

606-608 Lake Street
St. Catharines ON L2N 5S9
905-646-4385

December 7, 2006

Mr. Donald Romano
President
Mazda Canada Inc.
55 Vogell Road
Richmond Hill ON L4B 3K5

Dear Mr. Romano,

Re: Product Defects, Customer Relations, and 'Team Mazda' on the Brink of Defeat

I'm writing because we're in the dying seconds of the fourth quarter, and it looks like only you can save 'Team Mazda' from defeat.

1. Background: A Long History with Mazda

I've driven Mazda's since 1986. I moved over to Mazda after a bad experience with one of the Big Three domestics that involved a 'hidden' warranty.

My car, a 2002 626, is my fourth Mazda. I've been able to follow the histories of two of the first three subsequent to my ownership, and know they've been driven reliably and inexpensively to high mileage.

I have been extremely pleased that Mazda cars have been defect-free, and never let me down. Until now.

2. The 96K Inspection

I've always regarded the cost of the 96K inspection, in the vicinity of \$550-\$575 for a 626, to be ridiculous. I understand the unusually high cost is related to the need to replace the timing belt.

Over the years I've been persistently put on the defensive by friends and colleagues over the cost of this service. They tell me they would not abide it.

But I've rationalized the situation because other than the timing belt replacement I've never had to pay for any unexpected defect in any of my Mazda cars.

....2

3. The Defect

This time around I was told by St. Catharines Mazda that I needed to replace a defective water pump. As a result, when the 96K inspection was completed I walked out the door with a bill in excess of \$900. Suddenly my Mazda was not so inexpensive any more.

In my experience, and in the experience of everyone I've talked to, water pump failure at 96K is premature. I can only conclude that my car was delivered with a defective pump. I am not happy about this.

4. The Excuses

In pursuing my concerns through 'Team Mazda' (Laura, the Service Manager of St. Catharines Mazda; Cheryle, the Controller of St. Catharines Mazda; and Craig, your District Parts and Service Manager), I have heard an amazing catalogue of excuses as to why I should be happy with this situation.

The excuses have generally been presented in a resigned tone of 'S--t happens. We can't do anything. Live with it.' They have included, as a very small sample, the comparative cost of routine service on a Millenia, airy claims about re-sale value, 'think about what it would cost if we didn't already have your engine torn apart to put in the new timing belt', and the cost of bathtub repairs.

None of these excuses were relevant to my concern, so none of them were satisfactory. If I could offer one suggestion in the field of customer relations it would be this: stick to the customer's point. Tangents only distract and frustrate.

That's the only free advice I'm going to give. After this I start charging.

5. The 'Nissan Excuse'

I noted with some interest that the most-frequently-used excuse by 'Team Mazda' had to do with water pump failures on Nissans. I guess I'm supposed to be happy my car is not a Nissan. The fact is, my car is not a Nissan, and I'm unhappy anyway. Comparing my car to one I chose not to buy does not make me feel any better.

I don't know about you, but I've always found it a bit unprofessional when one individual or company tries to justify their own shortcomings by comparing them to a competitor's alleged even worse shortcomings. I've never been impressed by the 'race to the bottom'. Aspiring to be there has always struck me as a shaky business strategy. You may have your own thoughts on The 'Nissan Excuse' as I understand you have some familiarity with that firm.

Ironically, I have a friend who has driven Nissans (plural) to high mileage over the past ten years, and he tells me he has never replaced a water pump.

6. The Negotiation

I was unhappy on hearing about the defective pump, and the cost of the replacement, and asked Laura to negotiate. Eventually she reduced it from \$300 to \$240. This is for an aftermarket pump, not a Genuine Mazda pump, which I understand is about \$50 more. Most of the reduction was offered up by the technician who discovered the problem. He deserves a bonus. I look forward to Cheryle's confirmation he's received it. The rest of the reduction was offered by the Parts Manager.

Unfortunately, as I expressed to Laura, the negotiation process was like 'pulling teeth'. Many excuses were put forward (see above) before a reduction was offered. In the end, of course, the negotiation indicated that a 'best cost' was not presented to me in the first place.

7. The Proposed Resolution

When I met with Cheryle and Craig I said I'd be happy to cost-share on the replacement pump. After all, we all make mistakes, and allowances should be made. On a three-way split, my share would be 100 dollars, and I'd walk away happy. They both said no.

To put this in context, a colleague recently experienced major engine failure on a European import. He tells me the repair cost was in the vicinity of \$5,000. He also tells me the dealer *volunteered* a 70% write-down of the bill on the basis that the dealer wanted him to continue patronizing their service department, and to consider buying another car of the same make the next time he was in the market. To my mind that is customer relations that means something.

8. 'Tied Hands' at 'Team Mazda'

I believe that Laura, Cheryle, and Craig are good people in a tight spot.

Laura's hands seem to be tied the tightest. There seemed to be little she could do in the negotiation. Finally she called a huddle with the Parts Manager and the technician. They were able to help her out.

Craig tells me he has many years of experience in automobile service. I respect that. But, apparently his hands are tied by company guidelines. He admitted there is a 'grey area' beyond the warranty (also referred to by Laura), but in my case nothing can be done. Craig did not offer to take my concern to anyone else at Mazda Canada, nor did he direct

me to anyone else. I conclude that Craig's guidelines, notwithstanding the limitations he perceives, include full authority to speak for Mazda Canada, and bring closure to situations like mine.

Cheryle gets high marks for empathy. But apparently her hands are tied by the St. Catharines Mazda business plan. After all, she has a business to run. So her empathy is ineffectual. She graciously set up the meeting with Craig, but that's where the 'customer relations' effort was dead-ended. Cheryle has said she will refer my case study to a 'managers meeting' for some brainstorming around how this situation could have been handled differently. I would be very interested to hear the ideas that are put on the table.

Cheryle has also offered to do whatever she can to make sure I get a 'best deal' on future servicing and the purchase of my next Mazda. I appreciate that offer. Unfortunately, it appears unlikely she, or her sales staff, or her service department, will get that opportunity.

9. The Financial Impact

When you do the arithmetic you'll find that Mazda Canada stands to lose the profit on an easy sale of a new unit, and revenue from replacement parts for my current unit and the new unit. In addition, Cheryle stands to lose the profit on the easy sale of the new unit plus all the revenue from service work on my current unit and the new unit.

All for 140 bucks!

I assume this impact is consistent with and supports the Mazda Canada business plan. The business plan no doubt provides for the cost of finding replacement customers. But I would be interested to hear your thoughts on the subject.

10. Summary

Having to replace the water pump rubbed salt on the wound of the 96K service. Dealing with my concerns has left a sour taste. 'Team Mazda's failure to take responsibility for a relatively small defect, and inability to deal with my concerns in a direct and meaningful way, have given me considerable apprehension about what would happen if I ever had a big-ticket defect.

You don't need me to tell you the car business is a brutal business. Over the years many have failed. Competitors are ruthless, customers are unreasonable and fickle, and with the forces of globalization who knows who's going to survive. Letters like this shine a light on what you're up against: you try your best, and what you get back is a rant framed in a

lousy sports metaphor. I don't envy you the challenge. Particularly if your hands are tied like Laura's and Craig's and Cheryle's.

Selling me another Mazda should have been a 'slam-dunk' for 'Team Mazda'. But the ball is in the air, and it looks like it's heading for the rim. Let me know if you can find a way to snatch victory from the brink of defeat.

Yours truly,

Alan Gummo

cc Al Slattery, St. Catharines Mazda
Cheryle Slattery, St. Catharines Mazda
Craig Watterson, Mazda Canada
Automobile Protection Association
By email: list

P.S. Al, we haven't met, but thanks for the Happy 4th Anniversary card! I laughed out loud at the line about "having loads of fun!" Your timing is impeccable!

AG