

# Marketing Essentials



## Chapter 32

### extended product features

#### Section 32.1 Warranties

#### Section 32.2 Credit



## Before You Read

**CONNECT** When you are considering a product purchase, do you ask about product warranty? Why or why not?

## OBJECTIVES

- **Identify** different types of warranties.
- **Explore** the importance of warranties in product planning.
- **Identify** the major provisions of product safety legislation.
- **Explain** consumer responsibilities and rights related to product performance.

## **THE MAIN IDEA**

Warranties encourage customers to purchase a product or service. Warranties can boost sales, but they can also present product and customer service problems.



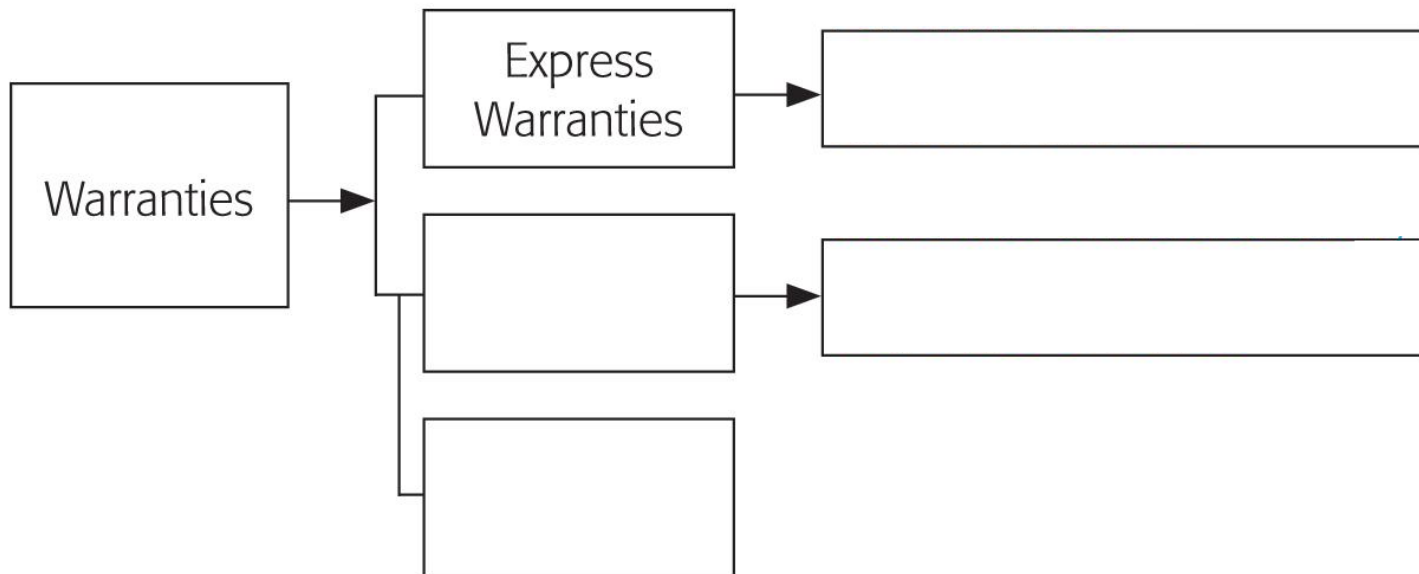
## VOCABULARY

- warranty
- express warranty
- full warranty
- limited warranty
- implied warranty
- warranty of merchantability
- warranty of fitness for a particular purpose
- disclaimer

# Warranties

## Graphic Organizer

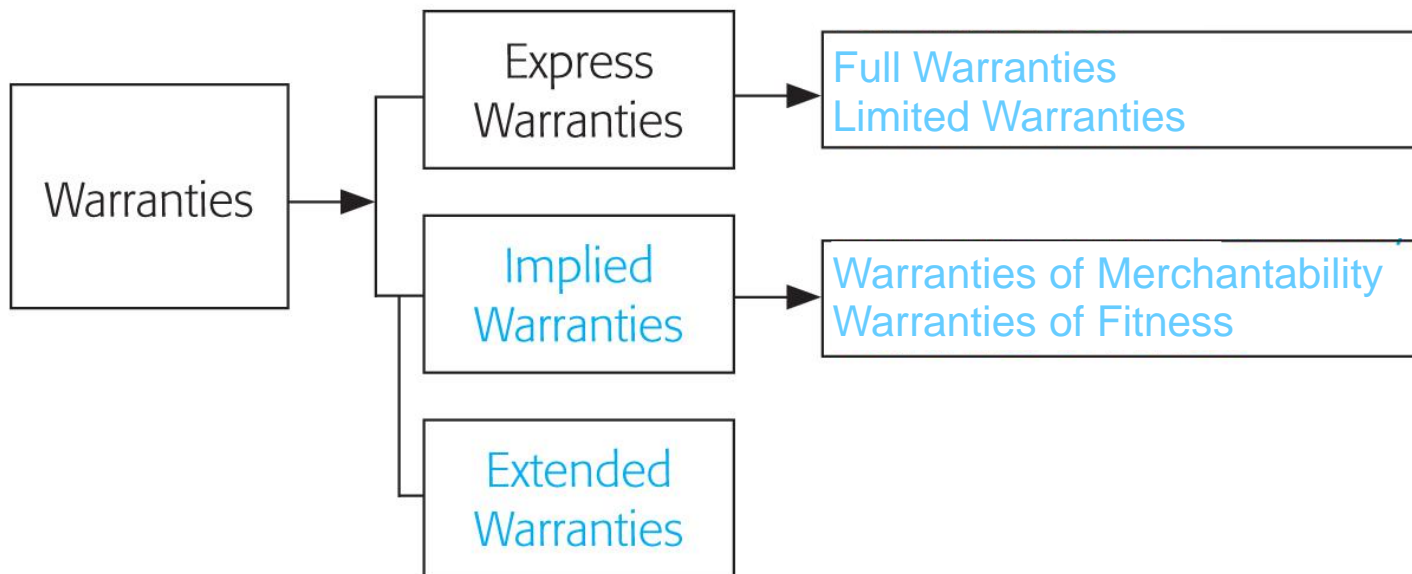
### Notes About Warranties as an Extended Product Feature



# Warranties

## Graphic Organizer

### Notes About Warranties as an Extended Product Feature



## Warranties

**A guarantee is generally provided by manufacturers. The majority of warranties are provided by retailers or distributors.**



### **warranty**

A promise or guarantee given to a customer that a product will meet certain standards.



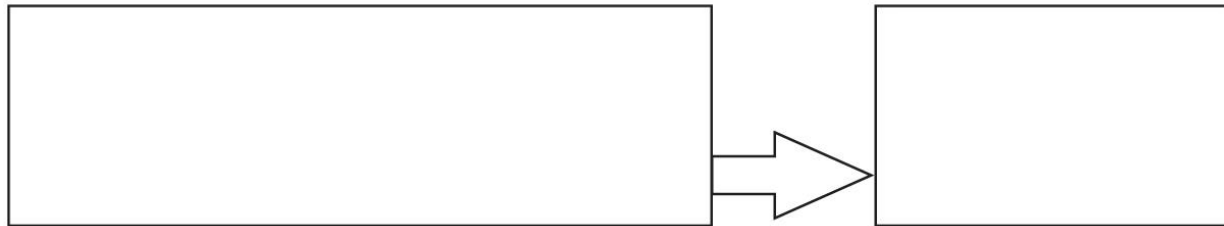
## Warranties

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How Warranties Came into Being

**Cause**

**Effect**



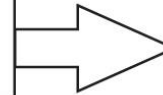
## Warranties

### Graphic Organizer

#### How Warranties Came into Being

##### Cause

Consumers often had no recourse  
when products and services did  
not live up to their promises



##### Effect

Companies  
began issuing  
warranties

## Warranties

### Express Warranties

#### Full Warranty

#### Limited Warranty



#### **express warranty**

A warranty clearly stated in writing or offered verbally to encourage a customer to make a purchase.



#### **full warranty**

A written guarantee that if a product is found to be defective within the warranty period, it will be repaired or replaced at no cost to the purchaser.



#### **limited warranty**

A written guarantee that may exclude certain parts of the product from coverage or require the customer to bear some of the expense for repairs resulting from defects.

## Warranties

### Implied Warranties

#### Warranty of Merchantability

#### Warranty of Fitness for a Particular Purpose



#### **implied warranty**

A warranty that takes effect automatically by state law whenever a purchase is made.



#### **warranty of merchantability**

A seller's promise that the product sold is fit for its intended purpose.



#### **warranty of fitness for a particular purpose**

A warranty that is used when the seller advises a customer that a product is suitable for a particular use, and the customer acts on that advice.

## Warranties

**A common type of disclaimer limits recovery to a refund or the purchase price.**



### **disclaimer**

A statement that contains exceptions to and exclusions from a warranty.



## Warranties

**Extended warranties or service contracts provide repairs or preventative maintenance for a specified length of time beyond a product's normal warranty period.**

## Consumer Laws and Agencies

### Federal Statutes

**Magnuson-Moss Consumer  
Product Warranty Act**

**Consumer Product  
Safety Act**

**Consumer Product Safety  
Improvement Act**

**Food, Drug, and  
Cosmetic Act**

### State Statutes

**Lemon Laws**

## Consumer Laws and Agencies

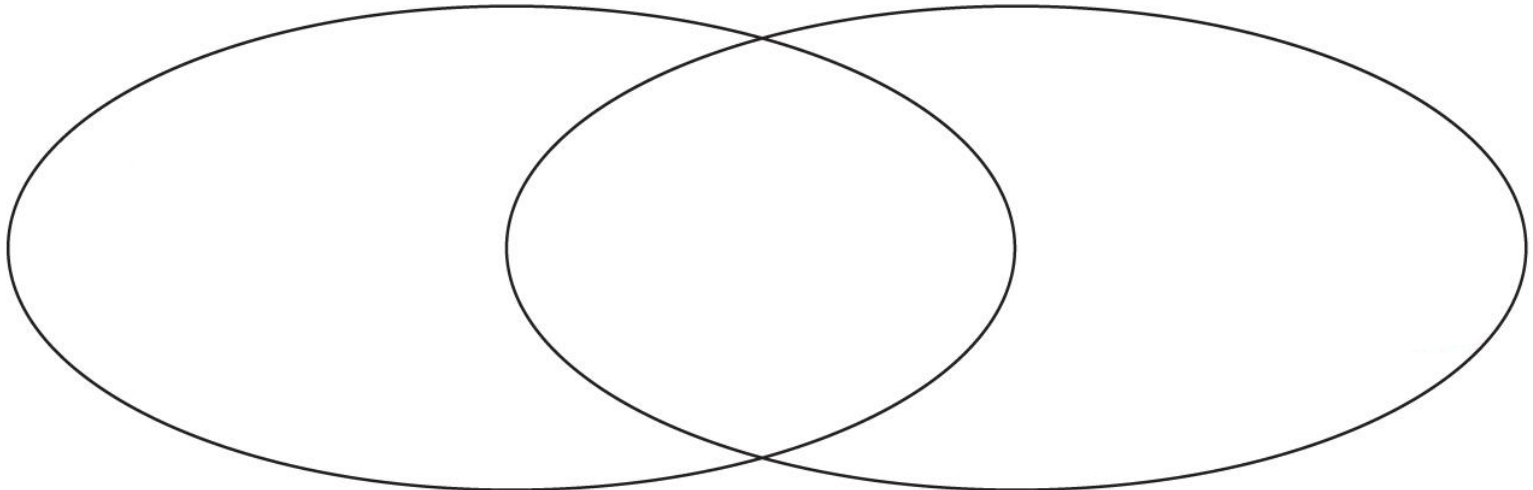
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Duties of the Food and Drug Administration (FDA) and  
the Consumer Product Safety Commission (CPSC)

**FDA**

**Both**

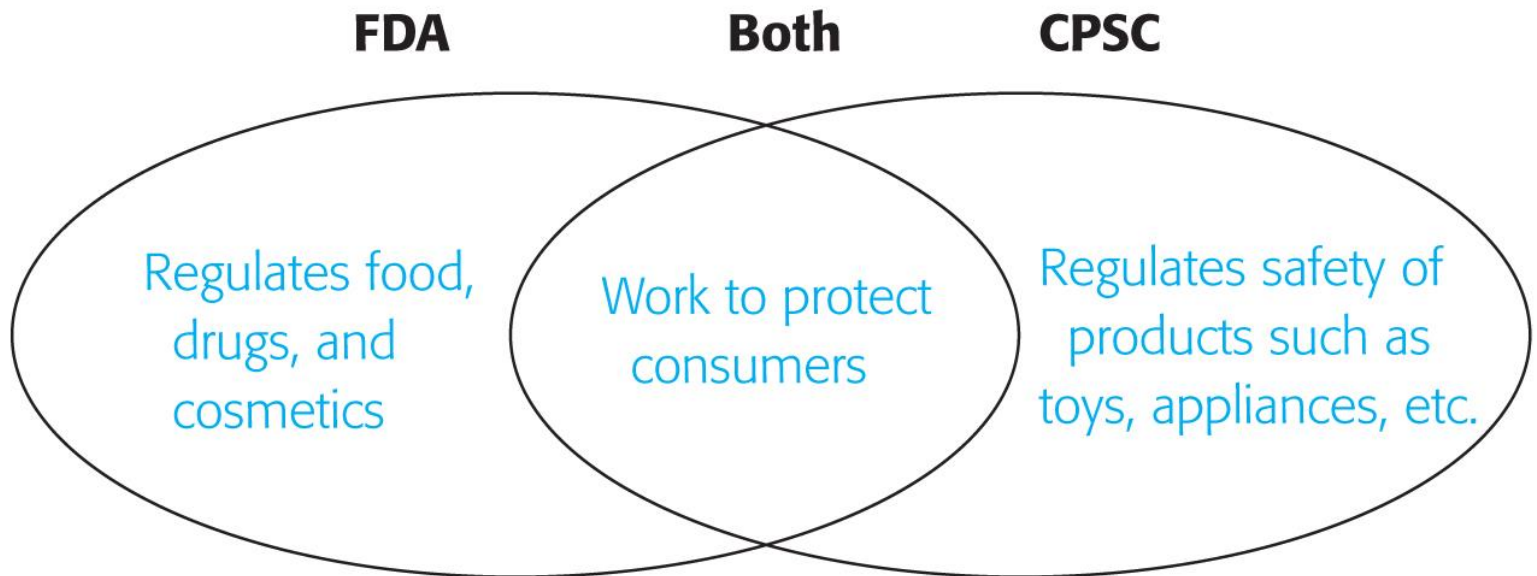
**CPSC**



## Consumer Laws and Agencies

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Duties of the Food and Drug Administration (FDA) and  
the Consumer Product Safety Commission (CPSC)



## Consumer Rights and Responsibilities

### Steps Consumers Can Take When They Have Not Been Adequately Protected by a Warranty

**Contact the business via phone, letter, or e-mail.**

**Contact the local, state, or federal offices that can assist with consumer complaints.**

**Take legal action if all else fails.**



# Warranties



## After You Read

## Section 32.1

1. **Explain** the difference between an express warranty and an implied warranty.

An express warranty is a warranty that is clearly stated, either in writing or verbally, to encourage a customer to make a purchase. An implied warranty is one that takes effect automatically by state law when a purchase is made.

**After You Read****Section 32.1**

2. **Explain** the difference between a full warranty and a limited warranty.

A full warranty is one that completely covers the repair or replacement of any defect in a consumer product. A limited warranty may exclude certain parts of the product from coverage or require the customer to bear some of the expense for repairs resulting from defects.

**After You Read****Section 32.1**

### 3. **Describe** a warranty disclaimer.

A warranty disclaimer is a statement that contains exceptions to and exclusions from a warranty.

**Before You Read**

**PREDICT** What might happen if consumers could not use credit cards to pay for purchases?

## OBJECTIVES

- **Describe** the importance of credit.
- **Explain** various sources of consumer credit.
- **Identify** the types of credit accounts extended to consumers.
- **Discuss** how businesses use trade credit.



## **THE MAIN IDEA**

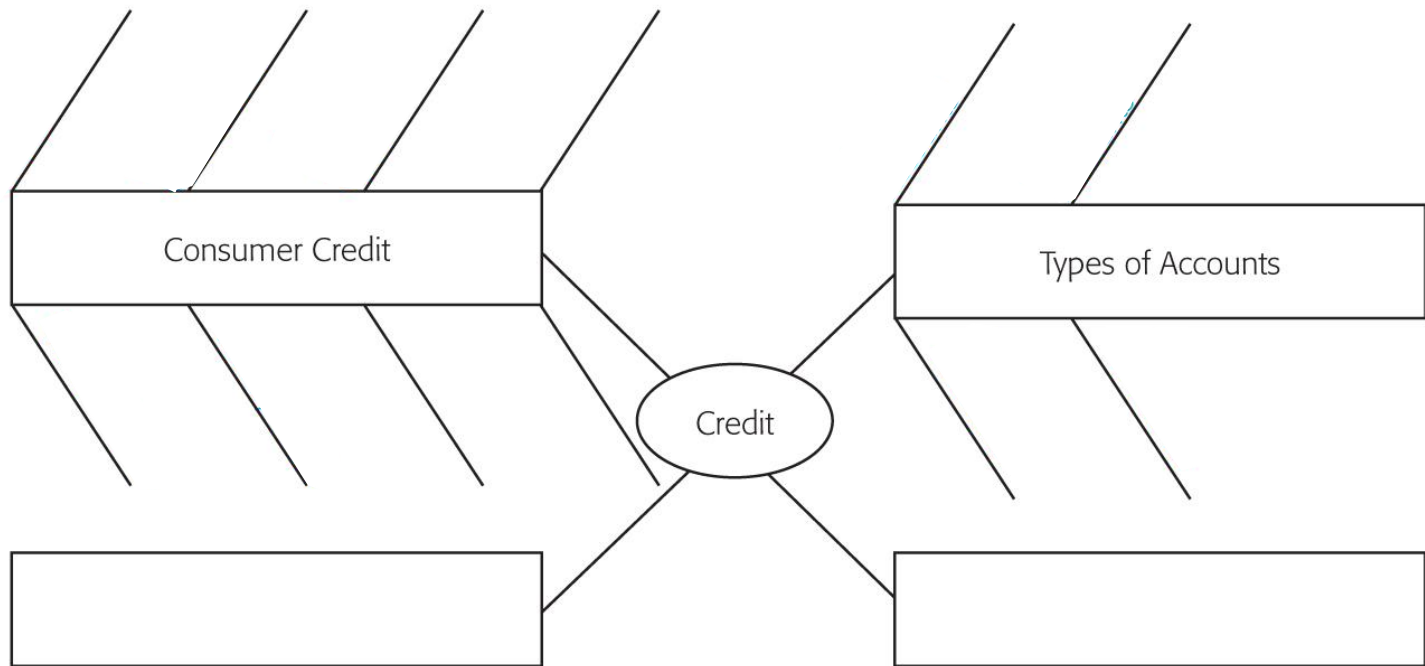
Extending credit to customers and accepting credit cards for purchases are important to product planning. Using credit wisely can benefit a business and its customers.

## VOCABULARY

- credit
- 30-day account
- installment account
- revolving account
- budget account

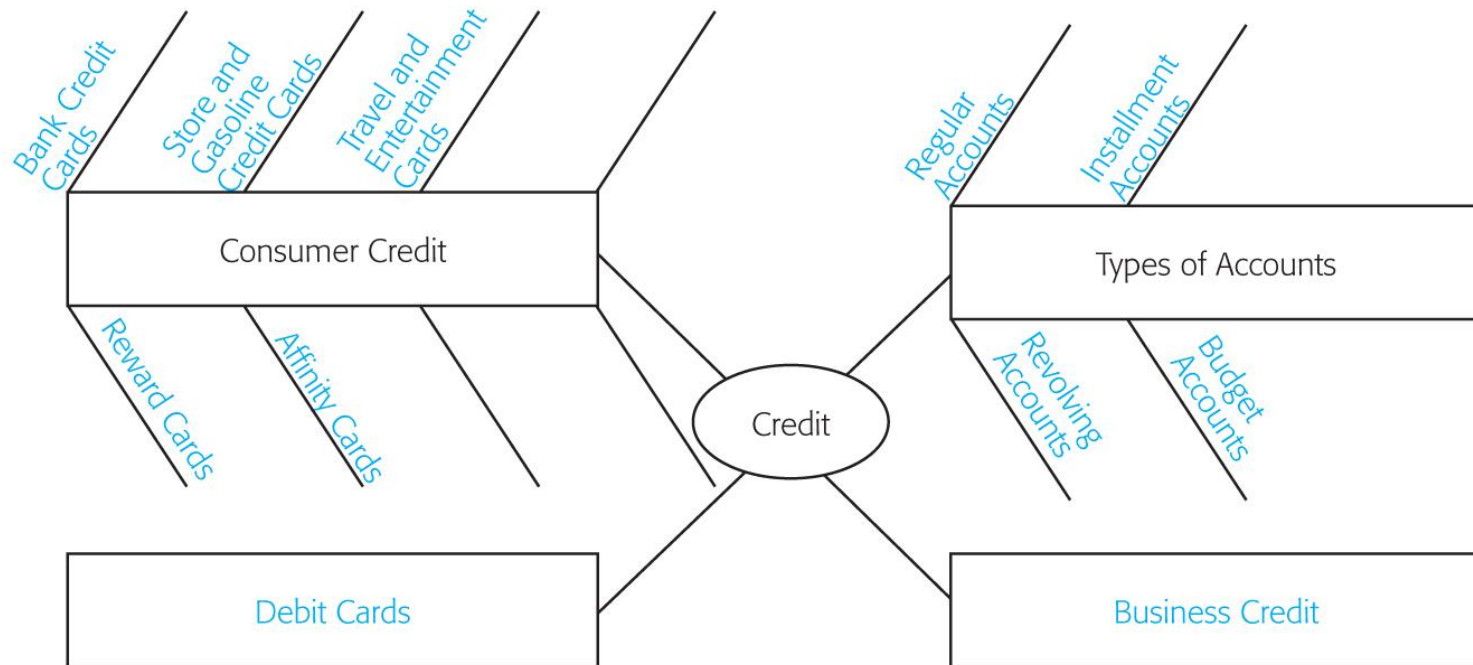
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## Notes About the Features of Credit



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## Notes About the Features of Credit



## Credit and Its Importance

**Credit allows consumers to make major and minor purchases.**

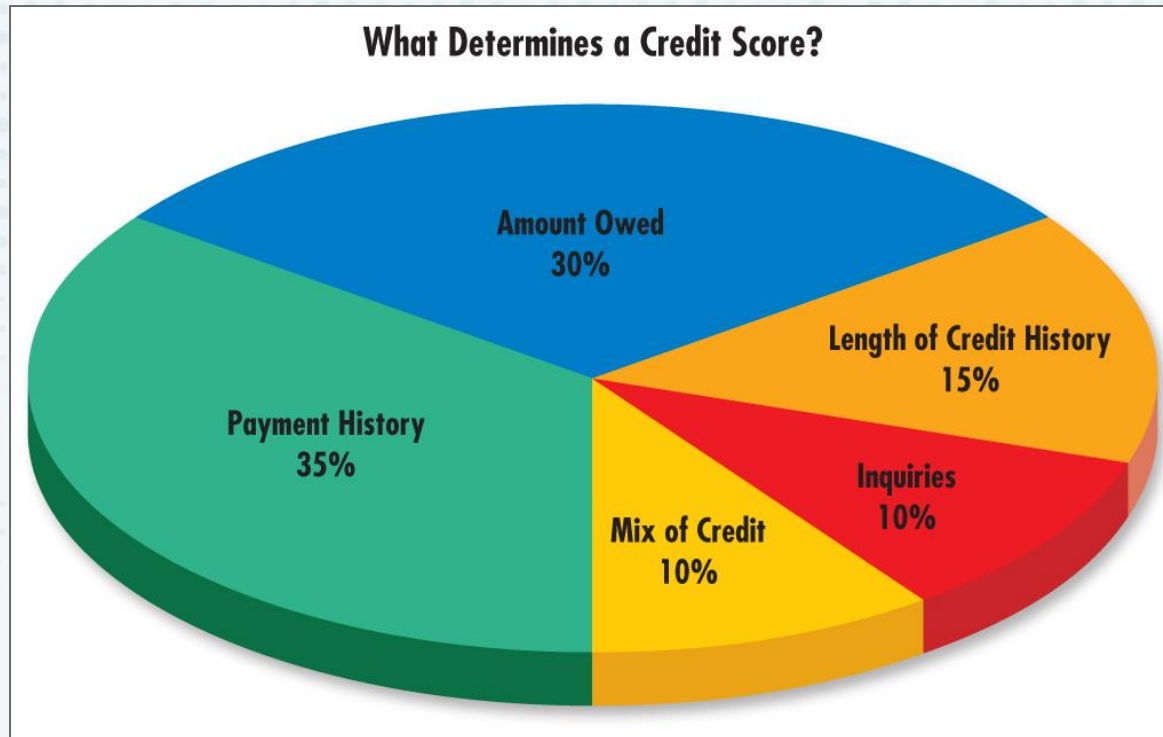


### **credit**

Loaned money in exchange for the promise to pay later.



## Credit and Its Importance



## Credit and Its Importance

### Types of Consumer Credit

**Bank Credit  
Cards**

**Affinity  
Cards**

**Store and Gasoline  
Credit Cards**

**Debit  
Cards**

**Travel and  
Entertainment Cards**

**Special Customer  
Cards**

**Reward  
Cards**

**Secured and  
Unsecured Loans**

## Credit and Its Importance

### Types of Credit Accounts

#### 30-Day Account

#### Installment Account

#### Revolving Account

#### Budget Account



#### **30-day account**

A regular charge account that enables customers to charge purchases during a month and pay the balance in full within 30 days after they are billed.



#### **installment account**

A time-payment plan that allows for payment over a period of time.



#### **revolving account**

A charge account offered by a retailer that sets the credit limit and payment terms.



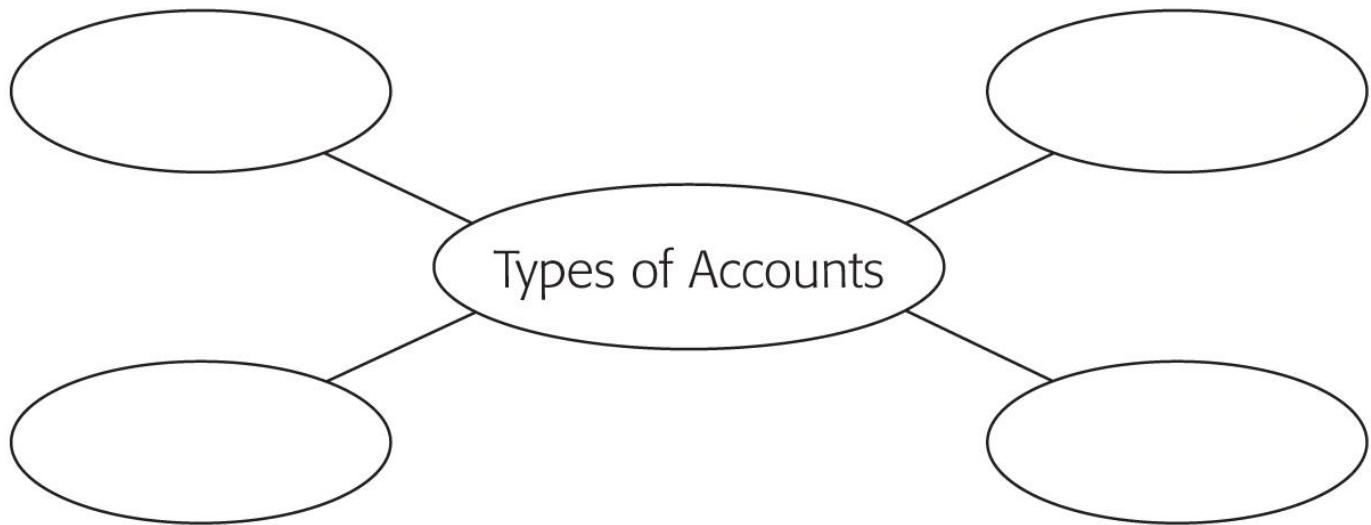
#### **budget account**

A credit account that allows for the payment of a purchased item over a certain time period without a finance charge.

## Credit and Its Importance

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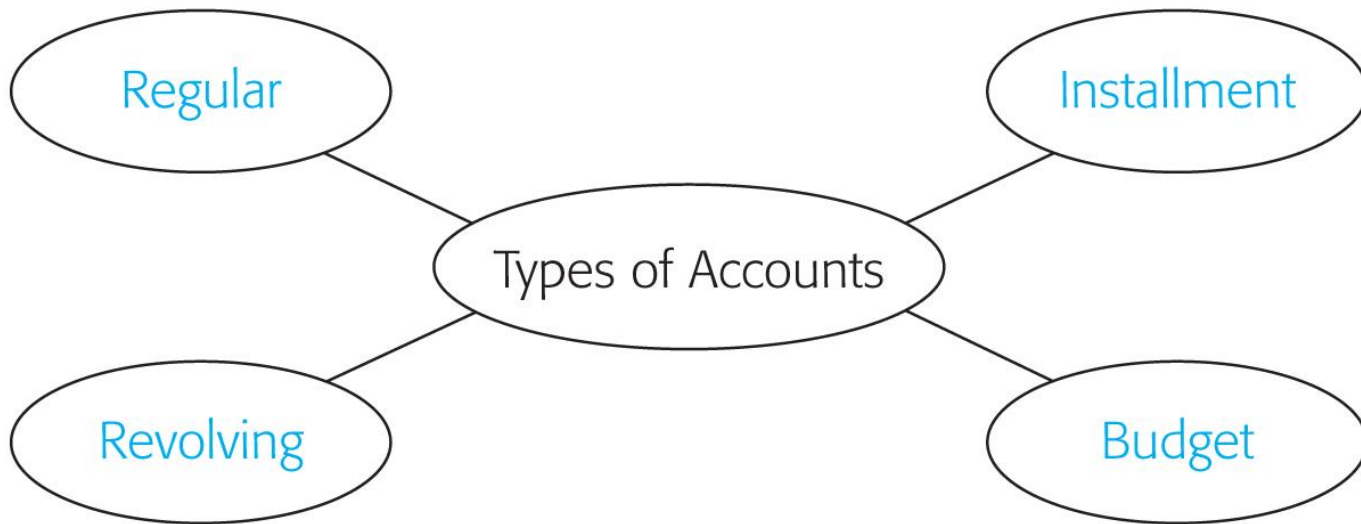
Types of Credit Accounts



## Credit and Its Importance

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### Types of Credit Accounts



## Credit and Its Importance

### Business Credit

**Banks lends to well-established businesses.**

**Businesses can apply for a line of credit.**

**Businesses can borrow using assets as collateral.**

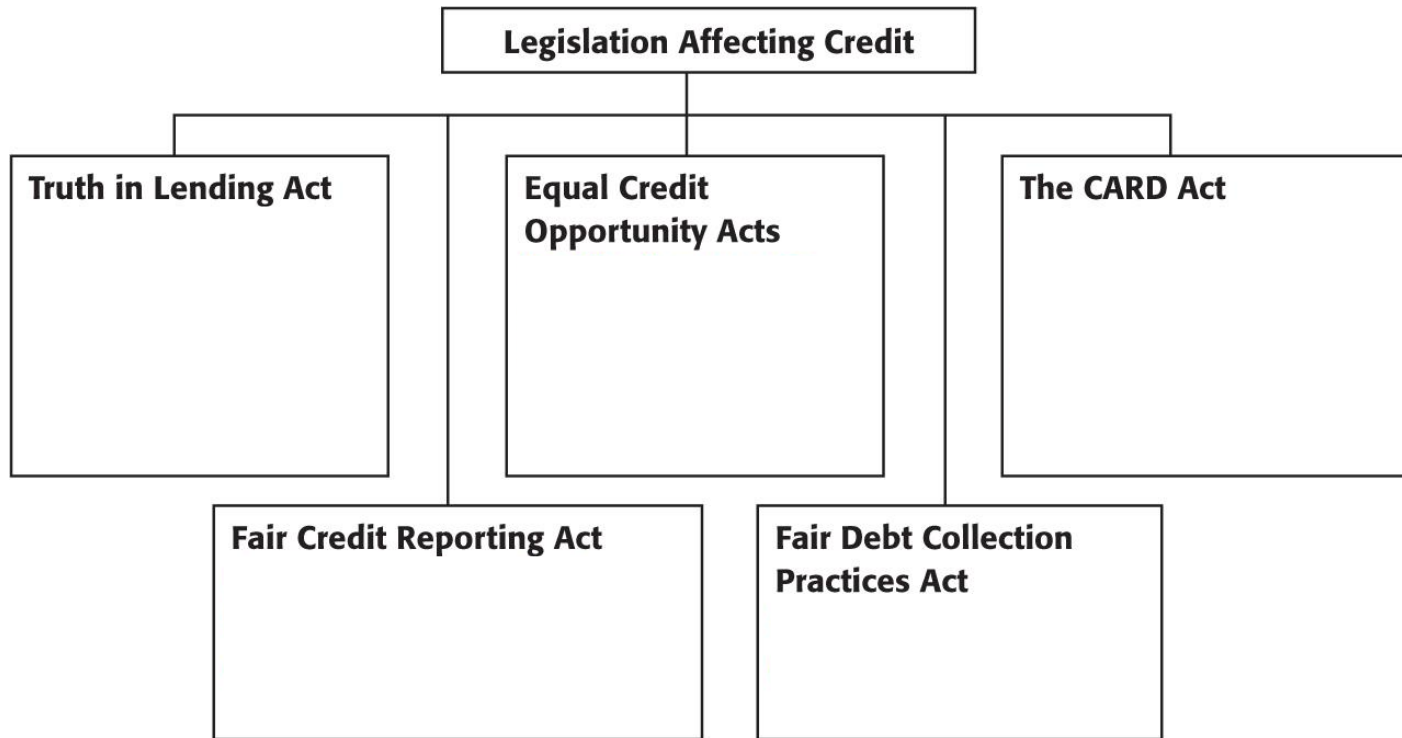
**Businesses can apply for trade credit from other companies.**



## Credit and Its Importance

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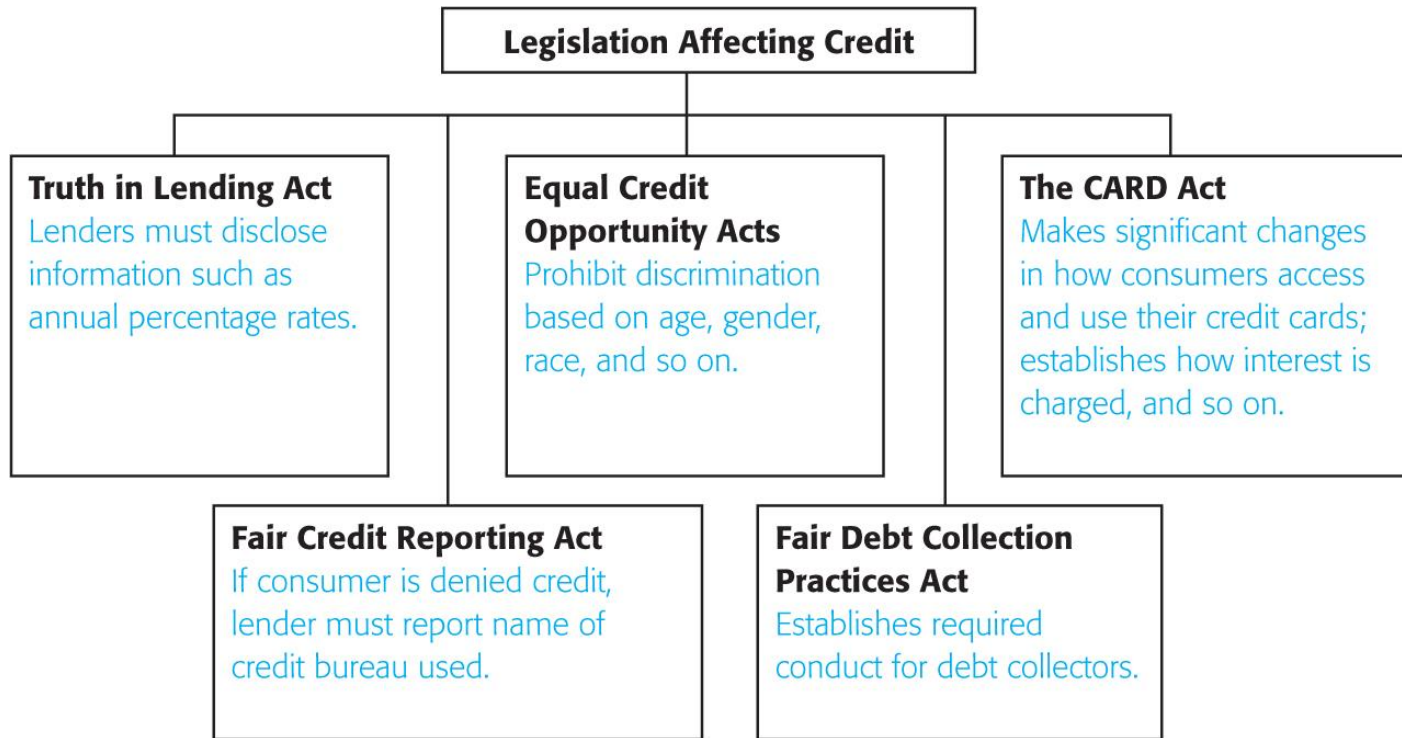
Describe Each Legislative Act



## Credit and Its Importance

### Graphic Organizer

### Describe Each Legislative Act



**After You Read****Section 32.2**

1. **Explain** why credit is an important extended product feature.

Credit is an important extended product feature because it allows most consumers to make major purchases such as homes, automobiles, and appliances when needed in exchange for a promise to pay later. It also makes purchasing less costly day-to-day items more convenient.

**After You Read****Section 32.2****2. Discuss** the difference between a credit card and a debit card.

A credit card is basically a loan. Credit cards are issued with a credit limit based on customers' ability to pay and their payment history. Debit cards allow funds to be withdrawn directly from a checking account and transferred to the place of purchase.

**After You Read****Section 32.2**

- 3. Explain** how travel and entertainment charge cards differ from bank, store, and gasoline credit cards.

Travel and entertainment cards have annual fees, while regular credit cards may or may not have these fees. They often require transaction balances to be paid in full each month, while credit card balances can be paid off over time, but interest is charged on any remaining balance. Travel and entertainment cards also charge retailers higher service fees than regular credit card companies.



# Marketing Essentials



End of  
**Chapter 32**  
extended product  
features

**Section 32.1**  
Warranties

**Section 32.2**  
Credit