

Component Repair vs. Replace

When deciding whether a part should be repaired or replaced, it is important that your personnel be familiar with the “**70 percent**” rule. The 70 percent rule is as follows: if the cost of repairing a component (parts and labor) is in excess of 70 percent of the cost to replace the component (parts and labor), then the component is to be replaced. The 70 percent rule does not apply to remanufactured components. All remanufactured components **must** be replaced. The following pages can be used as a worksheet for determining the cost breakdown of a particular component.

Subject: Assembly Replacement

We suggest having the following statements made into a rubber stamp to help your company have a better control on this subject area.

We suggest that your technicians get a stamped approval from your Service Management Team prior to order and/or replacement of any assembly. At that time you can stamp and authorize the hard copy of the claim with a reason for the replacement to give you and your people a better handle on this situation.

The stamp states

Assembly Replacement Authorization
By: _____ Date: _____
Reason: _____

Cost Breakdown Analysis Rubber Stamp

	Repair	Replace
Parts		
Labor		
Total		
Manager Authorization		

Above are two suggested samples of rubber stamps to be used when determining Repairing vs. Replacement of assemblies. This simple procedure may save everyone a lot of aggravation and chargebacks down the road.