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HVAC DISTRIBUTION INDUSTRY REPORT

The Hidden Labor Costs of Warranty Processing

A data-driven analysis revealing
how manual warranty processing
drains HVAC distribution margins.

PRODUCED BY  CONTINUUM
DATA FROM  APQC.



Executive Summary:

Why Warranty is HVAC Distribution's Most Disruptive Transaction

Low Volume, High Impact

Under 3% of sales, yet touches up to 6 departments.

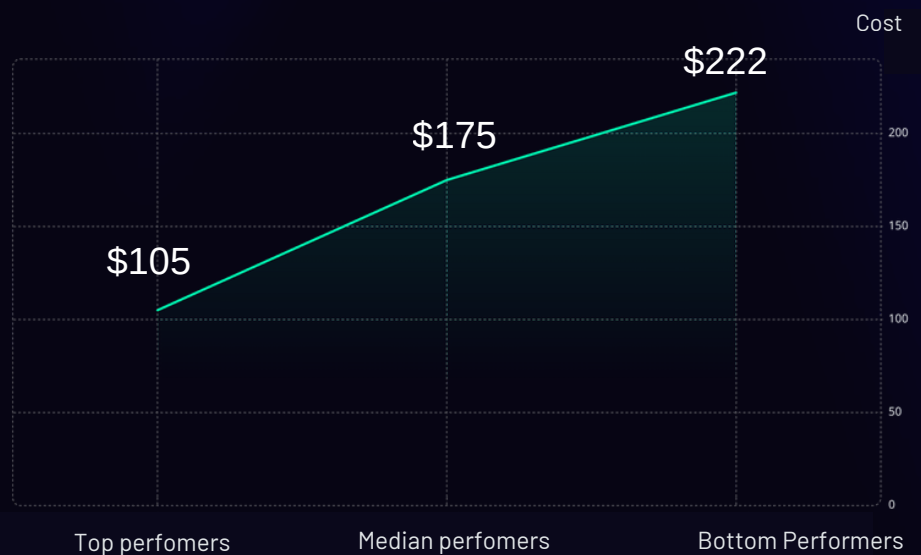
Labor Intensive

Each manual claim takes 15–20 minutes at the counter, plus follow-up and rework.

Coordination Nightmare

High coordination costs, constant rework, and delayed credits create workflow chaos. One claim can feel like a company-wide project.

Manual Labor Cost per Claim



Where the Labor Cost Hides

APQC data suggests hundreds of staff hours lost per distributor each year.

01

Counter Time

15-20 minutes per claim to gather data, verify serials, and complete forms

02

Multi-Touch Workflow

3-6 employees re-enter or check the same data across departments

03

Error Loops

40% of claims need correction, adding 10-15 minutes of rework each

04

Finance Lag

Manual reconciliation delays manufacturer credits by about 30%

05

Customer Follow-Ups

Customers chase warranty status and credit clarification, creating low-value work



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APQC Study: The Performance Gap

APQC analyzed North American HVAC distributors' warranty data and found major gaps between top and bottom quartile performers. The analysis was completed before automation was added to the warranty process.

\$

Following up on missing warranty information costs nearly half the total labor cost of a warranty claim – **\$75.21** per claim for the median distributor and **\$92.82** for bottom-quartile performers. What starts as an incomplete claim at the counter quickly becomes a costly cycle of calls, emails, delays, and stalled vendor credits.

Cost by Activity on a Warranty Claim

Activity	Branch Study	90% Quartile	50% Quartile	10% Quartile
Warranty status verification	2,012	\$ 1.03	\$ 2.20	\$ 3.12
Manage replacement order, including item ID and availability	2,003	\$ 11.13	\$ 14.18	\$ 17.89
Manage customer credit and receipt	2,003	\$ 5.06	\$ 6.43	\$ 9.74
File claim to vendor, including serials and defect details	2,012	\$ 4.01	\$ 9.54	\$ 14.72
File return PO to vendor	2,012	\$ 2.25	\$ 4.78	\$ 8.14
Follow up on vendor credit and vouching	2,003	\$ 4.18	\$ 6.62	\$ 8.09
Follow up on claim approval	2,003	\$ 3.87	\$ 5.21	\$ 7.52
Follow up on missing warranty info	2,003	\$ 51.01	\$ 75.21	\$ 92.82
Customer status updates	2,012	\$ 11.79	\$ 35.99	\$ 41.54
Internal follow ups	2,012	\$ 12.18	\$ 17.23	\$ 21.62
Total per claim	~2,003	\$105.48	\$175.19	\$222.08

The Economic Impact

Hidden SG&A Drain

Labor spent on non-revenue tasks

Cash Flow Drag

Slow credit reimbursements strain working capital

Customer Friction

Contractors wait 20 minutes for claim entry

Margin Erosion

Processing costs run 25-30% higher than automated peers

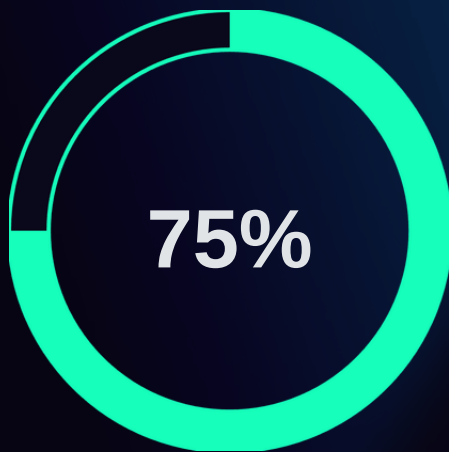


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Top-Quartile Benchmark: What "Good" Looks Like

Automated performers in the APQC dataset lead on every key metric:



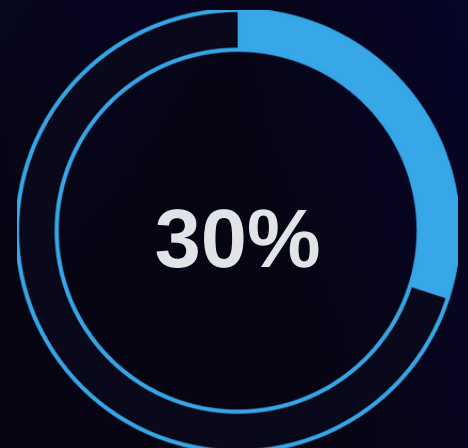
Time Reduction

70-80% less admin time



Error Rate

Near-zero errors vs. 40% manual



Faster Cycles

Shorter reimbursement cycles

That median-to-top-quartile gap defines the automation ROI window. Higher post-claim NPS shows the customer experience lift.

Automation cuts labor time by 85%

Metric	Median	Continuum	Opportunity
Processing time	15-20 min	1-2 min	85% faster
Error / rework	40%	<10%	4x fewer errors
Claim delay	30-45 days	<2 days	Faster reimbursement

How to Estimate Automation ROI for Your Claim Volume

Baseline

Claims × minutes × labor rate = manual cost

1

Base Cost

500 claims × 15 min = 125 hrs
× \$30 = **\$3,750**

2

Add Rework

30% rework lifts total to
\$4,875

3

Automation Savings

APQC top quartile saves **\$3-4K per 500 claims**



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The Cost of Doing Nothing

40%

Error Rate

Rework and corrections

125

Hours Lost

Per 500 claims

30%

Delayed Credits

Slower reimbursements

6

Departments

Involved per claim

//

Sometimes it takes two days and sometimes it takes a year and a half to get the credit back... and we're talking millions of dollars of warranty every year.

President, Mid-Size Distributor

Strategic Takeaways for Executives



Disproportionate Impact

Warranty uses heavy labor for little revenue.



Clear Business Case

APQC benchmarks make the cost easy to prove.



Clear Solution Path

Automation is the lever that lifts performance.

Warranty processing is a major opportunity to improve operations and cut costs.



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CONTINUUM – THE NEW STANDARD

From Manual to Automated

Continuum turns the APQC top-quartile benchmark into results.



The aha moment was telling my team we can do a warranty in 60 seconds, start to finish. Before Continuum, the average counter guy would take 15-25 minutes to process a claim.

Alexander Garrido, Area Manager at Tropic Supply

PROCESSING TIME

60 sec

down from 15-20 min

LABOR COST

↓ **70-80%**

vs manual processing

ERRORS

Near zero

automated validation

OEM CREDITS

Faster

reimbursement cycle



Quantifiable Margin Recovery

For HVAC distributors, this is not just digital transformation. It's margin recovery you can measure. Existing processes cause you to lose both time and money.

With Continuum, you can automate like top performers and cut processing time by 85%, reduce errors to near zero, and improve profitability.

View the complete breakdown of how warranty friction impacts your bottom line — and how to fix it:

[Learn more](#)



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