

EXERCISE TOYONDA

Role Information for Jesse Nesmith

You are Jesse Nesmith, Regional Service Manager for the Toyonda Corporation. Toyonda has built itself a reputation over the years for producing high quality cars. They charge a premium price, and market their vehicles based on data showing that overall operating costs are lower due to fewer repairs compared to their competition. As Regional Service Manager, your job is to assure that customers feel that they are treated fairly to assure customer loyalty and to get important positive word-of-mouth advertising from their customers.

As with any business, however, cost control is critical. Any money that you allow toward repairs for Toyonda customers cuts directly into the corporation's profits. Consequently, your performance evaluations, raises, and opportunities for advancement within Toyonda are all based heavily on affecting customer satisfaction and containing costs. Any money spent must be well-justified to Toyonda's audit staff, who evaluate and rate your performance on every case you handle. Often it can be shown that problems with Toyondas are attributable either to abuse by the customer or to neglect of routine maintenance. These issues are important to establish when deciding whether to grant any "relief" to a given customer.

One of Toyonda's dealerships in the Midwestern US contacted you about a customer, Chris Jacobs, whose Toyonda Camcord has a transmission problem. The customer had purchased the "fully loaded" Camcord new. The car had a standard 3-year/36,000-mile warranty, but is now four years old and has over 60,000 miles—which puts it clearly out of warranty. The customer had decided not to buy the extended warranty when the car was originally purchased. The servicing dealership has determined that the problem is internal to the transmission itself (and not a problem with the car's computer or electronics). Camcords, and in fact all Toyondas, have an excellent track record of providing a long vehicle life with few repairs. Toyonda takes full advantage of this fact in their marketing. This particular customer's Camcord was one of the first produced after that line of car was completely redesigned including a new, more powerful V6 engine (up 35 horsepower from the prior year's V6). While there have not been significant problems documented with the transmission for the new V6, sometimes problems arise in a redesigned model—particularly when a more powerful engine comes into play. It is surprising that the transmission failed with only 64,000 miles. Since this customer's car has higher than average mileage for its age, it may just be among the first of the redesigned Camcords to have accumulated enough mileage for any design or manufacturing defects to become apparent.

The customer's car is clearly out of warranty, so Toyonda has no obligation to pay anything. You offered a new transmission to the customer even though you were not obligated to do anything whatsoever. This would cover two-thirds of the customer's bill, the customer would only need to pay for the installation of the transmission (about \$700). You feel your offer of a new transmission, paid for by Toyonda, is very generous.

To your surprise, the dealership told you the customer is still unhappy and wants to talk with you. They have arranged a meeting between you and Chris Jacobs.