Building a Best Practices Warranty Management Program for 2016 – and Beyond

Special Webinar Presentation

Hosted by:

March 3, 2016
Today’s Main Focus:

“How Best Practices Organizations Are Positioning Themselves to Drive Revenues, Reduce Costs and Compete More Effectively”
SFG℠’s Warranty Chain Management Survey:

- Updated in Q4 2015
- 25 Total Respondents
  - 11% of Total Respondents
  - 90%+ Customer Satisfaction
  - <5 Days Claims Processing
Overall, Most WM Organizations Are Run as **Profit Centers** ...

(Percent Response)

- **Independent Profit Center, with its own P&L**: 49%
- **Cost Center in Support of Product Sales**: 34%
- **Pure, 100% Service Company**: 17%

$n = 213$
Overall, Most WM Organizations Are Run as **Profit Centers**...

(Percent Response)

<table>
<thead>
<tr>
<th>Model</th>
<th>Percent Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Profit Center, with its own P&amp;L</td>
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n = 213
Overall, Most WM Organizations Are Run as **Profit Centers** ...

(Percent Response)

![Bar Chart]

- Independent Profit Center, with its own P&L: 49%
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n = 213

66%
Overall, >Two-Thirds of WM Processes Are At Least Partially Automated:

(Percent Response)

<table>
<thead>
<tr>
<th>Process Description</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Formal Warranty Management Process</td>
<td>7%</td>
</tr>
<tr>
<td>Process Is All Manual</td>
<td>20%</td>
</tr>
<tr>
<td>Process Is Partially Automated</td>
<td>49%</td>
</tr>
<tr>
<td>Process Is Fully Automated</td>
<td>21%</td>
</tr>
<tr>
<td>Don't Know / Unsure</td>
<td>2%</td>
</tr>
</tbody>
</table>

n = 164
Overall, >Two-Thirds of WM Processes Are At Least Partially Automated:

(Percent Response)

No Formal Warranty Management Process: 7
Process Is All Manual: 20
Process Is Partially Automated: 49
Process Is Fully Automated: 21
Don't Know / Unsure: 2

n = 164
Overall, >Two-Thirds of WM Processes Are At Least Partially Automated:

(Percent Response)

No Formal Warranty Management Process: 7
Process Is All Manual: 20
Process Is Partially Automated: 49
Process Is Fully Automated: 21
Don't Know / Unsure: 2

70%

n = 164
However, This Percent Increases to 80% for Best Practices Organizations.

(Percent Response)

n = 25
... Even Though, One-in-Five Still Run on an All-Manual Basis:

(Percent Response)

N = 25
A Majority of BP WMOs Plan to Maintain Their Annual Warranty Budgets*

* In the next 12 months.
A Majority of BP WMOs Plan to Maintain Their Annual Warranty Budgets*

- Increase by > 10%+: 5
- Increase by 5% to 9%: 25
- Increase by < 5%: 5
- Remain the Same: 60
- Decrease by < 5%: 5
- Decrease by 5% to 9%: 0
- Decrease by > 10%+: 0

n = 20

* In the next 12 months.
However, More than One-Third Expect to **Increase** Their Annual Spend* ...

* In the next 12 months.
... While Only 5% Expect a **Modest Decrease** in Their Annual Spend*

* In the next 12 months.
Overall, for BP WMOs, the **Expected Increase Over Decrease is ~ 7:1**

- **Increase by > 10%+**: 5
- **Increase by 5% to 9%**: 25
- **Increase by < 5%**: 5
- **Remain the Same**: 60
- **Decrease by < 5%**: 5
- **Decrease by 5% to 9%**: 0
- **Decrease by >10%+**: 0

*In the next 12 months.*
Overall, 2% - 10% of BP Service Revenues Come from Extended Warranties

- None: 14
- 2% or Less: 23
- 3% to 5%: 23
- 6% to 10%: 18
- 11% to 20%: 5
- 21% to 30%: 9
- 31% to 40%: 0
- 41% to 50%: 0
- More than 50%: 9

n = 22
Mean = 50.0%
Median = 3.1%
Overall, 2% - 10% of BP Service Revenues Come from Extended Warranties

- None: 14
- 2% or Less: 23
- 3% to 5%: 23
- 6% to 10%: 18
- 11% to 20%: 5
- 21% to 30%: 9
- 31% to 40%: 0
- 41% to 50%: 0
- More than 50%: 9

n = 22
Mean = 50.0%
Median = 3.1%
However, Almost 1-in-10 Cite >50% of Revenues from Extended Warranties

n = 22
Mean = 50.0%
Median = 3.1%
This Percentage Has Also **Remained Fairly the Same** in the Past 12 Months:

- **Increased by > 25%+:** 0
- **Increased by Less than 25%:** 25
- **Has Remained the Same:** 75
- **Decreased by Less than 25%:** 0
- **Decreased by >25%+:** 0

n = 20
This Percentage Has Also **Remained Fairly the Same** in the Past 12 Months:

- Increased by >25%+: 0
- Increased by Less than 25%: 25
- Has Remained the Same: 75
- Decreased by Less than 25%: 0
- Decreased by >25%+: 0

n = 20
... With About One-Quarter Experiencing an Increase...
... and, None Experiencing a **Decrease**:

- **Increased by > 25%+**: 0 (% 0)
- **Increased by Less than 25%**: 25 (% 25)
- **Has Remained the Same**: 75 (% 75)
- **Decreased by Less than 25%**: 0 (% 0)
- **Decreased by >25%+**: 0 (% 0)

\[ n = 20 \]
... Resulting in an **Increase-Over-Decrease** by a Factor of 25% to 0%*

* Much more favorable than the findings among All Others.
An 80% Majority Believe Effective Warranty Management to Be Important

- Extremely Important: 24
- Very Important: 56
- Neither Important nor Unimportant: 12
- Not Very Important: 8
- Not Important at All: 0

n = 25
An 80% Majority Believe Effective Warranty Management to Be Important

- Extremely Important: 24
- Very Important: 56
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- Not Very Important: 8
- Not Important at All: 0

n = 25
Of Which ~ One-Quarter Believe It to Be at Least “Extremely Important” ...

![Bar Chart]

- Extremely Important: 24
- Very Important: 56
- Neither Important nor Unimportant: 12
- Not Very Important: 8
- Not Important at All: 0

n = 25

80%
Only 8% Do Not Believe Effective Warranty Management to Be Important...

n = 25
In Fact, WM Is **Slightly More Important** than It Was 1 Year Earlier …

![Bar chart showing the comparison of WM importance]

- More Important than 1 Year Ago: 12
- Same Importance as 1 Year Ago: 84
- Less Important than 1 Year Ago: 4

n = 25
In Fact, WM Is **Slightly More Important** than It Was 1 Year Earlier ...

![Bar Chart](chart.png)

- More Important than 1 Year Ago: 12%
- Same Importance as 1 Year Ago: 84%
- Less Important than 1 Year Ago: 4%

n = 25
In Fact, WM Is **Slightly More Important** than It Was 1 Year Earlier ...

![Bar Chart]

- **More Important than 1 Year Ago**: 12\% (12)
- **Same Importance as 1 Year Ago**: 84\% (84)
- **Less Important than 1 Year Ago**: 4\% (4)

n = 25
In Fact, WM Is **Slightly More Important** than It Was 1 Year Earlier* ...

![Bar Chart]

- **More Important than 1 Year Ago**: 12%
- **Same Importance as 1 Year Ago**: 84%
- **Less Important than 1 Year Ago**: 4%

More Important over Less Important by a ratio of 3:1!

n = 25

* Although a substantially smaller increase in importance than cited by All Others at 32:1.
Overall, WM Organizations Are, First and Foremost, Customer-Focused …

(Percent Response)

- Desire to Improve Customer Retention: 56%
- Post-Sale Customer Satisfaction Issues: 50%
- Cust. Demand for Imp'd Warranty Services: 37%
- Product Defect-related Costs: 27%
- Mandate to Improve Service Profitability: 24%
- Mandate to Drive Increased Service Revenues: 21%

n = 139
Overall, WM Organizations Are, First and Foremost, **Customer-Focused** ...

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- Mandate to Drive Increased Service Revenues: 21%

\[ n = 139 \]
... Second, They Are Largely **Cost-Focused**, ...

(Percent Response)

- Desire to Improve Customer Retention: 56%
- Post-Sale Customer Satisfaction Issues: 50%
- Cust. Demand for Imp'd Warranty Services: 37%
- Product Defect-related Costs: 27%
- Mandate to Improve Service Profitability: 24%
- Mandate to Drive Increased Service Revenues: 21%

n = 139
... and, Third, They Are **Revenue-Focused:**

(Percent Response)

- Desire to Improve Customer Retention: 56%
- Post-Sale Customer Satisfaction Issues: 50%
- Cust. Demand for Imp'd Warranty Services: 37%
- Product Defect-related Costs: 27%
- Mandate to Improve Service Profitability: 24%
- Mandate to Drive Increased Service Revenues: 21%

\[ n = 139 \]
However, **BP WM Organizations Have a More Intense Customer Focus** ...

(Percent Response)

- Desire to Improve Customer Retention: 68%
- Post-Sale Customer Satisfaction Issues: 60%
- Product Defect-related Costs: 32%
- Cust. Demand for Imp’d Warranty Services: 28%
- Logistics / Reverse Logistics-related Costs: 24%
- Mandate to Drive Increased Service Revenues: 20%

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n = 25
Plus, a **Heightened Emphasis on Cost-related Drivers** ...

(Percent Response)

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- Cust. Demand for Imp’d Warranty Services: 28%
- Logistics / Reverse Logistics-related Costs: 24%
- Mandate to Drive Increased Service Revenues: 20%

\[ n = 25 \]
... and, a **Similar Focus** on **Revenue Generation & Profitability** Drivers.

(Percent Response)

<table>
<thead>
<tr>
<th>Focus</th>
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<tbody>
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<td>Customer-Focus</td>
<td>68</td>
</tr>
<tr>
<td>Cost-Focus</td>
<td>60</td>
</tr>
<tr>
<td>Revenue-Focus</td>
<td>28</td>
</tr>
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n = 25
The **Greatest Challenges** Facing Today’s Warranty Management Initiatives ...

(Percent Response)

- **Identifying Root Cause of Product Failures**: 40%
- **High Levels of NFFs**: 40%
- **Managing Warranty Fulfillment Admin Costs**: 36%
- **Claims Processing (i.e., Time to Process, Accuracy, etc.)**: 36%
- **Repair Management**: 32%

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The Greatest Challenges Facing Today’s Warranty Management Initiatives ...

(Percent Response)

- Identifying Root Cause of Product Failures
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- Managing Warranty Fulfillment Admin Costs
- Claims Processing (i.e., Time to Process, Accuracy, etc.)
- Repair Management

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Other Challenges include Performance, Cost and Management Issues:

(Percent Response)

- Sales of Extended Warranties: 28
- Cost Recovery from Suppliers: 28
- Reverse Logistics Management: 12
- Warranty Reserve Accrual Management: 8
- Finding Reliable Suppliers: 8

n = 25
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Cost Recovery from Suppliers: 28%
Reverse Logistics Management: 12%
Warranty Reserve Accrual Management: 8%
Finding Reliable Suppliers: 8%

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Overall, a Majority of WMOs Cite KPIs as the Top Current Strategic Action:

- The top Strategic Actions currently being undertaken by Services Organizations to address the key Drivers/Challenges of Warranty Chain Performance are:
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- The top Strategic Actions currently being undertaken by Services Organizations to address the key Drivers/Challenges of Warranty Chain Performance are:
  - 52% Develop/Improve Metrics, or KPIs for Advanced Warranty Chain Analytics
Overall, a Majority of WMOs Cite KPIs as the Top Current Strategic Action:

- The top Strategic Actions *currently being undertaken* by Services Organizations to address the key Drivers/Challenges of Warranty Chain Performance are:
  - **52%** Develop/Improve Metrics, or KPIs for Advanced Warranty Chain Analytics
  - **39%** Streamline Parts Return Process to Improve Overall Efficiency
  - **35%** Improve Warranty Management-related Planning and Forecasting Activities
  - **32%** Restructure for Improved Warranty Management Oversight & Accountability
  - **31%** Foster a Closer Working Collaboration Between Product Design & Service
  - **28%** Institute/Enforce Process Workflow Improvements for Supplier Cost Recovery
  - **20%** Purchase and/or Upgrade an Automated Warranty Chain Management Solution
  - **19%** Restructure/Update Existing Warranty Pricing Schedule
  - **17%** Provide Additional Training to Extended Warranty Sales Personnel
  - **16%** Outsource some, or all, Warranty Management Activities to Third Parties
  - **10%** Implement a Claims Review Process to Curb Fraudulent Claims
But, **BP WMOs Focus Even More on KPIs, Collaboration & Claims Reviews** ...

- The top Strategic Actions currently being undertaken by Best Practices Warranty Management Organizations are:
But, **BP WMOs** Focus Even More on KPIs, Collaboration & Claims Reviews ...

- The top Strategic Actions currently being undertaken by Best Practices Warranty Management Organizations are:
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But, **BP WMOs Focus Even More on KPIs, Collaboration & Claims Reviews** …

- The top Strategic Actions currently being undertaken by Best Practices Warranty Management Organizations are:
  - **56%** Develop/Improve Metrics, or KPIs for Advanced Warranty Chain Analytics
  - **28%** Streamline Parts Return Process to Improve Overall Efficiency
  - **28%** Improve Warranty Management-related Planning and Forecasting Activities
  - **20%** Restructure for Improved Warranty Management Oversight & Accountability
  - **36%** Foster a Closer Working Collaboration Between Product Design & Service
  - **24%** Institute/Enforce Process Workflow Improvements for Supplier Cost Recovery
  - **12%** Purchase and/or Upgrade an Automated Warranty Chain Management Solution
  - **12%** Restructure/Update Existing Warranty Pricing Schedule
  - **16%** Provide Additional Training to Extended Warranty Sales Personnel
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But, BP WMOs Focus Even More on KPIs, Collaboration & Claims Reviews ...

- The top Strategic Actions currently being undertaken by Best Practices Warranty Management Organizations are (↑ indicates higher than All Others):
  - 56% Develop/Improve Metrics, or KPIs for Advanced Warranty Chain Analytics
  - 28% Streamline Parts Return Process to Improve Overall Efficiency
  - 28% Improve Warranty Management-related Planning and Forecasting Activities
  - 20% Restructure for Improved Warranty Management Oversight & Accountability
  - 36% Foster a Closer Working Collaboration Between Product Design & Service
  - 24% Institute/Enforce Process Workflow Improvements for Supplier Cost Recovery
  - 12% Purchase and/or Upgrade an Automated Warranty Chain Management Solution
  - 12% Restructure/Update Existing Warranty Pricing Schedule
  - 16% Provide Additional Training to Extended Warranty Sales Personnel
  - 12% Outsource some, or all, Warranty Management Activities to Third Parties
  - 12% Implement a Claims Review Process to Curb Fraudulent Claims
... But, Somewhat Less Where They Have Already Made Improvements:

- The top Strategic Actions currently being undertaken by Best Practices Warranty Management Organizations are (↓ indicates lower than All Others):
  - 56% Develop/Improve Metrics, or KPIs for Advanced Warranty Chain Analytics
  - 28% Streamline Parts Return Process to Improve Overall Efficiency
  - 28% Improve Warranty Management-related Planning and Forecasting Activities
  - 20% Restructure for Improved Warranty Management Oversight & Accountability
  - 36% Foster a Closer Working Collaboration Between Product Design & Service
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  - 12% Outsource some, or all, Warranty Management Activities to Third Parties
  - 12% Implement a Claims Review Process to Curb Fraudulent Claims
A Majority of BP WMOs Use Six KPIs to Measure Their Performance …

- Primary KPIs currently being used by a majority of Best Practices WMOs are:
  - 88% Customer Satisfaction
  - 75% Total Warranty Costs
  - 58% Warranty Costs, Per Product
  - 58% Analysis Cycle Time
  - 54% Claims Processing Time
  - 50% Warranty Incidents, Per Product
More Best Practices WMOs Use These Six KPIs than All Others …

- **Primary KPIs currently being used** by a **majority** of Best Practices WMOs are:
  - **88%** Customer Satisfaction  
    (Up 5% from **83% Overall**)
  - **75%** Total Warranty Costs  
    (Up 2% from **73% Overall**)
  - **58%** Warranty Costs, Per Product  
    (Up 5% from **53% Overall**)
  - **58%** Analysis Cycle Time  
    (Up 10% from **48% Overall**)
  - **54%** Claims Processing Time  
    (Up 8% from **46% Overall**)
  - **50%** Warranty Incidents, Per Product  
    (Up 7% from **43% Overall**)

Overall, BP WMOs Reflect Significantly Higher Use of KPIs than All Others:

- **Primary KPIs currently being used** by a majority of Best Practices WMOs are:
  - 88% Customer Satisfaction (Up 5% from 83% Overall)
  - 75% Total Warranty Costs (Up 2% from 73% Overall)
  - 58% Warranty Costs, Per Product (Up 5% from 53% Overall)
  - 58% Analysis Cycle Time (Up 10% from 48% Overall)
  - 54% Claims Processing Time (Up 8% from 46% Overall)
  - 50% Warranty Incidents, Per Product (Up 7% from 43% Overall)
  - 38% Claims Processing Costs (Up 4% from 34% Overall)
  - 33% In-Warranty Product Return Rate (Down 8% from 41% Overall)
  - 33% Time from Defect Detection to Correction (Up 6% from 27% Overall)
  - 29% Total Revenues from Extended Warranty Sales (Down 5% from 34% Overall)
  - 25% Warranty Reserve Variation (Up 5% from 20% Overall)
  - 17% Re-imbursement Cycle time (i.e., from Suppliers) (Up 3% from 14% Overall)
  - 8% Time from Product Sale to Defect Detection (Down 11% from 19% Overall)
## Selecting the Appropriate Warranty Management KPIs to Measure & Track:

**- By Area of Focus -**

<table>
<thead>
<tr>
<th>Area</th>
<th>Representative KPIs/Metrics to be Tracked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer-focused</td>
<td>• Customer Satisfaction</td>
</tr>
<tr>
<td>Cost-focused</td>
<td>• Total Warranty Costs&lt;br&gt;• Warranty Costs, per Product&lt;br&gt;• Claims Processing Costs</td>
</tr>
<tr>
<td>Time-focused</td>
<td>• Analysis Cycle Time&lt;br&gt;• Claims Processing Time&lt;br&gt;• Re-imbursement Cycle Time (from Suppliers)&lt;br&gt;• Time from Product Sale to Defect Detection&lt;br&gt;• Time from Defect Detection to Correction</td>
</tr>
<tr>
<td>Revenue-focused</td>
<td>• Total Revenues from Extended Warranty Sales</td>
</tr>
<tr>
<td>Other</td>
<td>• Warranty Incidents, per Product&lt;br&gt;• In-Warranty Product Return Rate&lt;br&gt;• Warranty Reserve Variation</td>
</tr>
</tbody>
</table>
The Top Warranty Management Capabilities Currently in Place include …

(Percent Response)

End-to-End Workflow Process to Handle Claims & Returns: 79%
Structured WM Integration w/ All Service Functions: 75%
Sr. Executive Oversight of All WM Activities: 71%
Centralized Data Warehouse for Product Performance & WM Information: 63%
KPI Measurement: Claim Processing Time: 58%

n = 24
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(Percent Response)

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- Structured WM Integration with All Service Functions: 75%
- Sr. Executive Oversight of All WM Activities: 71%
- Centralized Data Warehouse for Product Performance & WM Information: 63%
- KPI Measurement: Claim Processing Time: 58%

n = 24
Other Key Warranty Management Capabilities Currently in Place include ...

(Percent Response)

- Ability of Field Techs to Review Warranty Entitlements on Each Job: 58%
- Separate Reporting of WM Financial Performance Data: 54%
- Early Warning: Systematic Failures: 50%
- KPI Measurement: Detection-to-Correction Time: 50%
- Ability to Track In-Warranty Repairs at POS: 50%

n = 24
Other Key Warranty Management Capabilities Currently in Place include ...  

(Percent Response)

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KPI Measurement: Detection-to-Correction Time: 50%
Ability to Track In-Warranty Repairs at POS: 50%

n = 24
But, Wait – There’s More:

(Percent Response)

- KPI Measurement: Claim Rates: 46%
- WM Operational/Financial Info Distribution: 42%
- Multi-Division Collaboration: 38%
- KPI Measurement: Total Warranty Costs: 38%
- Closed-Loop WM System in Place: 33%

n = 24
But, Wait – There’s More:

(Percent Response)

- KPI Measurement: Claim Rates: 46%
- WM Operational/Financial Info Distribution: 42%
- Multi-Division Collaboration: 38%
- KPI Measurement: Total Warranty Costs: 38%
- Closed-Loop WM System in Place: 33%

n = 24
... And, Even More Being Planned (in the Next 12 Months) ...

(Percent Response)

Closed-Loop WM System in Place: 21%
Early Warning: Systematic Failures: 17%
Centralized Data Warehouse for Product Performance & WM Information: 17%
Warranty Financial Performance Reported Separately: 17%
KPI Measurement: Total Warranty Costs: 17%

n = 24
… And, Even More Being Planned (in the Next 12 Months) …

(Percent Response)

- Closed-Loop WM System in Place: 21%
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- KPI Measurement: Total Warranty Costs: 17%

n = 24
Putting Things in Perspective: **Technology Applications Currently Used**

- Technology applications *currently being used* by BP WMOs include:
Putting Things in Perspective: **Technology Applications Currently Used**

- Technology applications currently being used by BP WMOs include:
  - **84%** Customer Relationship Management (CRM)
  - **72%** Spare Parts / Inventory Management
  - **60%** Warranty Management
  - **56%** Enterprise Resource Planning (ERP)
  - **56%** Financial / Accounting System (separate from ERP)
  - **52%** Contract Management
Putting Things in Perspective: Technology Applications Currently Used

Technology applications currently being used by BP WMOs include:

- 84% Customer Relationship Management (CRM)
- 72% Spare Parts / Inventory Management
- 60% Warranty Management
- 56% Enterprise Resource Planning (ERP)
- 56% Financial / Accounting System (separate from ERP)
- 52% Contract Management
- 44% Product Lifecycle Management (PLM)
- 44% Service Forecasting and Planning Application
- 44% Business Intelligence / Analytics
- 40% Workforce Management System (WMS)
- 40% Service Lifecycle Management (SLM)
- 32% Knowledge Management (KM) Application
- 32% Remote Asset Monitoring / Management
- 32% Enterprise Asset Management System (EAMS)
Putting Things in Perspective: Technology Applications Being Planned*

- Technology applications currently being planned for use* by BP WMOs include:

* In the next 12 months.
Putting Things in Perspective: Technology Applications Being Planned*

- Technology applications currently being planned for use* by BP WMOs include:
  - 20% Service Lifecycle Management (SLM)
  - 20% Service Forecasting and Planning Application
  - 16% Enterprise Asset Management System (EAMS)
  - 16% Knowledge Management (KM) Application
  - 12% Business Intelligence / Analytics
  - 12% Product Lifecycle Management (PLM)
  - 8% Workforce Management System (WMS)
  - 8% Enterprise Resource Planning (ERP)
  - 8% Spare Parts / Inventory Management
  - 8% Warranty Management
  - 4% Remote Asset Monitoring / Management
  - 4% Contract Management
  - 4% Financial / Accounting System (separate from ERP)
  - 0% Customer Relationship Management (CRM)

* In the next 12 months.
Top Uses of Collected WM Data Are to Improve Processes & Effect Change ...

(Percent Response)

- To Improve Field Service Processes: 64%
- To Make Product Design Changes: 56%
- To Improve Equipment / Part Return Processes: 52%
- To Make Manufacturing Changes: 32%
- To Make Purchasing Decisions: 32%

n = 25
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(Percent Response)

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- To Improve Equipment / Part Return Processes: 52%
- To Make Manufacturing Changes: 32%
- To Make Purchasing Decisions: 32%

n = 25
Top Uses of Collected WM Data Are to Improve Processes & Effect Change...

(Percen Response)

To Improve Field Service Processes: 64%
To Make Product Design Changes: 56%
To Improve Equipment / Part Return Processes: 52%
To Make Manufacturing Changes: 32%
To Make Purchasing Decisions: 32%

n = 25
Other Key Uses of Data/Information Collected from Warranty Events Are:

(Percent Response)

- Improving Depot Repair Processes: 28%
- To Make Supplier Selection: 20%
- For Inclusion in Regular Corporate Financial Performance Reporting: 20%
- Making Changes to Product Documentation: 16%

n = 25
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n = 25
Attained KPI Values Reflect High Performance Among BP WMOs …

- Mean KPI values currently being used to measure Warranty Management performance appear to be reasonably high for Best Practices organizations:
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    (compared to 85%, overall – plus 10%)
Attained KPI Values Reflect High Performance Among BP WMOs ...

- Mean KPI values currently being used to measure Warranty Management performance appear to be reasonably high for Best Practices organizations:
  - **95%** Customer Satisfaction (compared to **85%**, overall – **plus 10%**)
  - **2.22 Days** Warranty Claims Processing Time
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- Mean KPI values currently being used to measure Warranty Management performance appear to be reasonably high for Best Practices organizations:
  - **95%** Customer Satisfaction  
    (compared to **85%**, overall – **plus 10%**)
  - **2.22 Days** Warranty Claims Processing Time  
    (compared to **5.57 days**, overall – **3.35 days quicker**)

Research Powered By
Warranty Claims Processing Time Has **Improved Slightly, Year-over-Year** …

- Improved by > 25%: 0
- Improved by 10% to 24%: 5
- Improved by < 10%: 9
- No Change: 78
- Declined by < 10%: 0
- Declined by 10% to 24%: 5
- Declined by >25%: 5

n = 23
Warranty Claims Processing Time Has **Improved Slightly, Year-over-Year** ...

- **Improved by > 25%**: 0
- **Improved by 10% to 24%**: 5
- **Improved by < 10%**: 9
- **No Change**: 78
- **Declined by < 10%**: 0
- **Declined by 10% to 24%**: 5
- **Declined by > 25%**: 5

n = 23
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- **Declined by > 25%**: 5

14% of the cases show an improvement, while 10% show a decline. Improved is cited over Declined by a ratio of only 1.4:1!
However, **Reimbursement Cycle Time** has **Declined**, Year-over-Year ...

* From Suppliers.
However, **Reimbursement Cycle Time** has **Declined**, Year-over-Year ...

- Improved by > 25%: 0
- Improved by 10% to 24%: 11
- Improved by < 10%: 5
- No Change: 58
- Declined by < 10%: 21
- Declined by 10% to 24%: 0
- Declined by > 25%: 5

\[ n = 19 \]

* From Suppliers.
However, **Reimbursement Cycle Time** *Has Declined*, Year-over-Year ...

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However, **Reimbursement Cycle Time** *Has Declined*, Year-over-Year...

![Bar Chart](chart.png)

- Improved by > 25%
- Improved by 10% to 24%
- Improved by < 10%
- No Change
- Declined by < 10%
- Declined by 10% to 24%
- Declined by >25%

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved by &gt; 25%</td>
<td>0</td>
</tr>
<tr>
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</tbody>
</table>

**n = 19**

* From Suppliers.
However, **Reimbursement Cycle Time*** has **Declined**, Year-over-Year ...

* From Suppliers.
Revenues from Extended Warranty Sales Have **Increased**, Year-over-Year ...

- Increased by > 25%: 0
- Increased by 10% to 24%: 24
- Increased by < 10%: 29
- No Change: 48
- Decreased by < 10%: 0
- Decreased by 10% to 24%: 0
- Decreased by > 25%: 0

n = 21
Revenues from Extended Warranty Sales Have **Increased**, Year-over-Year ...

- **Increased by > 25%**: 0
- **Increased by 10% to 24%**: 24
- **Increased by < 10%**: 29
- **No Change**: 48
- **Decreased by < 10%**: 0
- **Decreased by 10% to 24%**: 0
- **Decreased by >25%**: 0

**n = 21**
Revenues from Extended Warranty Sales Have **Increased**, Year-over-Year ...

- Increased by > 25%: 0
- Increased by 10% to 24%: 24
- Increased by < 10%: 29
- No Change: 48
- Decreased by < 10%: 0
- Decreased by 10% to 24%: 0
- Decreased by > 25%: 0

\[ n = 21 \]
Revenues from Extended Warranty Sales Have Increased, Year-over-Year ...

- Increased by > 25%: 0
- Increased by 10% to 24%: 24
- Increased by < 10%: 29
- No Change: 48
- Decreased by < 10%: 0
- Decreased by 10% to 24%: 0
- Decreased by > 25%: 0

n = 21
Revenues from Extended Warranty Sales Have **Increased**, Year-over-Year ...

- Increased by > 25%: 24
- Increased by 10% to 24%: 29
- Increased by < 10%: 48
- No Change: 0
- Decreased by < 10%: 0
- Decreased by 10% to 24%: 0
- Decreased by > 25%: 0

\[ n = 21 \]

Increased is cited over Decreased by a factor of 53% to 0%!
... But, Warranty Claims Processing Costs Have Also **Increased**:

- Increased by > 25%
- Increased by 10% to 24%
- Increased by < 10%
- No Change
- Decreased by < 10%
- Decreased by 10% to 24%
- Decreased by >25%

n = 21
... But, Warranty Claims Processing Costs Have Also **Increased**:

![Bar chart showing changes in warranty claims processing costs]

- Increased by > 25%: 0
- Increased by 10% to 24%: 0
- Increased by < 10%: 19
- No Change: 75
- Decreased by < 10%: 0
- Decreased by 10% to 24%: 10
- Decreased by > 25%: 0

n = 21
... But, Warranty Claims Processing Costs Have Also **Increased**:  

- Increased by > 25%: 0
- Increased by 10% to 24%: 0
- Increased by < 10%: 19
- No Change: 75
- Decreased by < 10%: 0
- Decreased by 10% to 24%: 10
- Decreased by > 25%: 0

**n = 21**
... But, Warranty Claims Processing Costs Have Also **Increased**: 

- Increased by > 25%
- Increased by 10% to 24%
- Increased by < 10%
- No Change
- Decreased by < 10%
- Decreased by 10% to 24%
- Decreased by >25%

- 19% increased by > 25%
- 10% increased by 10% to 24%

n = 21
... But, Warranty Claims Processing Costs Have Also Increased:

![Bar chart showing changes in warranty claims processing costs](chart.png)

- Increased by > 25%
- Increased by 10% to 24%
- Increased by < 10%
- No Change
- Decreased by < 10%
- Decreased by 10% to 24%
- Decreased by > 25%

- **19%** Increased
- **10%** Decreased

Increased is cited over Decreased by a ratio of ~ 1.9:1!

\[ n = 21 \]
Majority of BP Users Are Presently **Satisfied** with their **Primary WM Vendor**

![Bar Chart]

- **Extremely Satisfied**: 16
- **Very Satisfied**: 44
- **Neither Satisfied nor Dissatisfied**: 28
- **Not Very Satisfied**: 12
- **Not at All Satisfied**: 0

n = 25
In Fact, 60% Are At Least “Very Satisfied” with their Primary WM Vendor ...

n = 25

- Extremely Satisfied: 16
- Very Satisfied: 44
- Neither Satisfied nor Dissatisfied: 28
- Not Very Satisfied: 12
- Not at All Satisfied: 0

\{ 60\% \}
... But, Only 16% Are Extremely Satisfied:

- Extremely Satisfied: 16%
- Very Satisfied: 44%
- Neither Satisfied nor Dissatisfied: 28%
- Not Very Satisfied: 12%
- Not at All Satisfied: 0%

n = 25
More than 1/4 are fairly **Complacent** about primary vendor performance:

- **Extremely Satisfied**: 16
- **Very Satisfied**: 44
- **Neither Satisfied nor Dissatisfied**: 28
- **Not Very Satisfied**: 12
- **Not at All Satisfied**: 0

n = 25
Although Roughly 1-out-of-8 are **Not Very Satisfied**:

- Extremely Satisfied: 16
- Very Satisfied: 44
- Neither Satisfied nor Dissatisfied: 28
- Not Very Satisfied: 12
- Not at All Satisfied: 0

\[ n = 25 \]
Leading to a Ratio of 5:1, **Satisfied** over **Not Satisfied**:

- Extremely Satisfied: 16
- Very Satisfied: 44
- Neither Satisfied nor Dissatisfied: 28
- Not Very Satisfied: 12
- Not at All Satisfied: 0

Satisfied is cited over Not Satisfied by a ratio of 5:1!

n = 25
What Characteristics Differentiate Best Practices WMOs from All Others?

- The main characteristics that differentiate Best Practices Warranty Management Organization from All Others are typically:
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  - **Key Performance Indicators (KPIs)**, or the use of the most appropriate, timely and accurate metrics for measuring Warranty Chain Management performance (and customer satisfaction) on an ongoing basis; and
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  - **Market Position and Presence**, or the ability of the organization to establish, maintain and promote its Warranty Management capabilities and strengths both to its existing customers, as well as to the marketplace as a whole.
What Are the **Key Benefits** of Providing Best Practices Warranty Support?

<table>
<thead>
<tr>
<th>Key Benefits of Providing Best Practices Warranty Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Improved revenue streams through the sales of extended warranties</td>
</tr>
<tr>
<td>2. Increased knowledge/information flow about product defects and their sources</td>
</tr>
<tr>
<td>3. Improved levels of Customer Satisfaction, leading to greater Customer Loyalty</td>
</tr>
<tr>
<td>4. Reduction of costs associated with Warranty Claims Processing &amp; Administration</td>
</tr>
<tr>
<td>5. Reduction of losses associated with the processing of fraudulent claims</td>
</tr>
<tr>
<td>6. Improved Product Design and performance (i.e., “Design for service”)</td>
</tr>
<tr>
<td>7. Improved Financial performance:</td>
</tr>
<tr>
<td>- Increased service revenues</td>
</tr>
<tr>
<td>- Greater profitability</td>
</tr>
<tr>
<td>- More predictable revenue streams</td>
</tr>
</tbody>
</table>
Rohit Lohan, Product Manager, Tavant Technologies
BP Warranty Management - Flexibility to Change

Key Uses of Data/Information Collected

- To Improve Field Service Processes: 64%
- To Make Product Design Changes: 56%
- To Make Manufacturing Changes: 32%
- To Make Purchasing Decisions: 32%
- Improving Depot Repair Processes: 28%
- To Make Supplier Selection: 20%
- For Inclusion in Regular Corporate Financial...: 20%
- Making Changes to Product Documentation: 16%

Source: SFG℠’s Warranty Chain Management Survey
BP Warranty Management - Customer Focus

**Source:** SFG℠’s Warranty Chain Management Survey
BP Warranty Management - Address Challenges

Challenges Facing Today’s Warranty Management Initiatives

- Identifying Root Cause of Product Failures: 40%
- High Levels of NFFs: 40%
- Managing Warranty Fulfillment Admin Costs: 36%
- Claims Processing (i.e., Time to Process, Accuracy, etc.): 36%
- Repair Management: 32%
- Sales of Extended Warranties: 28%
- Cost Recovery from Suppliers: 28%
- Reverse Logistics Management: 12%
- Warranty Reserve Accrual Management: 8%
- Finding Reliable Suppliers: 8%

Source: SFG℠’s Warranty Chain Management Survey

Automated failure capture and warranty term validation
Real time reports/KPIs
Integrated Supplier Recovery
Integrated Reverse Logistics
Advanced BI Component
Tavant Warranty

- Warranty Management (registrations, claims management, EW sales)
- Recall/field improvement campaigns
- Integrated part returns
- CORE (rules, workflow, BI)
- Field Service
- Fraud Analytics
- Supplier Recovery

Highly Configurable

Comprehensive closed loop

Modular & Integrated
Tavant Warranty on Demand

Highly Configurable

Very Customer Focused

Social Collaboration
Thank you for attending the Webinar
Webinar playback will soon be available through www.tavant.com

Any other questions? Feel free to write to webinar@tavant.com
Complimentary White Paper

Building a Best Practices Warranty Management Program for 2016 – and Beyond

How Best Practices Organizations Are Positioning Themselves to Drive Revenues, Reduce Costs and Compete More Effectively

Written by:

Bill Pollock
President & Principal Consulting Analyst
Strategies For Growth™
Westtown, Pennsylvania

Sponsored by:

Tavant Technologies
Building a Best Practices Warranty Management Program for 2016 – and Beyond
March 03 2016
Feel free to get in touch with us at WCM conference in Jacksonville from 15th – 17th March 2016.

Bill Pollock
President & Chief Research Officer
Strategies for Growth
E: wkp@s4growth.com

Rohit Lohan
Senior Product Manager
Tavant Warranty
E: rohit.lohan@tavant.com