

A. Survey

The following questions have been asked of the participants:

- 1. What are your company's top five reasons for accepting product returns?*
- 2. What are your company's top five reasons for disputing or denying chargebacks to your customers (retailers or distributors)?*
- 3. What are your company's return rates (preferably calculated as a percentage of units sold) for the electric or electronic products that you are manufacturing?*
- 4. What kind of information could your customers (retailers or distributors) supply about product returns and/or chargebacks that would be helpful to your company?*
- 5. What are some of your company's product disposition practices (such as repair, recycle, throw away, etc.)?*

B. Survey Methodology

Below is a breakdown of all of the responses received.

Category	Number
Completed surveys	65
Not interested/ No answer	28

Survey response rate was 69.89%. The incorrect phone numbers and companies not contacted or for whom messages have been left were not used to calculate the response rate.

C. Survey Results

1. Question 1: Return Reason

By categorizing all of the reasons for product returns into 2 groups, defectives versus non-defectives, the survey results revealed that product return reasons in the “defective” category amounted to 45.05%, while the return reasons for the “non-defective” category summed up to 54.95%.

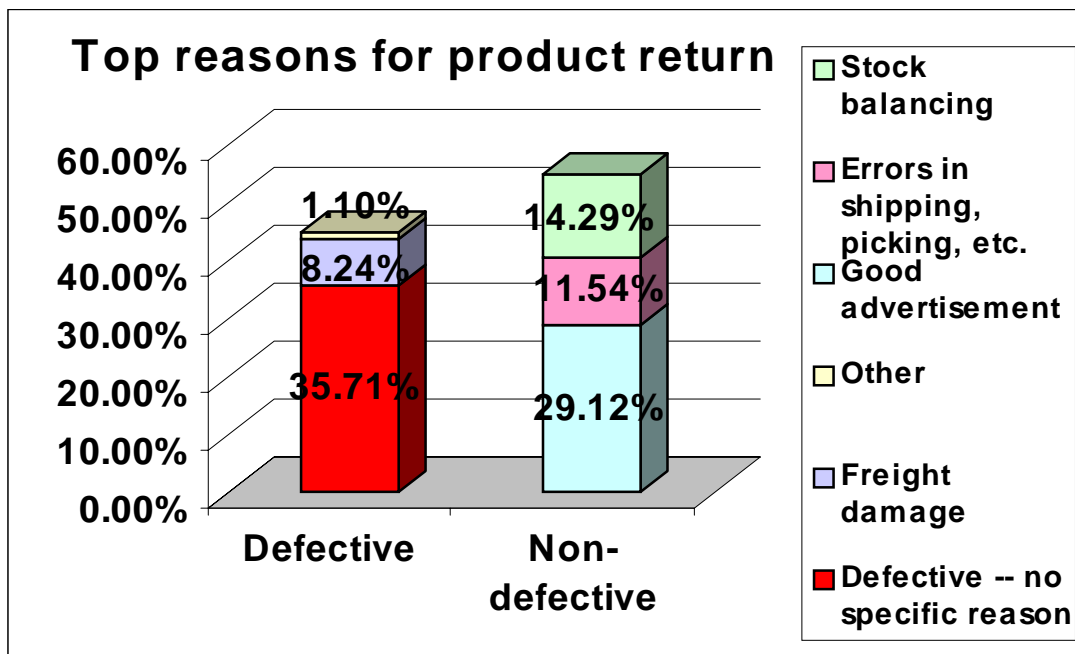
The “defective” category includes products that are:

- Defective
- Damaged in shipment

- Taken back for other reasons, such manufacturers standing behind their quality standards, or accepting returns because they are not worth the investigative costs.

The “non-defective” category includes products that are taken back because:

- The firm would like to create good advertisement for itself and maintain its reputation along with customer loyalty
- The firm has made errors in picking or shipping the products
- The firm is balancing its stock or the sale is guaranteed
- The customers cancel the order, or do not know how to use the products.

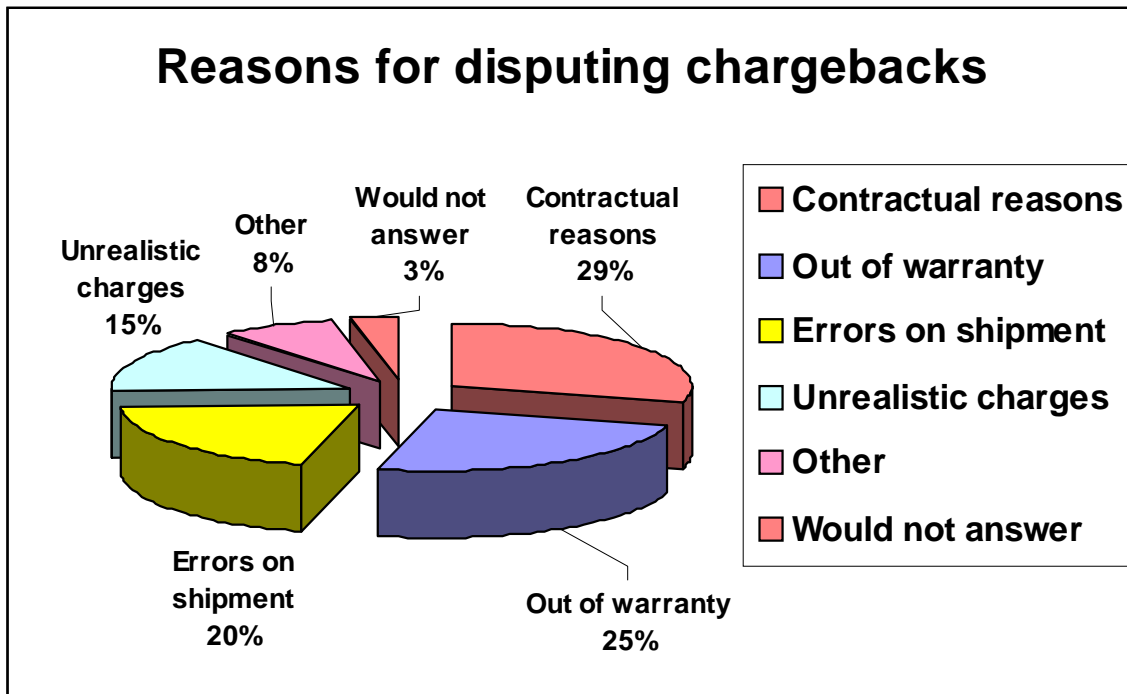


Most all of the firms included in the research do not specifically identify return reasons within the “defective product” sub-category.

2. Question 2: Reasons for disputing or denying chargebacks

Of the companies surveyed, the statistics and graph below represent the breakdown of the various reasons why companies dispute chargebacks:

Category	Percentage
Contractual reasons	29.21%
Out of warranty	24.72%
Errors on shipment	20.22%
Unrealistic charges	14.61%
Other	7.87%
Would not answer	3.37%



The “contractual reasons” category includes reasons such as:

- The returned merchandise being under a certain dollar amount
- The contract specifies that the returned merchandise should go to a third party (supplied with parts by manufacturer) for service.

The “errors on shipment” category groups reasons such as:

- There are quantity discrepancies (less items sent back than disputed)
- Wrong model shipped back (not the one specified in paperwork)
- The merchandise sent back is missing items.

The “unrealistic charges” category sums up reasons that describe a discrepancy between the original price and requested credit.

The “other” category means that the products sent back are:

- Damaged in freight, or are old models
- Not sent back on time (timely delivery)
- Missing required paperwork.

3. Question 3: Return Rates

The average return rates for the electronics manufacturers surveyed are as follows:

Average	8.46%
Median	5.00%
Mode	5.00%
Minimum	0.00%
Maximum	45.00%
Standard Deviation	9.126

In addition, 5 firms responded that they have “very low” return rates, and 2 firms responded that they have “very high” return rates, but they would not quantify those rates. Furthermore, 15 firms would not answer this question reasoning that this is proprietary information.

4. Question 4: Useful information regarding product returns and/or chargebacks

Surveyed companies said they would find it extremely helpful if their retailers would provide them with the following information with regards to product returns and/or chargebacks (showing a breakdown in descending order by priority):

- Return reasons
- All relevant paperwork
- Type of failure, true defective vs. shelf damage
- Type of service previously done by non-authorized dealers
- When will it be returned

- A selling forecast from customers, so that the number of returns could be predictable and expected

Other suggestions were:

- To hire a technician at the customer service counter to determine whether or not the product is truly defective
- To return the products right away in order to decrease the length of the process
- To return the products in their original boxes/packaging if at all possible.

5. Question 5: Returned product disposition practices

The statistics and graph below define the breakdown of various disposition practices:

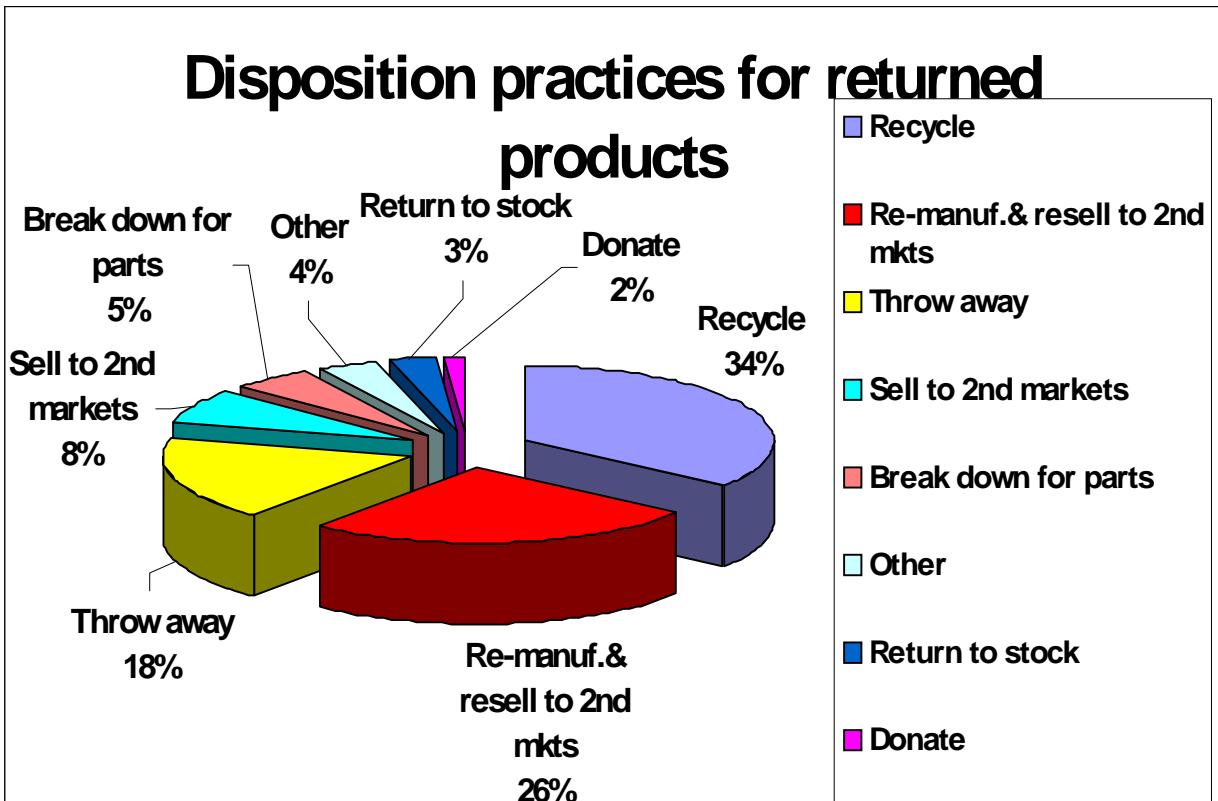
Category	Percentage
Recycle	35.34%
Re-manuf. & resell to 2nd markets	25.56%
Throw away	18.05%
Sell to 2nd markets as is	7.52%
Break down for parts	5.26%
Other	3.76%
Return to stock	3.01%
Donate	1.50%

The following practices were included in the “recycle” category:

- Salvage
- Use for internal demonstrations

In the “other” category” the following practices were listed:

- Sort no-apparent-defect from low-cost
- Refurbish and sell like new.



Appendix I

Below is a list of participant companies in the survey:

A O Smith Corporation
Ash Grove Audiobrook Exchange
Avid Technology Inc.
Aydin Corporation
Audiovox
Black and Decker
Blue Wave Systems, Inc.
California Digital Inc.
Cameron Labs
Casio
Compaq Computers
Conair Corporation
Cooper Industries Inc.
Cooper Lighting
Emerson Electric Company
Emerson Electric Company—Industrial Division
Emerson Radio Corporation
Equipment Brokers Inc.
Fuji Photo Film, Inc.
G S Building Systems Corporation
Gucci Timepieces Inc.
Hewlett-Packard Company
Hoover Company
Hubbell Lighting, Inc.
Hunter Fan Company
Identity Watch Comp.
Intrition Corporation
L G Electronics Company
Matsushita
Maytag Appliance Sales Company
Motorola
Movado Group, Inc.
Munsey Products, Inc.
National Service Industries
Nesco/American Harvest Company
Nilfisk-Advance Inc.

RLEC Projects - Chicago, IL
Consumer electronics manufacturers survey (combined)

Nintendo of America
Oxford Industries
Panasonic
Philips
Pioneer
Polaroid Company
Quoizel, Inc.
Recoton Corporation
Regent Holding Corporation
Ricoh Electronics, Inc.
Samsung
Sanyo E & E Corporation
Sanyo Manufacturing Comp.
Sharp Electronics
Sony
Sunbeam Americas Holdings Limited Inc.
Tatung Company of America, Inc.
The Rival Company, Inc.
Thetford Corporation Del
Thomas Industries Holdings, Inc.
Timex Corporation
Toastmaster Inc.
Tomkins Industries Inc.
Toshiba America, Inc.
Viking Range Corporation
Whirlpool Corporation
Windmere-Durable Holdings, Inc.
Zenith Electronics Corporation