

TIMKEN

WHAT IS THE COST OF A BAD REPUTATION?

When a customer has to come back to your shop due to a defective part, improper repair or other issue, it makes a direct hit on your bottom line. The other side of this document describes how the Timken Cost of Comebacks Calculator can help you determine the real, total dollar cost of a comeback. But there's another, potential even more serious, cost; the loss to your business due to what the damage comebacks do to your reputation.

THE REAL COST OF COMEBACKS

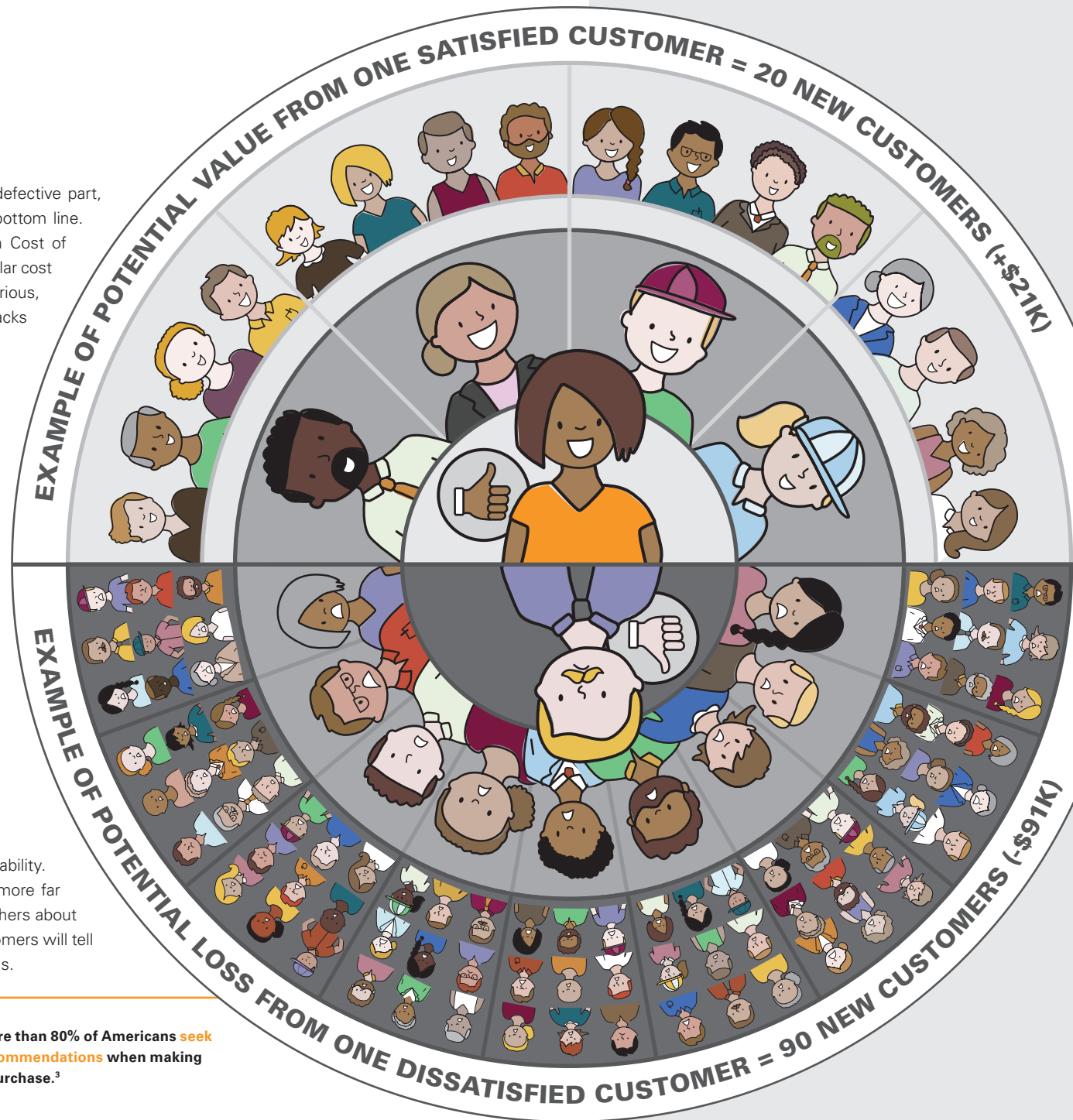
THE POWER OF A POSITIVE REPUTATION

Happy customers are more likely to come back and buy more of the service and products you offer. That represents an important, long-term revenue stream. But there's an added benefit that's potentially even more valuable; the referrals that result from those loyal customers.

For example, say that one of your loyal customers has a lifetime value of \$1,000 to your business. He or she is highly likely to refer you to four or more friends or family members. Convert those referrals into new customers, and it's easy to see the multiplying effect of your loyal customers.

THE DAMAGE OF DISSATISFIED CUSTOMERS

It's clear that happy, loyal customers are important to your profitability. But the effect of dissatisfied customers is even greater and more far reaching. A dissatisfied customer will tell between 9 and 15 others about a negative experience, and more than 10% of dissatisfied customers will tell more than 20 people.¹ Your bad reputation will spread like a virus.



92% of consumers believe recommendations from friends and family over all forms of advertising.²



More than 80% of Americans seek recommendations when making a purchase.³



You know some of the direct costs of customer comebacks. There's the replacement part, the time you spend assisting the customer, and the non-billable technician time to redo the repair. Add up those costs and it's a significant nick in your profit. But there are other costs you probably haven't considered that make the cost far higher.

Visit www.timken.com/comebackcalculator to download our Cost of Comebacks Calculator to discover what comebacks really cost you. The calculator also gives you a comparison of those costs when you use Timken hubs versus value line hubs.

To the right is an example showing how the calculator reveals the real Cost of Comebacks. In the actual calculator, you will enter your data in the highlighted cells to calculate your actual cost of comebacks.

WHAT'S YOUR REAL COST OF A COMEBACK?

Visit www.timken.com/comebackcalculator to download the calculator and find out.

TIMKEN

The Timken team applies their know-how to improve the reliability and performance of machinery in diverse markets worldwide. The company designs, makes and markets high-performance mechanical components, including bearings, belts, brakes, clutches, chain, couplings, gears and related mechanical power transmission products and services.

Stronger. By Design.

The top section of the calculator shows you the total profit on typical service job, replacing a front-wheel hub assembly.

| | Economy | Timken |
|---|----------|----------|
| Part purchase price: | \$119.99 | \$173.99 |
| Part selling price (40% markup): | \$167.99 | \$243.59 |
| Profit on Part: | \$48.00 | \$69.60 |
| Your labor rate: | \$70.00 | \$70.00 |
| Your technician hourly cost: | \$17.79 | \$17.79 |
| Job time estimate: | 1.6 | 1.6 |
| Labor revenue: | \$112.00 | \$112.00 |
| Labor cost: | \$28.46 | \$28.46 |
| Profit on labor: | \$83.54 | \$83.54 |
| Customer invoice: | \$279.99 | \$355.59 |
| Total parts & labor cost: | \$148.45 | \$202.45 |
| Your total profit: | \$131.53 | \$153.13 |

The bottom section of the calculator lets you estimate how many hubs you install in a month and the return rate for the part. Then it shows you the estimated, annual real cost of comebacks, both for economy and higher-quality parts.

| | | |
|---|------------|------------|
| Parts installed per month: How many hubs do you install in a month? | 36 | 36 |
| Annual parts profit: Your annual profit on selling this part. | \$4735.15 | \$5512.75 |
| Estimated % return rate: What is the expected return rate for this part? | 8% | 2% |
| Units warrantied per year: | 2.88 | 0.72 |
| Lost profitability: How much profit did you lose on redoing the original jobs. | [\$378.81] | [\$110.26] |
| Lost opportunity: How much profit did you lose by tying up a bay for rework instead of new business? | [\$378.81] | [\$110.26] |
| Year-end profitability - Total: | \$3977.53 | \$5292.24 |
| Year-end profitability per unit: | \$110.49 | \$147.01 |
| Total profit for each hub installed: | 84% | 96% |

The information provided by the calculator is for illustrative purposes only, and accuracy is not guaranteed.

1 White House Office of Consumer Affairs, quoted at <https://beyondphilosophy.com/15-statistics-that-should-change-the-business-world-but-havent/>

2 <https://www.forbes.com/sites/kimberlywhitler/2014/07/17/why-word-of-mouth-marketing-is-the-most-important-social-media/#5375173b54a8>

3 <https://www.business2community.com/marketing/numbers-dont-lie-2016-nielsen-study-revealed-referrals-01477256>