



Determining Replacement Products in 2014

'The changing landscape of consumer electronics and how it will affect your replacement decisions!'

What criteria are you or your pricing service currently using to determine 'Like Kind and Quality' replacements? It seems like such a simple question, with an equally obvious answer...match the brand, category and features of the product requiring replacement. It sounds easy and obvious on the surface, but it's not always as easy as you may think. With technological advancements taking place at breakneck speed, innovations aren't just resulting in improved performance or specifications but in much shorter product life cycles. Product categories are completely disappearing or merging like never before. To compound this problem, many manufactures find they can no longer compete in a particular category or market and are exiting those sectors, or the industry as a whole. The incredible pace of innovation means you are faced with many new challenges in attempting to identify 'Like Kind and Quality' replacements.

Next are several questions that relate specifically to the ongoing introduction of new technologies. Have you considered how you will determine brand equivalencies when the original manufacture no longer makes a suitable replacement or is no longer in business? What if there is no obvious equivalent replacement? How will you determine a comparative technology? What makes a product obsolete? What about legacy products that are incompatible with today are components? Would a cash value represent the best alternative in any of these circumstances? As a result of today's considerable innovation, these are just some of the decisions you'll need to make, and likely have already been making. Below, and in the follow up article "Dying or Changing Technologies," you'll find some extremely valuable information that will better equip you to answer these questions.

Here is a short highlight of recent Manufacture changes:

Toshiba of Canada is exiting the consumer space and will no longer sell computers, TV's, DVD's or Blu-ray products in Canada. Canada is one of 14 countries globally where Toshiba will no longer offer a consumer division.

Sony is selling off its computer division and is also focusing on spinning off its TV business into a standalone entity.

Panasonic, who introduced the Plasma TV to consumers, has now discontinued even making Plasma TV's and is trying to regroup with a new line of LED TV's.

TECH TIP

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They have now also discontinued making All in One Home Theater Systems (sometimes referred to as Home Theater in a Box or HTiB) *Samsung and LG have now also announced they are exiting Plasma Technology. Once existing inventory is sold, there will no longer be a recognizable company manufacturing Plasma TV's. This will certainly create some interesting discussions on LED equivalents since the technologies are so fundamentally different. The 'refresh rate' will probably be the most common question or issue.

Philips Electronics has said it intends to drop the word "Electronics" from its name after selling off the last of its consumer electronics divisions recently to Funai.

Samsung confirmed that it will stop selling Laptops and Chromebooks in Europe. Will North America be far behind?

Pioneer Electronics, who exited the premium TV category a few years ago, has now announced that they will sell their Home Entertainment Division to Audio Equipment manufacturer Onkyo.

Kodak, after exiting the Camera/Video camera and printer market a few years ago, announced a multi-year agreement with JK Imaging to license the Kodak brand name for certain consumer products, including digital cameras, pocket video cameras, and portable projectors.

Other companies with little or no presence in the Canadian Consumer Electronics marketplace any longer include

- 1) JVC – once a full line manufacturer, are now limited to video cameras and some portable and car audio in the Canadian market
- 2) Kenwood – formerly a full line Home and Car audio manufacturer now only sells Car Audio equipment
- 3) Mitsubishi & Hitachi – once dominate manufacturers in the consumer space, have no real Canadian presence at all

This is a shocking list of historic consumer electronics manufacturers representing every day, name brand products we all recognize! Not only are these, and other manufacturers, exiting the consumer electronics industry but brand positioning is changing as well. Not so long ago this industry was dominated by the Japanese manufacturers. Most of us considered their products 'premium brands' and everything else was second tier, or a 'value' option. Today, this is no longer the case. Korean companies such as Samsung & LG (who evolved from Goldstar Electronics), are now considered leading edge companies. While many consumers will be familiar with the recent history of these brands, many older consumers may not consider them to be equivalent to their older Japanese manufactured components.

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Alternatively, the opposite of this situation has also taken place. While many of you may remember companies like RCA, Philips and Magnavox from their heyday, today they are thought of as 'tier 2' offerings in many consumers' minds.

As you can see from just these few examples, technological advancements, availability and brand selection are going to play a key role in your decisions when offering insured's a replacement alternative.

By identifying and preparing for these changes now, you as an adjuster can be better prepared to provide answers to insured's questions about how a replacement equivalency was chosen. Ultimately, the more information you have access to, the better prepared you'll be to make the right replacement decisions. This is where experience and product knowledge play a key role. Industry experts are there to provide the necessary knowledge and experience to ensure you identify the most accurate replacement. They are also there to arm you with the backing material to support your decision. By considering these questions and preparing in advance, you'll save time, money and keep your clients satisfied.

Watch for Part 2- Dying or Changing Technologies in the Near future.

This article is designed to provide you with an overview of questions for some of the most popular Equipment.

If you would like to receive expert help in developing a specific strategy for addressing this subject please contact the author Keith Green at 613-233-1508