Unlocking Value Through Comprehensive Warranty Management Practices

Executive Summary

Warranty management has traditionally been considered an essential cost of doing business. With manufacturers spending between 0.5% to 7% of annual revenues on warranty, the total spend in the U.S. alone stands at $23 billion.[1] Globally, this number is close to $70 billion. Given the high spend in this area, manufacturers have a major incentive to reduce their overall warranty expense. Many manufacturers have focused first on tackling the cost of administering warranties; as a result, they have sought ways to process warranty transactions more quickly and cheaply. In most cases, organizations have attained operational efficiencies in warranty processing but have missed the bigger picture.

Few manufacturers have looked beyond the transactional efficiency paradigm to understand the greater value that a comprehensive warranty management can offer. Those that have use enhanced warranty management practices to create market differentiators by enabling improvements in product quality, responding more quickly to potential issues, enhancing brand management and plugging leakage areas like unjustified claims and inadequate supplier recovery. If executed effectively, these programs can lead to improved overall customer satisfaction.

Breakpoints in the Process Today

Our experience with global manufacturers reveals multiple breakpoints in the overall warranty cycle, outside of the transactional processing inefficiencies. At the core of these breakpoints is the lack of process integration between the different departments involved in the warranty lifecycle and the lack of informed decision making due to the inability to gain a holistic view of data across disparate departments.

In our view, there is little systemic communication between different departments. As a result, every department operates with a limited view of the larger picture.

Organizations have invested in systems for managing the warranty process and providing basic analytics from the diverse data available. These systems are aimed at handling the transactional aspects of warranty management and may be inadequate for addressing complex issues beyond transactional efficiencies.

Where enterprise-wide systems exist, organizations are typically challenged by system limitations on computing capability to comprehend data from multiple sources and derive insights.

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Breakpoints in the Warranty Lifecycle

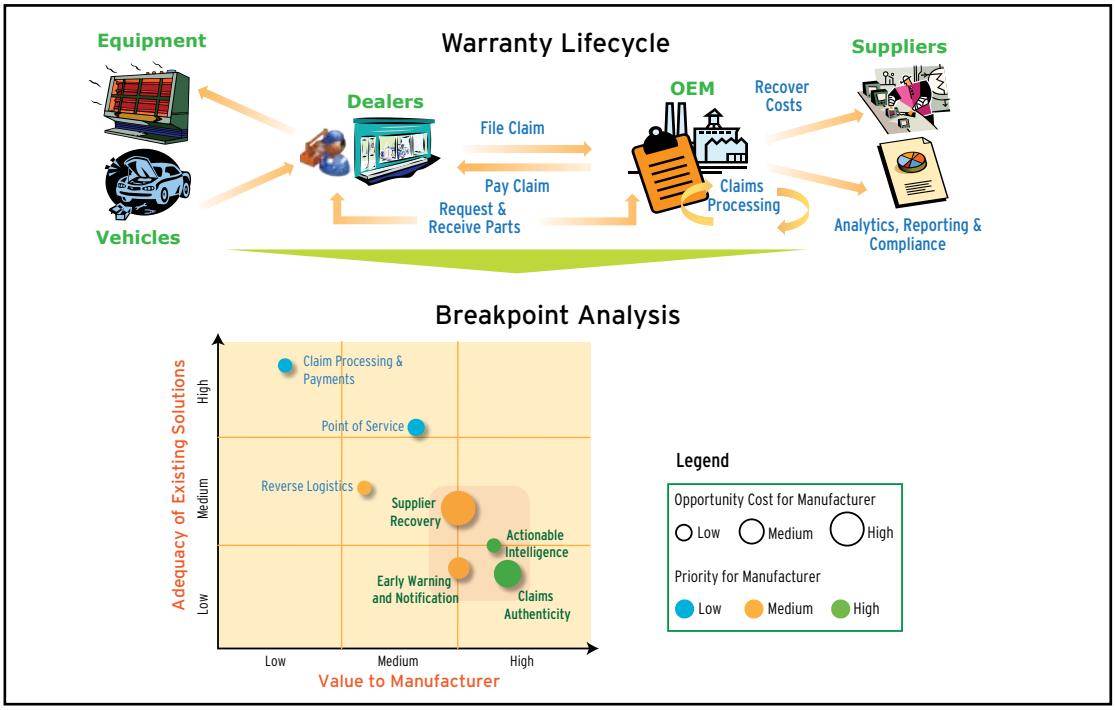

Figure 1

Call to Action: Focus Areas for Manufacturers

An analysis of the breakpoints on the dimensions of "value to the manufacturer" and "adequacy of existing systems" reveals the key areas on which manufacturers need to focus (see Figure 1). The focus areas that emerge include:

- **Advanced, dynamic claims authentication** to identify claims with a high probability of being unjustified and reduce the level of suspect claims. With a rate of about 10% to 15% suspect claims, this represents an area for significant savings, when coupled with a workflow solution for resolution and financial closure.
- **Supplier recovery, driven by cross-functional integration** to trace parts warranty to supplier, allocate share of costs and establish accountability and proper recoveries. Organizations are grappling with the challenges of identifying the procurement source. Weak supplier analytics often lead to a half-hearted recovery process and substantial write-offs.
- **Automated, predictive models for early warning,** to accurately capture emerging field failure patterns. Organizations are now beginning to appreciate the insights that social media monitoring can provide in the context of parts failure and potential issues. The key is to couple unstructured customer feedback with predictive models to pinpoint accurate issues, minimizing false positives.
- **Deriving actionable intelligence.** Most organizations are dealing with the issue of "too much data, too little intelligence." With critical data spread across different departments, it is imperative that organizations take a more holistic view of interpreting and converting this data into actionable intelligence for reserve management, quality management and simulation of new warranty programs.

Warranty Management, Beyond Transactions

We view your warranty chain holistically and offer services that address multiple pain areas. For organizations seeking to tackle the "low-hanging fruit" from operational efficiencies, we offer a complete suite of claims processing business process management services. For organizations seeking additional value from warranty management, we have conceptualized a solution to derive enterprise-wide benefits from warranty management (see Figure 2).

Our solution is process-centric and, at the same time, technology-agnostic, allowing organizations to leverage existing investments in transaction-

Deriving Enterprise-wide Benefits

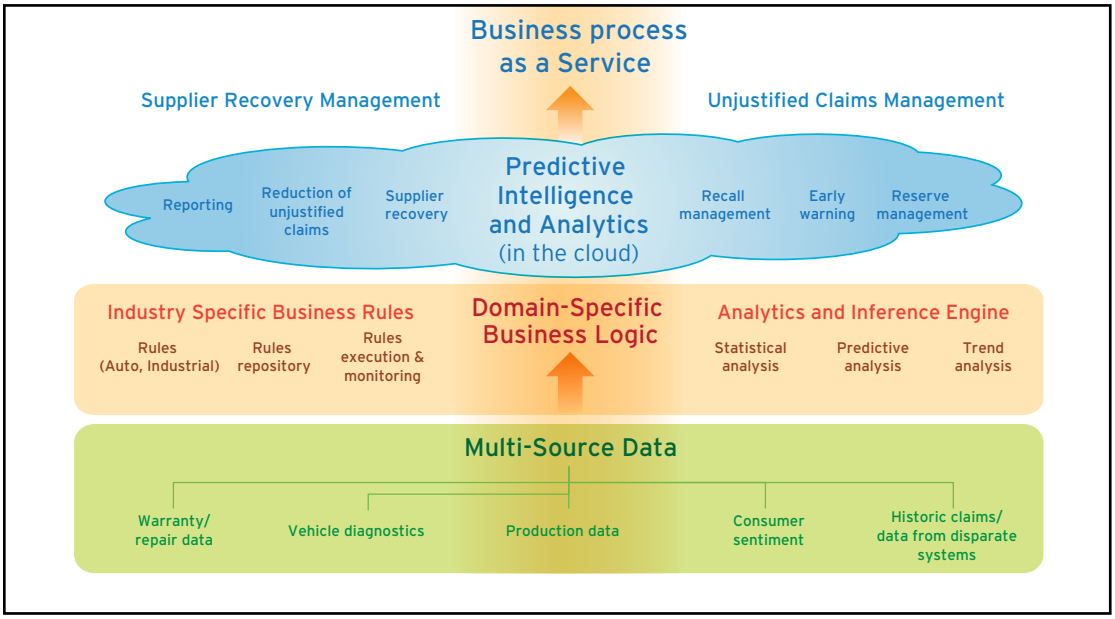

Figure 2

al systems. The solution assimilates data from disparate systems and analyzes the resulting data through different lenses, thereby addressing the aforementioned multiple breakpoints.

The key aspects of our solution are:

- **Dynamic analysis to identify claims with a high probability of being fraudulent,** leveraging our IP from similar scenarios in other industries. The engine is "self-learning," thereby adapting to newer types of fraud and, at the same time, reducing false positives.
- **Improved supplier recovery** through an integrated workflow solution.
- **Predictive analytics to identify early warning signals** and cross-referencing with unstructured customer feedback.
- **Creation of intelligence from the ocean of data** available within organizations through a configurable meta model.
- **A platform-based model** that provides anytime, anywhere access, further reducing operating expenses for customers. This provides the additional flexibility of adopting our solution in an on-premises or on-demand model.

Leveraging these platform capabilities, we can deliver services related to "unjustified claims management" and "supplier recovery management" in a business-process-as-a-service mode. In this model, we take ownership of the process outcome, moving away from the paradigm of transaction-based or headcount-based partnership.

Benefits of Holistic Warranty Management Services

Working with us, you can:

- Reduce net spend on warranty management by reducing payout on unjustified claims and improving supplier recovery.
- Reduce the "detection to remediation" cycle time through effective early-warning signals and quality improvements.
- Leverage extensive data available for better accrual management, warranty program design and pricing decisions.
- Proactively manage your market branding by factoring in unstructured customer feedback.
- Leverage technology tools to improve process efficiency and reduce costs.
- Improve transactional efficiencies in existing processes by leveraging our resources with abundant experience in managing customer queries, processing claims and finance/accounting.
- Introduce cross-industry best practices and adopt a solution that blends technology and process in a way that is tailored to your needs.

Start Today

Today's dynamic, highly competitive global economy requires companies to move faster and work smarter. By working with us, manufacturers can attain operational efficiencies in warranty processing; plug cost leakages in unjustified claims and poor recovery; free cash reserves held for accruals; react faster to feedback from the market and, best of all, convert warranty into an enabler, not a boundless cost center.

Footnotes

[1] IDC Manufacturing Insights, March 2011, http://www.idc.com/getdoc.jsp?containerId=prUS22734611

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About Cognizant

Cognizant (NASDAQ: CTSH) is a leading provider of information technology, consulting, and business process outsourcing services, dedicated to helping the world's leading companies build stronger businesses. Headquartered in Teaneck, New Jersey (U.S.), Cognizant combines a passion for client satisfaction, technology innovation, deep industry and business process expertise, and a global, collaborative workforce that embodies the future of work. With over 50 delivery centers worldwide and approximately 111,000 employees as of March 31, 2011, Cognizant is a member of the NASDAQ-100, the S&P 500, the Forbes Global 2000, and the Fortune 500 and is ranked among the top performing and fastest growing companies in the world. Visit us online at www.cognizant.com or follow us on Twitter: Cognizant.

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