

COST OF AUTO REPAIRS: CUSTOMERS BE AWARE A CASE STUDY

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CASE DESCRIPTION

The primary objectives of this case are as follows: (a) To select an auto service shop for replacing and repairing certain auto parts: replacement of valve cover gaskets, a left lower control arm, and rear struts in an old Honda Accord. (b) To get cost estimates and warranties from two auto service centers for the work to be done. (c) To compare these cost estimates and warranties. (d) To negotiate price and warranties and select one of the auto service centers to do the work.

Secondary issues examined in the case include the following: (a) To discuss the different ways some auto repair shops rip off their customers; (b) To discuss the various options and strategies that customers can use to choose reasonable auto service centers and have their car repairs done at reasonable prices.

It involves a real life customer and two real life auto service centers. Their actual names, however, have not been used here.

While the case contains several financial numbers, the case resolution does not require any above average financial knowledge or background.

The case is appropriate for junior and senior level students. A teacher would need about an hour to explain it to them, particularly how to answer its questions. Depending upon the kind of research and fieldwork the teacher would require his/her students to undertake, each student may spend 1-3 hours of his/her time to answer those questions.

This case can be used in courses dealing with topics such as decision making, comparison shopping, bargaining, consumer behavior, franchising, entrepreneurship, and marketing. It could be assigned as an individual or as a team project.

CASE SYNOPSIS

Owning a car is often a necessary evil. You must have it in order to manage your daily routines. Imagine that you are driving to or from work, or going on a vacation, and your car has a major breakdown. You pull over, bang on the car dashboard, use some of your favorite slurs, call for help, and have your car towed away to an auto repair shop. You feel helpless and stressed all the way! But now a different kind of stress takes over. Now you have to hold your breath until you find out what is wrong with your car that you left at the auto service before going home.

The shop owner calls you explaining what needs to be done to fix your car, often using technical jargon that you don't understand a bit. You don't have much of a choice. You give a go ahead; wondering how much you have been ripped off?

Auto service costs are escalating every year. This case would help students learn how to select an auto service center by analyzing and comparing selected centers' cost data and other terms of service.

Some widely known auto service franchises would be introduced. A teacher can ask the students to use this introductory material to further study them to select which franchise they would like to join if they wanted to.

Key words: Auto service. Cost of auto service. Role of gender in the cost of auto service. Selecting an auto service center. Auto service warranties. Auto service franchises.

THE BODY

A Cost Estimate from Moon Auto

Richard Nolan's 1996 Honda Accord, V6, was having some problems. He went to Moon Auto Service Center (a small business franchise) for diagnosis and cost estimate. They called him the next day and recommended for replacing three items: Valve cover gaskets (3 units), left lower control arm, rear struts (2 units), and wheel alignment. Their quotation and terms for the work to be done are presented in Exhibit 1. Mr. Nolan agreed to their price of \$1,355.64 to do the work with the condition that they would match their competitor's quotations, if lower than theirs.

Mr. Nolan has been getting his family cars serviced from this auto center for the last about 12 years; during which time he has given them a lot of business.

A Cost Estimate from Sun Auto

Mr. Nolan then visited a Sun Auto Center (part of a large national auto service chain), one of Moon Auto's competitors, for an estimate. They quoted a price of \$868.44 to do the same amount of work. Sun Auto's quotations and terms for the work are presented in Exhibit 2.

THE CHALLENGE

Assume you are Mr. Nolan, and that you are planning to have either Moon Auto Service Center or Sun Auto make the recommended repairs. Which company will you use, and why?

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Exhibit 1
Moon Auto's Quotations

1	2	Moon Auto's Quotations		
		3	4	5
	Items	Labor \$	Parts \$	Total \$
1	Valve cover gaskets	165.00	173.98	338.98
2	Left lower control arm	135.00	169.99	304.99
3	Rear Struts (2)	180.00	339.98	519.98
4	Computerized wheel alignment	89.99		89.99
5	Shop supply		13.20	13.20
6	Sales tax			88.70
7	Total			1,355.84
8	Conditional Warranty	3 months on labor	1 year on parts	

Exhibit 2
Sun Auto's Quotations

	Items	Sun Auto's Quotations		
		Labor \$	Parts \$	Total \$
1	Valve cover gaskets	74.00	69.99	143.99
2	Left lower control arm	135.00	169.99	304.99
3	Rear struts (2)	144.00	120.00	264.00
4	Computerized wheel alignment	89.99		89.99
5	Shop supply		8.66	8.66
6	Sales tax		56.81	56.81
7	Total			868.44
8	Conditional Warranty	6 months on labor	2 years on parts	

Note: Sun Auto's quotations also included some other services which are not included in this exhibit for the purpose of comparison with Moon Auto's quotations.

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