatory changes. Larger companies also have strong underwriter relationships to better tailor their services in line with the strategic objectives and long-term viability of the retailers' protection programs.

SELECTION PARAMETERS

Frost & Sullivan believes that retailers should also consider the following parameters when selecting a retail product protection partner:

- Product Capabilities
- Customer Support & Service Innovation
- Sales Enablement
- Marketing Capabilities

Exhibit 4 shows the selection criteria for retail product protection providers.

Exhibit 4



A. Product Capabilities

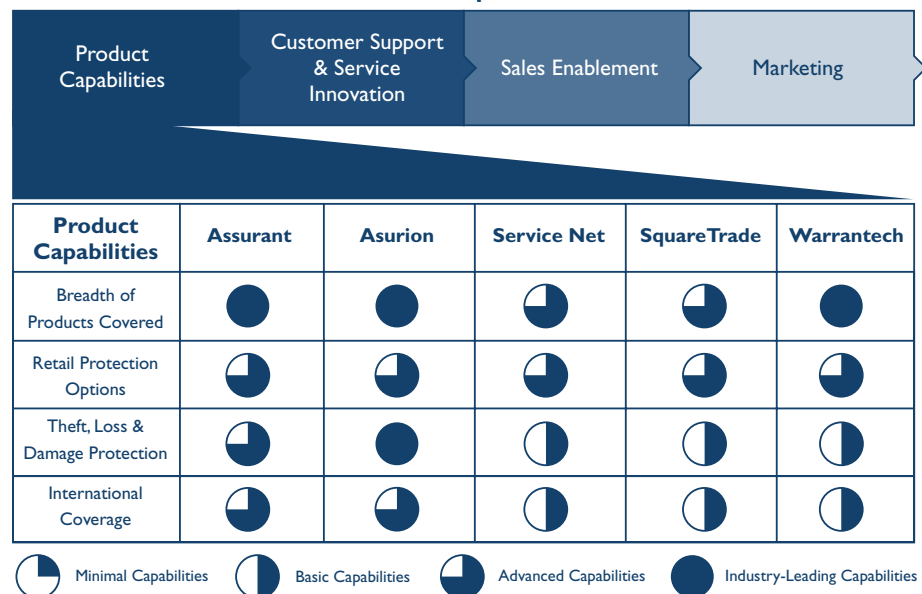
Frost & Sullivan recommends that retailers should consider the following attributes when evaluating the **Product Capabilities** of potential partners.

- **Breadth of Products Covered:** This attribute evaluates the types of products currently covered by retail product protection plan providers. Broad coverage capabilities can be important for retailers that desire support for a full suite of products.

- **Retail Protection Options:** Includes the various types of retail product protection options currently offered by retail product protection providers. It is important to also consider the consumer experience that is delivered across the different types of retail product protection options offered (ease of use, speed of replacement, and cost).
- **Theft, Loss & Damage Protection:** Retailers should evaluate the extent of theft and loss protection (in addition to accidental damage from handling or ADH) offered by retail product protection providers. Theft and loss protection is particularly important for portable and mobile form-factor CE devices (such as smartphones and tablets), which make up a substantial portion of sales for leading retailers. As consumers continue to be increasingly attached and active with their devices, the chance for an incident increases (e.g., device theft is on the rise), which presents an opportunity for offering theft, loss and damage coverage.
- **International Coverage:** Extending protection services to consumers that travel abroad is increasingly becoming an important requirement for retail product protection programs. More advanced programs incorporate in-country operations to service customers locally with the same customer experience available in the US. This attribute measures the customer support capabilities of retail product protection providers in local markets.

Exhibit 5 - Product Capabilities: Comparison Matrix for Leading Retail Product Protection Providers

Next-Generation Retail Protection Requirements



Highlights

With the acquisition of GE's Warranty Management Group (WMG) business in 2008, Assurant has a strong presence in large appliances warranties. Service Net, a part of AIG's Warranty Division, has been particularly successful in working with appliance OEMs to manage their protection programs in consumer electronics, home appliances, and PC products categories. Warrantech is a part of AmTrust Financial Services, and offers

protection solutions for several industries, including automotive, consumer products, and marine. SquareTrade has established a strong reputation in the consumer electronics space and has a limited, yet growing, presence in major appliances. Overall, Assurant and Asurion support the widest range of products (including consumer electronics, home appliances, lawn and garden equipment, power tools and equipment, jewelry, etc.), which is a significant benefit to retailers that prefer to partner with a single provider to cover multiple product categories.

While each product category has a fundamentally different servicing experience, providers that have demonstrated a proven ability to deliver an optimized end-to-end experience for a comprehensive range of products should be considered by large retailers that have long-term goals of expanding their product portfolios. Moreover, Frost & Sullivan believes that retail product protection providers that have a strong portfolio of in-house capabilities for end-to-end customer experience management are best positioned to deliver an optimal retail product protection experience.

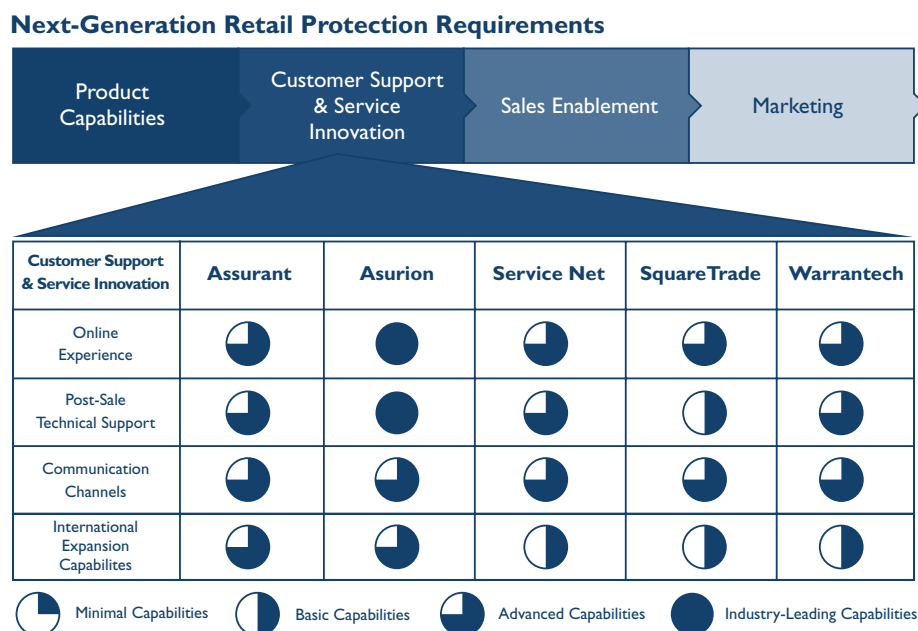
Assurant has been aggressively expanding its international operations and serves customers and clients in Europe, North America, the Caribbean, Latin America and Asia. Asurion has international capabilities and strong relationships with wireless carrier channels, which places them in a unique position to offer loss and theft services to retailers that offer a broader set of mobile computing products.

B. Customer Support & Service Innovation

The following attributes should be considered when evaluating partners for **Customer Support & Service Innovation**.

- **Online Experience:** Includes the ability to offer a single, device agnostic destination on the web to access plan benefits, registration, claims, repair scheduling, customer support, and other helpful product information. These features are critical for effective customer support. Retailers with branded portals have the added benefit of attributing the value of the user experience back to their brand.
- **Post Sale Technical Support:** Post-sale technical support capabilities help retailers provide troubleshooting support to their customers, and to help avoid technical issues during the first 30-60 days after purchase. Product technical assistance service capabilities are considered as part of this parameter.
- **Communication Channels (email, chat, phone, and portal):** Retail product protection provider should have multi-channel customer support capabilities (including email, instant messaging, phone, and self-serve portals). Types and features of the various communication options offered by the retail product protection provider are considered in this attribute.
- **International Expansion Capabilities:** As retailers expand into new markets, their retail product protection provider should have the ability to expand with them. Larger retailers should expect multilingual support as well.

Exhibit 6-Customer Support and Service Innovation: Comparison Matrix for Leading Retail Product Protection Providers



Highlights

Providing customers with advanced, self-serve experiences manage their product protection plans from online and mobile channels is a critical requirement for next-generation retail product protection programs. Ideally, consumers should be able to decide the communication channel for interacting with their providers – and not vice-versa. Leading retail product protection providers have invested in advanced digital platform that can help consumers take greater control of their warranty experience. These customer-facing innovations should be supported by advanced internal solutions that can be used to present a consistent, informed customer support experience. For example, information of previous customer interactions across the various channels of communication (email, online, and phone) should be readily available to call center agents to help them understand the fully history of a specific customer support request. Similarly, the call center agent should be able to perform real-time transactions in a rules-driven environment (while the customer is on a call) to avoid any delays in possible resolution of customer issues.

Asurion has launched a sophisticated online customer portal (called Solution Hub) that allows customers to fully manage their protection service, file and track a claim, schedule a repair, or choose a replacement option. Similarly, Warrantech's innovative claims platform allows consumers to manage their claims experience via an easy to use online interface, and provides visibility all along the adjudication process for the covered products. Service Net uses advanced unified customer relationship management (CRM) solutions to optimize the customer experience and automate operations, while SquareTrade delivers effective customer self-serve capabilities through its online portal, and offers multi-channel support capabilities.

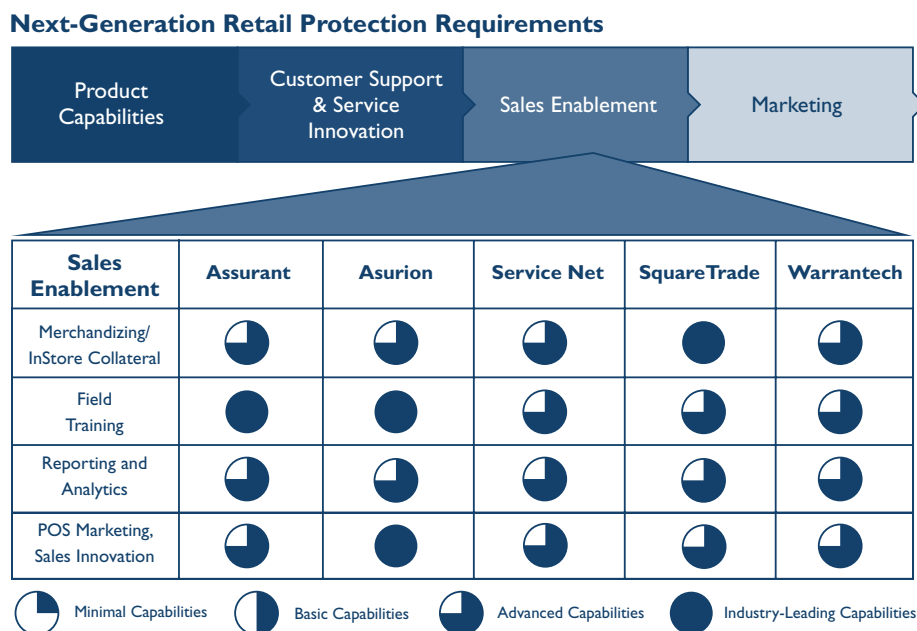
Retail protection is a complex business, which is best handled by providers that can ensure strict quality controls over every aspect of the customer support process. Retail product protection providers that use in-house assets to support critical processes (such as pre-sales support and post-sale technical support) are likely to deliver a superior customer experience over providers that tend to rely on third-party entities. Therefore, retailers should prefer working with integrated companies that have the right set of tools and capabilities to support the entire customer experience, including self-serve Web platforms, phone-based support, and remote/virtual on-demand technical support solutions.

Warrantech is rapidly expanding its VAS capabilities, and its call center currently has 400 seats, with the capability to double within 30 days. Asurion provides retailers with US-based customer support operations with more than 750 trained call center personnel in North America and is focused on developing local support capabilities for North American retailers. Other industry participants generally offshore portions of their care operations.

C. Sales Enablement

The following attributes should be considered for **Sales Enablement**.

- **Merchandizing/In-Store Collateral:** The retail product protection partner should provide marketing materials and in-store collateral for all stores nationwide. Parameters such as production and print fulfillment, seasonal campaigns, and associate tools are considered in this attribute for comparison purposes.
- **Field Training:** On-site training to retail workforce helps them understand the features and benefits of retail product protection. Ability to deliver world-class training over scalable, digital platforms is also a desired feature. All these parameters are considered in the Field Training attribute.
- **Reporting and Analytics:** Proactive measurement of retail metrics such as attach rates, impact of promotional programs, and sales by associate, channel, district, or region has become increasingly important to help retailers optimize their protection programs.
- **POS Marketing and Sales Innovation:** Automated and targeted mapping of product protection plans to retail stock keeping units (SKUs) in online and retail brick-and-mortar environments can help increase the attach rates for retail product protection and is an important capability for retailers to consider.

Exhibit 7- Sales Enablement: Comparison Matrix for Leading Retail Product Protection Providers**Highlights**

The retail product protection provider's marketing and branding approach, training abilities, multi-channel marketing solutions, and reporting and analytics capabilities can help retailers ensure success of their retail product protection programs. A substantial percentage of retail sales take place online and via the mobile channel. Therefore, retailers should consider the local (in-store), and remote (online and mobile) marketing capabilities of their retail product protection partners. They should also determine if the retail product protection provider has an in-house team that can support strategies to communicate the product to the customer and develop new marketing programs quickly when required.

Assurant and Asurion offer industry leading client training and reporting capabilities to help retailers analyze, target, and improve the performance of their retail product protection programs. For example, both providers leverage extensive research-driven consumer insights to proactively identify the market needs and deliver effective ESC plans that can help retailers increase customer lifetime value. Asurion also offers a range of Point of Sale (POS) solutions to ensure that retail associates offer appropriate product protection plans to consumers at time of checkout.

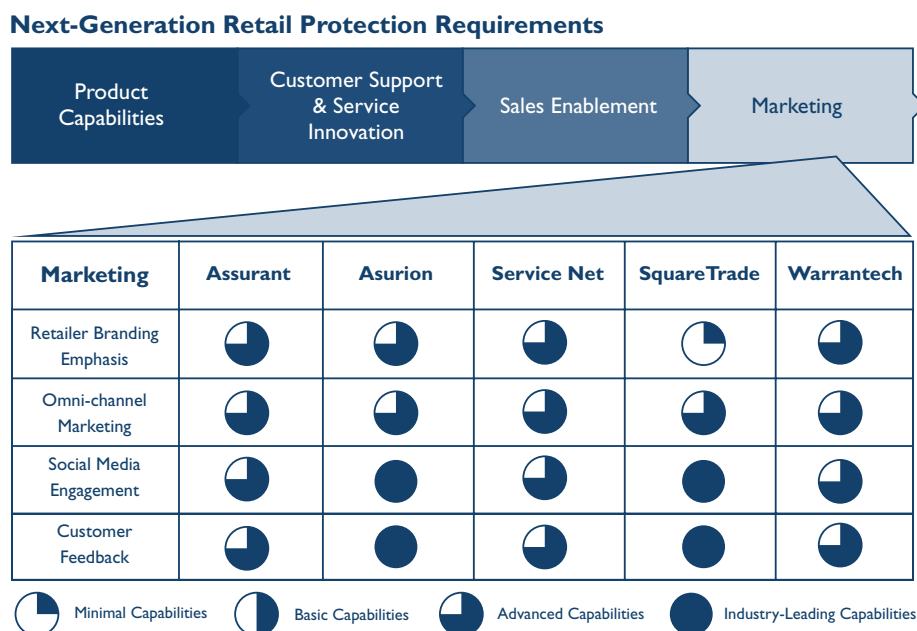
Retailers should understand the true costs, and overall financial performance of the retail product protection operations. Understanding the trends in loss ratios, failure rates, and the mean time between failures for products can help retailers demand product improvements (for products that are prone to failures) from their OEM partners. Therefore, companies that have the ability to share these insights on a regular basis with retailers are well positioned.

Assurant and Warrantech are "vertically integrated" companies that provide service contract administration as well as underwriting services. Asurion, through its scale, has a strong portfolio of underwriter partnerships. All of these participants can provide effective reporting and can accelerate time to market which is a significant benefit for retailers that want to implement customized protection programs.

D. Marketing Capabilities

The following attributes are included in Marketing Capabilities.

- **Retail Brand Emphasis:** Given the competitive nature of the retail market, retailers should carefully consider the role of their brand in a protection program. Retailer-branded protection programs can help drive the customer loyalty benefit back to the retailer.
- **Omni-channel Marketing:** Delivering messages across an omni-channel experience helps retailers garner best-in-class attach rates for their product protection plans. The ability to deliver targeted messages relevant to the product being purchased in an omni-channel environment should be a key consideration for retailers.
- **Social Media Engagement:** The retail product protection partner should leverage social media to influence and drive meaningful customer engagement. Retailers should take notice of approaches that purchase social media engagement versus those that drive organic engagement with customers. The “social influence and engagement” capabilities of retail product protection plan providers are considered in this analysis.
- **Customer Feedback:** Retail product protection partners should have a robust customer feedback mechanism that can provide an unbiased view of the protection services offered. Retailers should look closely at how ratings are collected and ensure they reflect the feedback of customers that have used their service.

Exhibit 8-Marketing Capabilities: Comparison Matrix for Leading Retail Product Protection Providers**Highlights**

Retail product protection providers should understand their client's business and aim to become an extension of their client's brands. This is important to help retailers deliver a superior customer experience that drives retailer loyalty and subsequently leads to higher sales. Leading retail product protection providers, including Assurant, Asurion, Warrantech, and Service Net, operate on a "white-label" basis, which allows consumers to associate directly with the retailer's brand. On the other hand, SquareTrade is a third-party branded offering and consumers may associate the benefits with the product protection plan with SquareTrade versus the retailer brand.

Assurant, Asurion, and Service Net, have demonstrated a leadership in leveraging market research and data analytics to design innovative digital marketing and sales programs that have delivered tangible uplift in attach rates for their partners. The ability to measure – and highlight – the success of product protection plans by using ratings and reviews from users of protection programs can be helpful in driving adoption of retail product protection plans.

Retail product protection providers have done well in establishing category awareness and growth of retail product protection plans among consumers in the United States, but with distinct approaches. For example, SquareTrade has fostered a reputation as a strong 'branded' offering, whereas providers such as Asurion have delivered customized, end-to-end service experiences based on the retailers brand to drive adoption for their product protection plans. In general, product protection plans that offer high quality services and customer experience offer great value to consumers.

Frost & Sullivan The Last Word

- Retail product protection programs offer a convenient option to reduce or eliminate disruptions in product usage. While protection programs cannot “prevent” a problem, they can certainly ensure that consumers are able to get back to using their products quickly and in a pain-free manner. It is critical for retailers to educate consumers on the benefits of retail product protection programs, and how a relatively small upfront payment can deliver complete peace of mind and convenience at a later stage.
- Retailers should aim to **improve customer satisfaction, increase customer loyalty, increase store visits, and increase revenues** from their retail product protection programs. Retailers are encouraged to conduct a detailed analysis of the various retail product protection providers in order to select the right partner that can help them meet these growth objectives.
- While on the surface all product protection plans seem very much alike, they are clearly different when it comes to servicing the customers. **Retailers should carefully examine who does the best job in servicing the customer and work with experienced providers that have a track record in product development, supply chain optimization, customer services and claims operations.**
- A substantial percentage of retail sales take place online and via the mobile channel. Therefore, retailers should consider the local (in-store) and remote (online and mobile) marketing capabilities of their retail product protection partners. They should also evaluate if the retail product protection provider has an in-house team that can support strategies to communicate the product to the customer and can develop new marketing programs as and when required.
- A well-structured retail product protection offering can turn a negative customer experience (from product failure) into a positive customer experience (by assisting the customer and providing appropriate product repair or replacement service). Retail product protection providers that can become an extension of retailers’ brands can help convert dissatisfied customers into loyal customers.
- As devices become “smarter” and more “connected,” the need for post-sales technical support is going to be an opportunity for product protection plan providers. Retailers should look for providers that have progressive roadmaps that encompass this future potential and that have the ability to offer integrated and complete solutions to ensure a seamless customer experience.
- Retail product protection providers that use in-house assets for critical processes (such as customer care, claims, and post-sale technical support) are likely to deliver a superior customer experience over providers that rely on third-party entities. Therefore, retailers should consider working with companies that can integrate the right processes, tools and capabilities to deliver a seamless customer experience.

Auckland
Bahrain
Bangkok
Beijing
Bengaluru
Buenos Aires
Cape Town
Chennai
Colombo
Delhi/NCR
Detroit

Dubai
Frankfurt
Houston
Iskander Malaysia/Johor Bahru
Istanbul
Jakarta
Kolkata
Kuala Lumpur
London
Manhattan
Miami

Milan
Mumbai
Moscow
Oxford
Paris
Pune
Rockville Centre
San Antonio
São Paulo
Seoul
Shanghai

Shenzhen
Silicon Valley
Singapore
Sophia Antipolis
Sydney
Taipei
Tel Aviv
Tokyo
Toronto
Warsaw

Silicon Valley

331 E. Evelyn Ave., Suite 100
Mountain View, CA 94041
Tel 650.475.4500
Fax 650.475.1570

San Antonio

7550 West Interstate 10,
Suite 400
San Antonio, TX 78229
Tel 210.348.1000
Fax 210.348.1003

London

4 Grosvenor Gardens
London SW1W 0DH
Tel +44 (0)20 7343 8383
Fax +44 (0)20 7730 3343

877.GoFrost
myfrost@frost.com
www.frost.com

Frost & Sullivan, the Growth Partnership Company, works in collaboration with clients to leverage visionary innovation that addresses the global challenges and related growth opportunities that will make or break today's market participants. For more than 50 years, we have been developing growth strategies for the Global 1000, emerging businesses, the public sector and the investment community. Is your organization prepared for the next profound wave of industry convergence, disruptive technologies, increasing competitive intensity, Mega Trends, breakthrough best practices, changing customer dynamics and emerging economies?

For information regarding permission, write:

Frost & Sullivan
331 E. Evelyn Ave., Suite 100
Mountain View, CA 94041