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Benchmark Assessment of Supplier Warranty Management Best Practices

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Study Background



- Mize in conjunction with MR Insights conducted a study among warranty professionals within the Automotive Industry who are involved in managing warranty transactions between suppliers and OEMs.
- The objective of this survey was to benchmark current practices between suppliers, OEMs, and their dealer networks with respect to processing claims and conducting warranty analysis
- The findings help to identify opportunities for improving the ways in which industry participants capture warranty data to perform quality analysis and recommend corrective actions.
- These improvements will lead to shorter detection-to-correction cycle times in responding to emerging quality issue, and reduction in No Trouble Found (NTF).

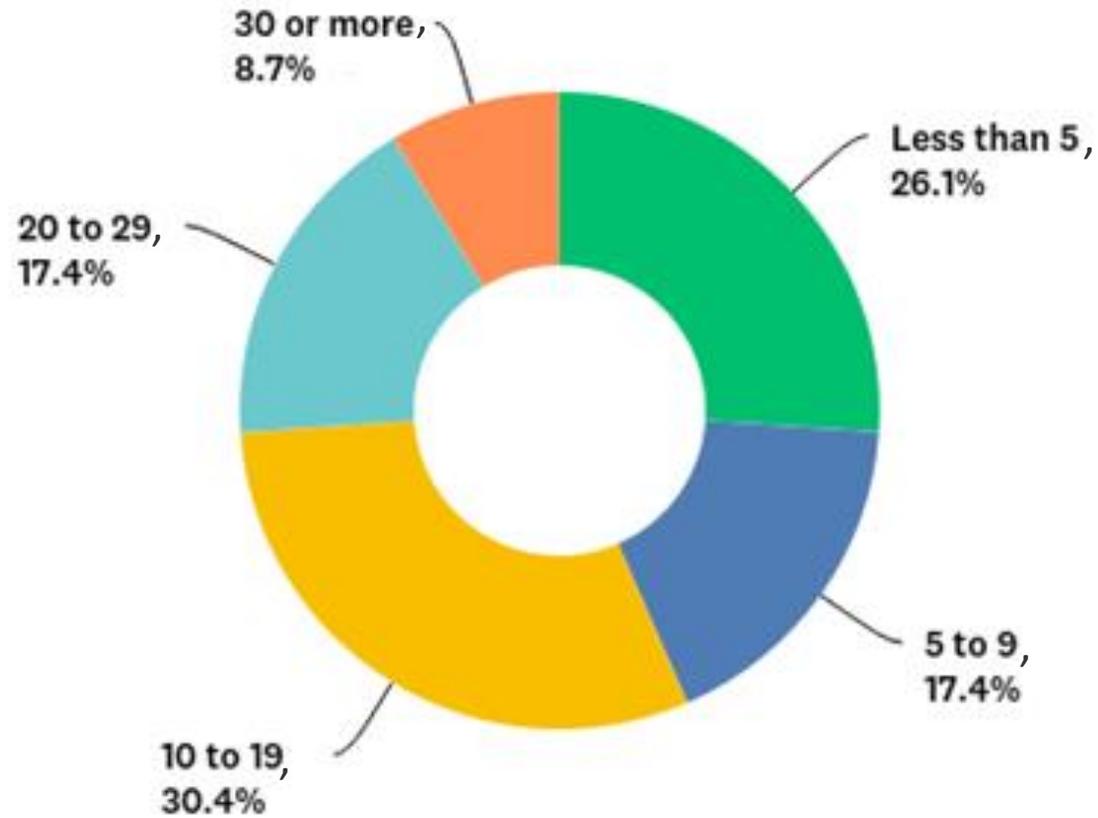
Demographics of Survey Respondents



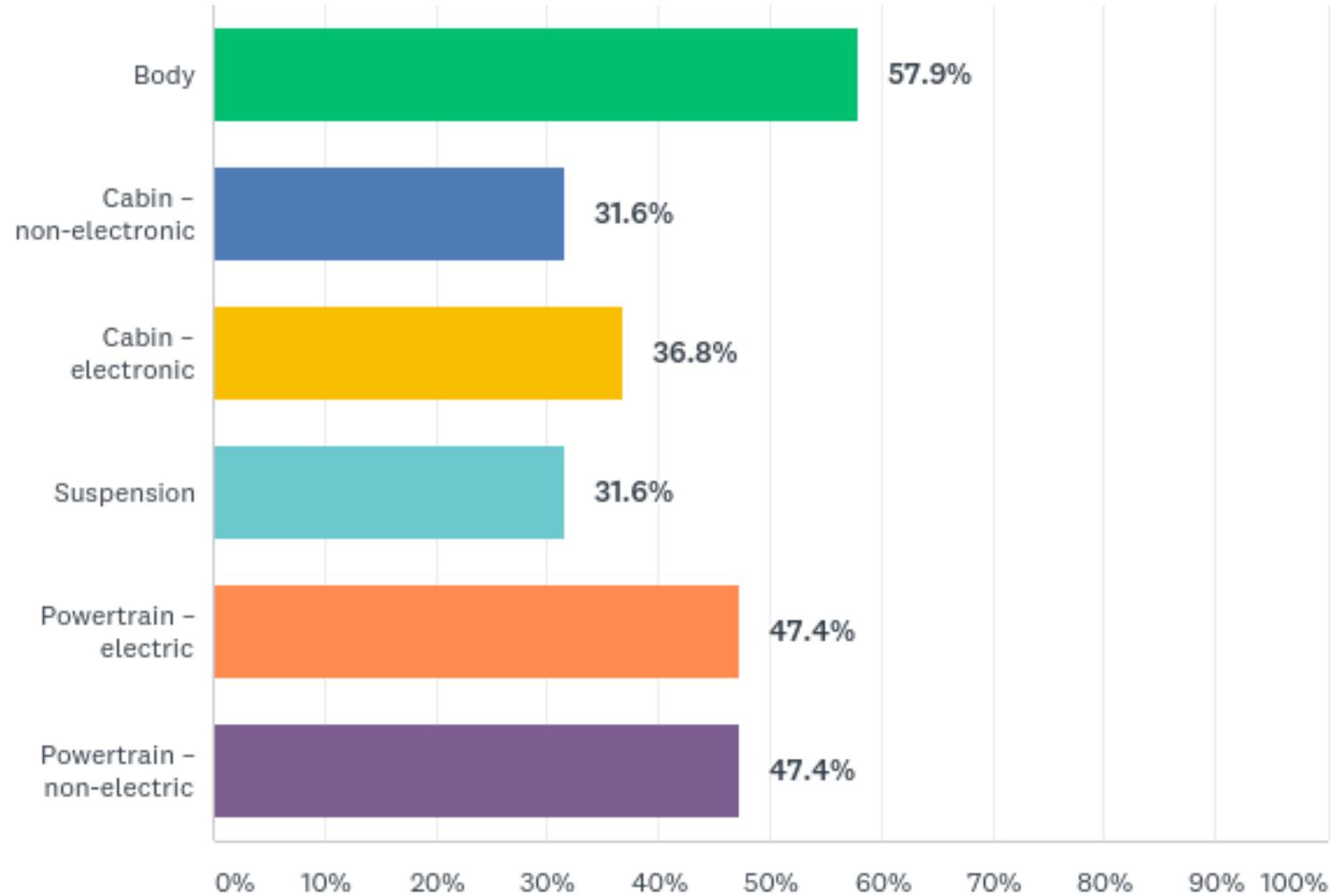
- A majority of suppliers are working with 10 or more OEM's
- All parts of the vehicle are represented in the responses
- Both publicly traded and privately held companies are represented
- The annual sales amounts are very large, and by inference, so are the claimed amounts.

How many OEMs do you currently supply in North America?

Answered: 23

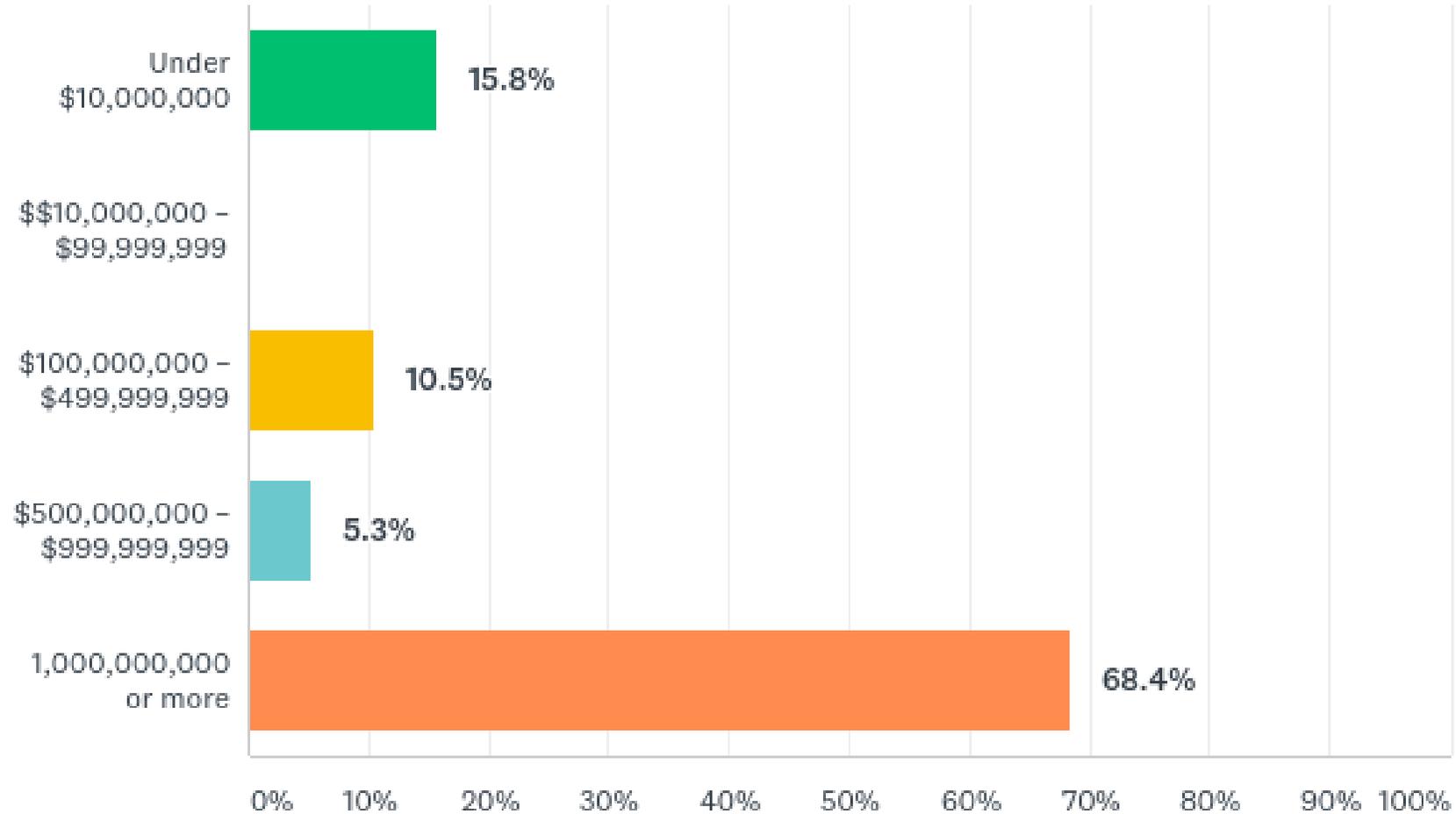


What type of products do you supply to the Automotive Industry?





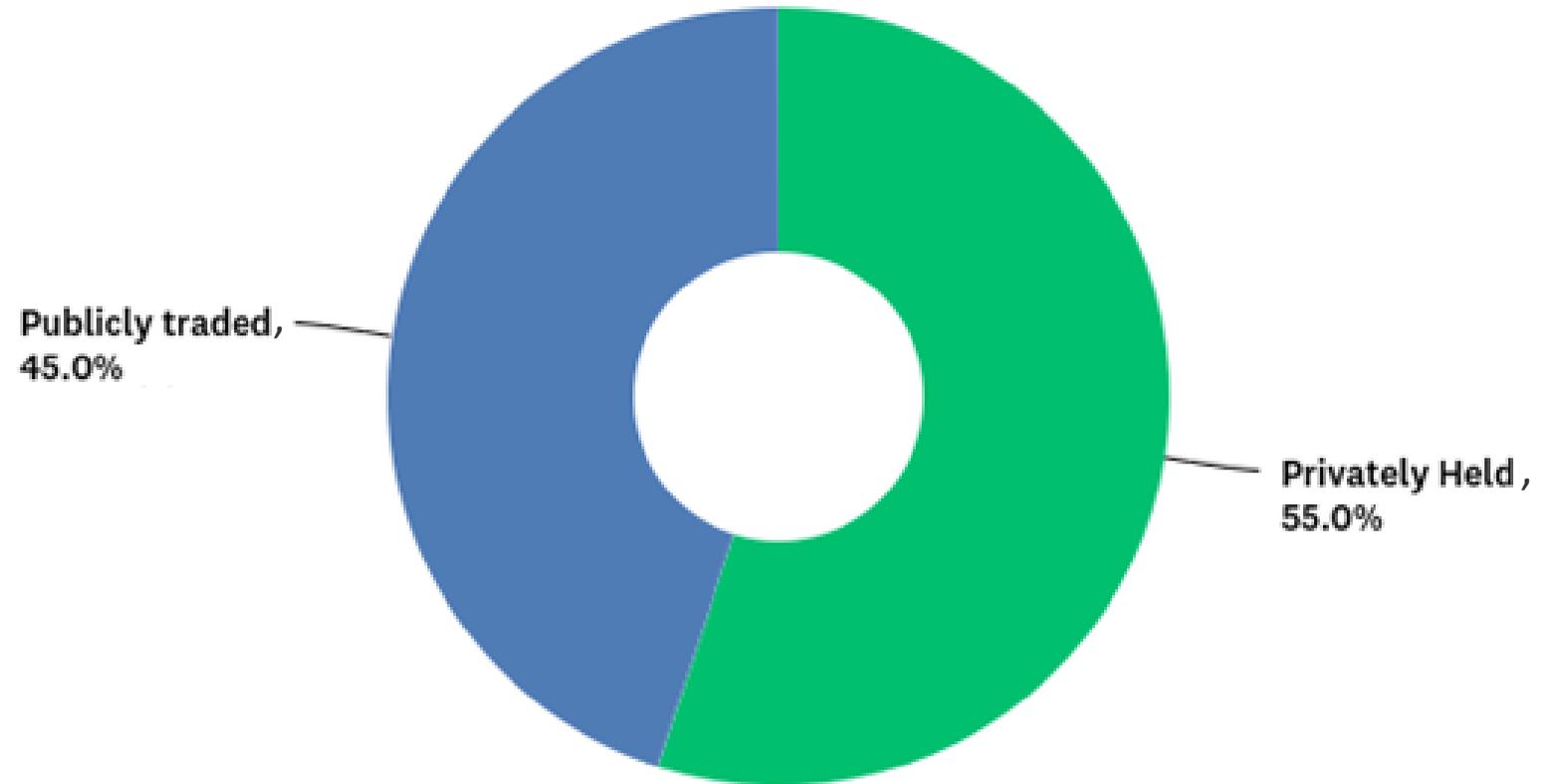
How large is your company in terms of annual sales?



Which category best describes your company?



Answered: 20



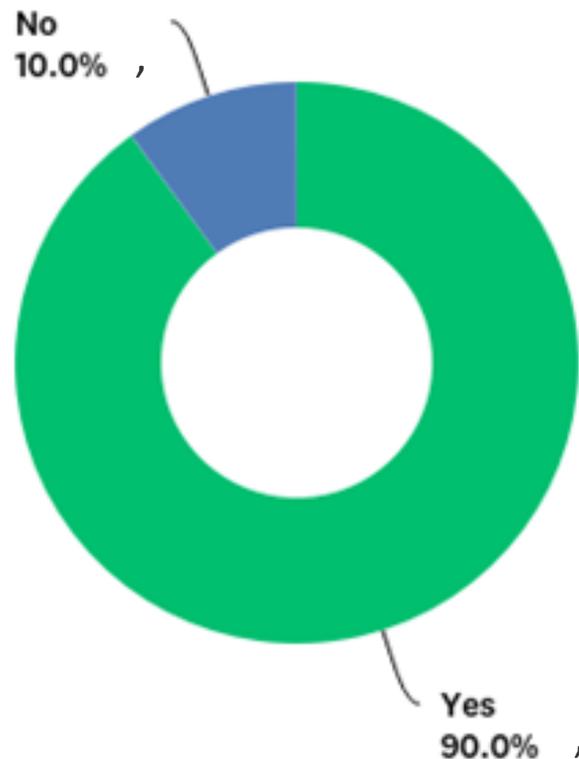
Benchmarks



- Most companies hold TS16949 certification
- 70% of companies have warranty claim amounts of less than 2%
- Over half of companies have over 10,000 claims annually, while one third have fewer than 5000 claims annually
- More than half of the companies indicate they receive the corresponding physical part in less than 10% of claims

Does your company possess TS16949 certification?

Answered: 20

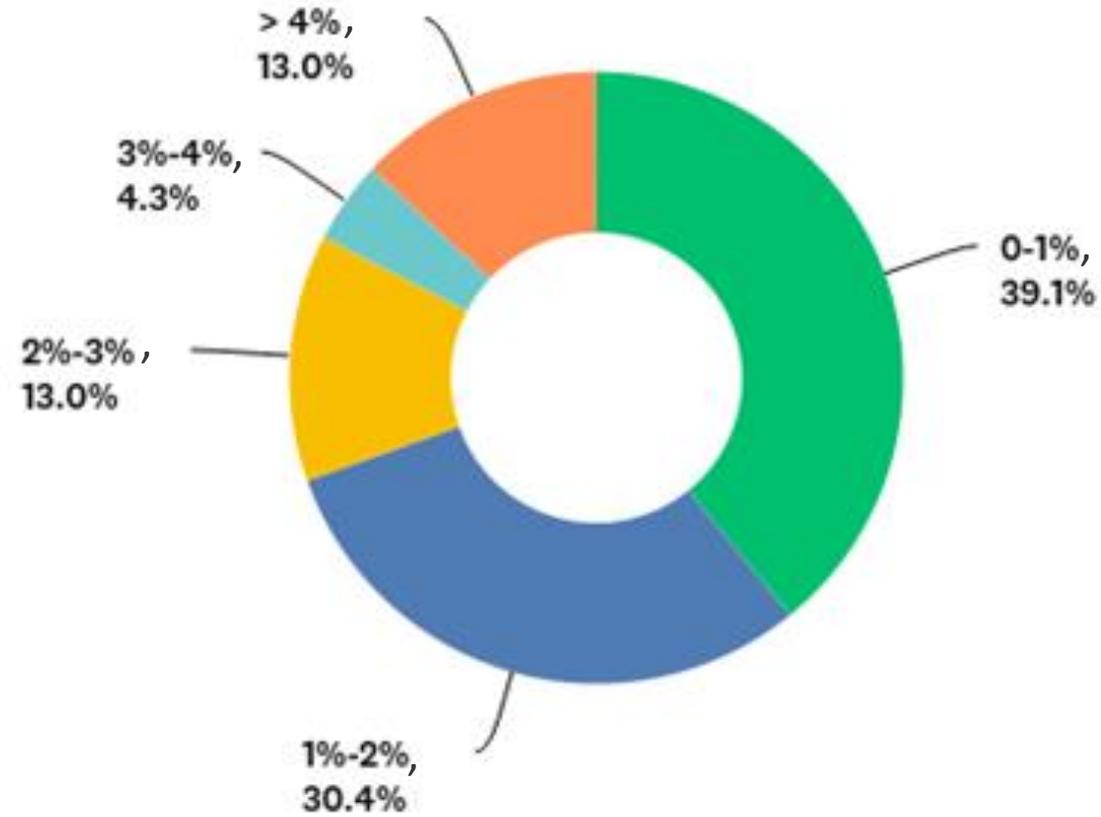


ISO/TS 16949 is an ISO technical specification aimed at the development of a quality management system that provides for continual improvement, emphasizing defect prevention and the reduction of variation and waste in the automotive industry supply chain. – Wikipedia

Over the last 12 months, what percentage of your parts resulted in a warranty claim?



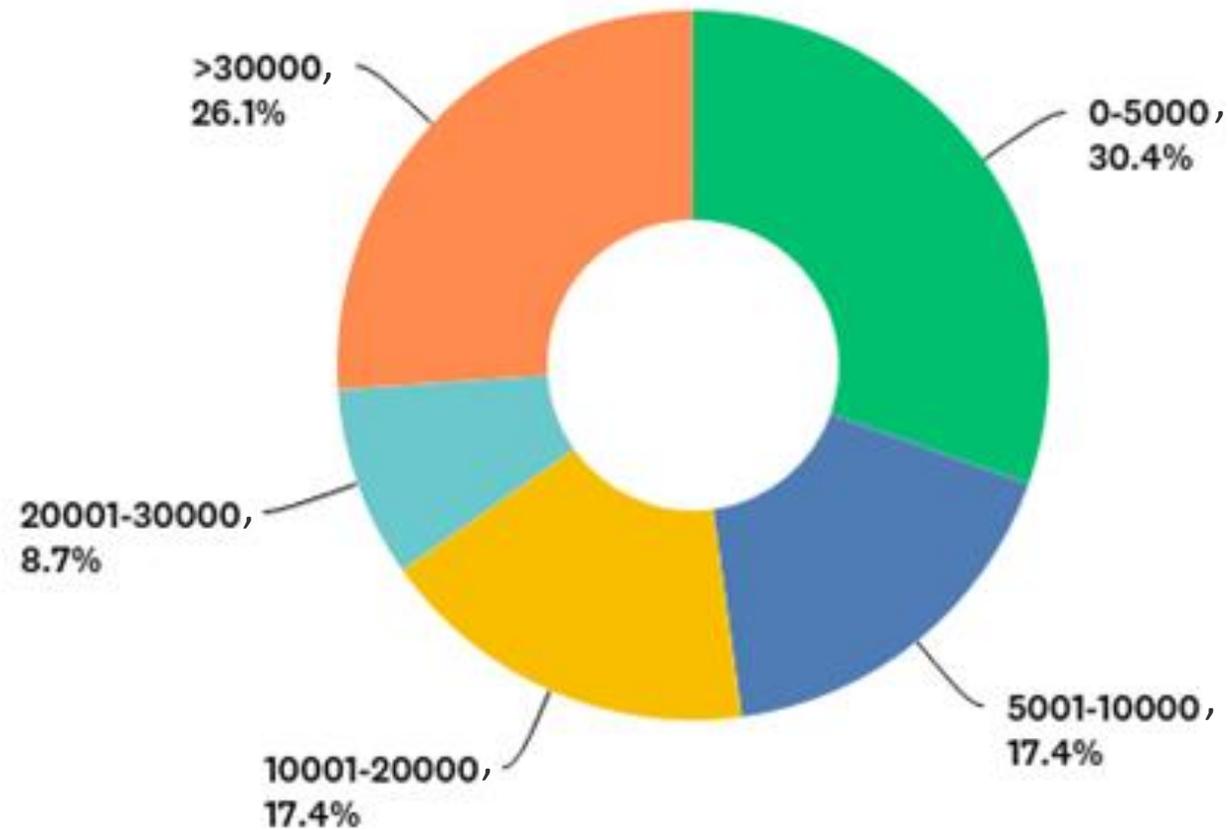
Answered: 23



What is the annual volume of warranty claims from OEMs that you currently supply in North America?



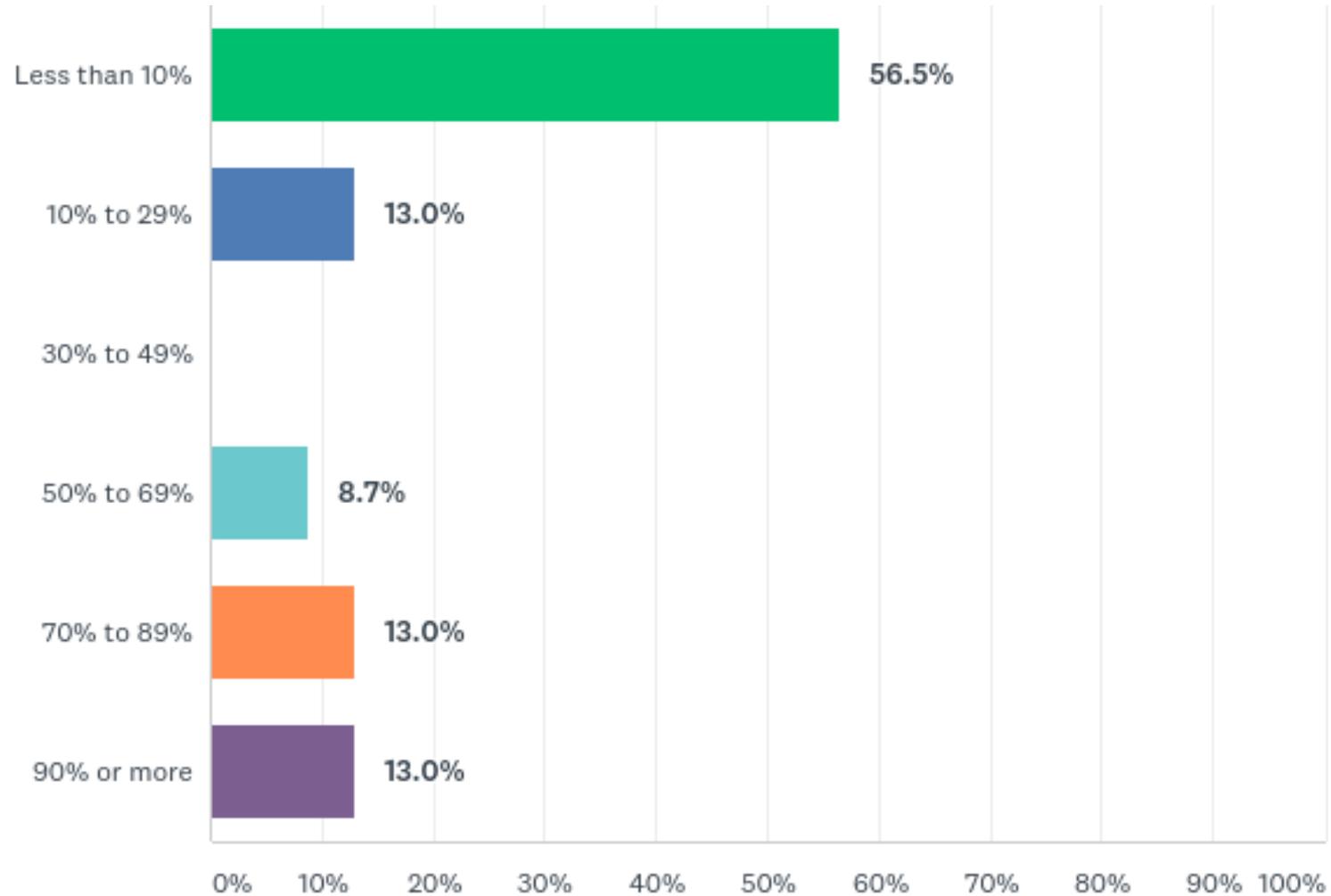
Answered: 23



Of these warranty claims, for what percentage of claims do you receive the physical corresponding parts?



Answered: 23



Benchmarks (Continued)

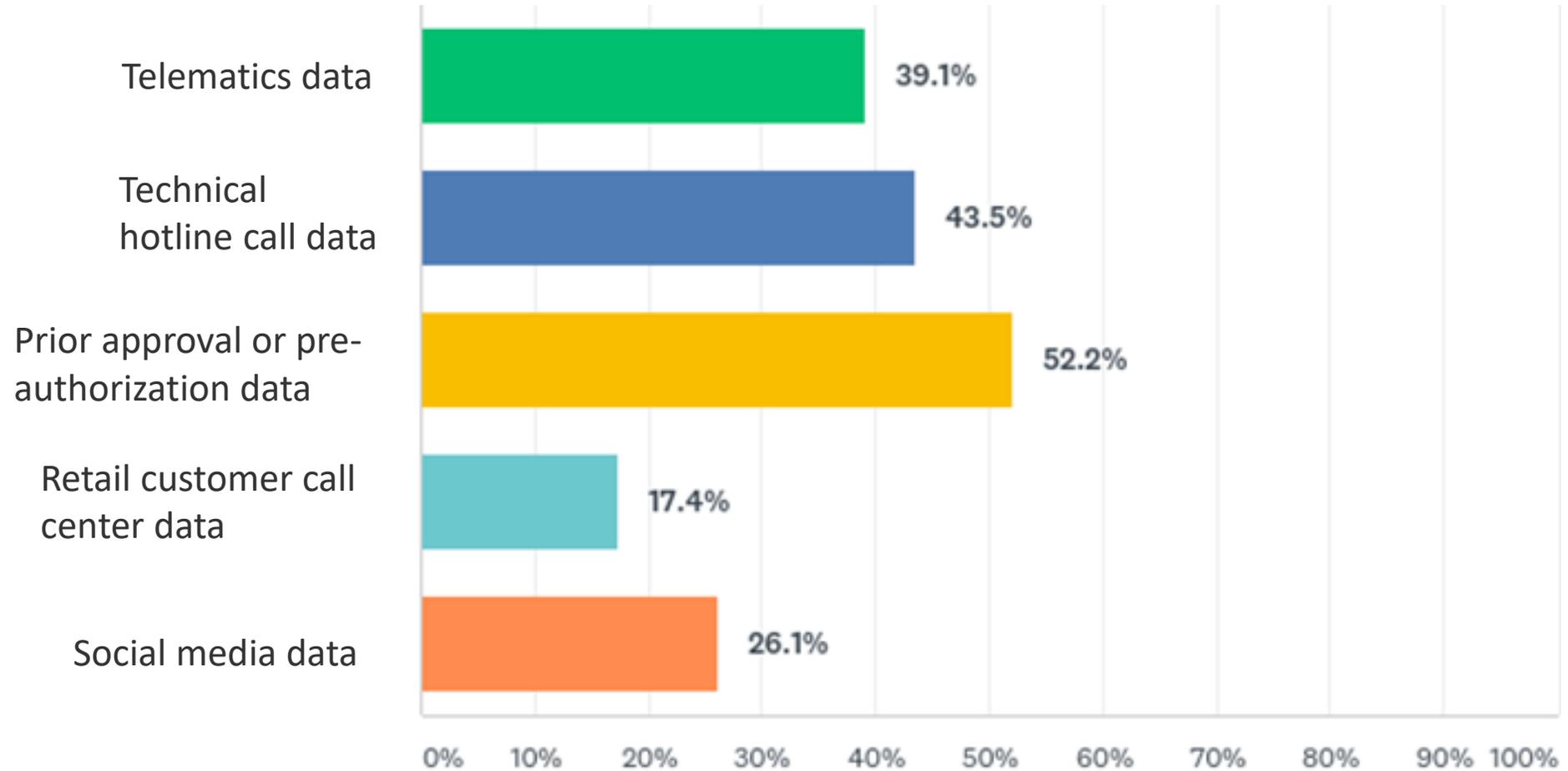


- However, companies receive data from lots of different sources other than the part or claim itself including Telematics Data, Technical Hotline Data, Prior Approval or Pre-Authorization Data, etc.
- Regardless, companies desire more data
- At issue, the data is retrieved from disparate sources and may not always be accurate

In addition to warranty claim data and part returns, what other data do you use in your warranty analysis?



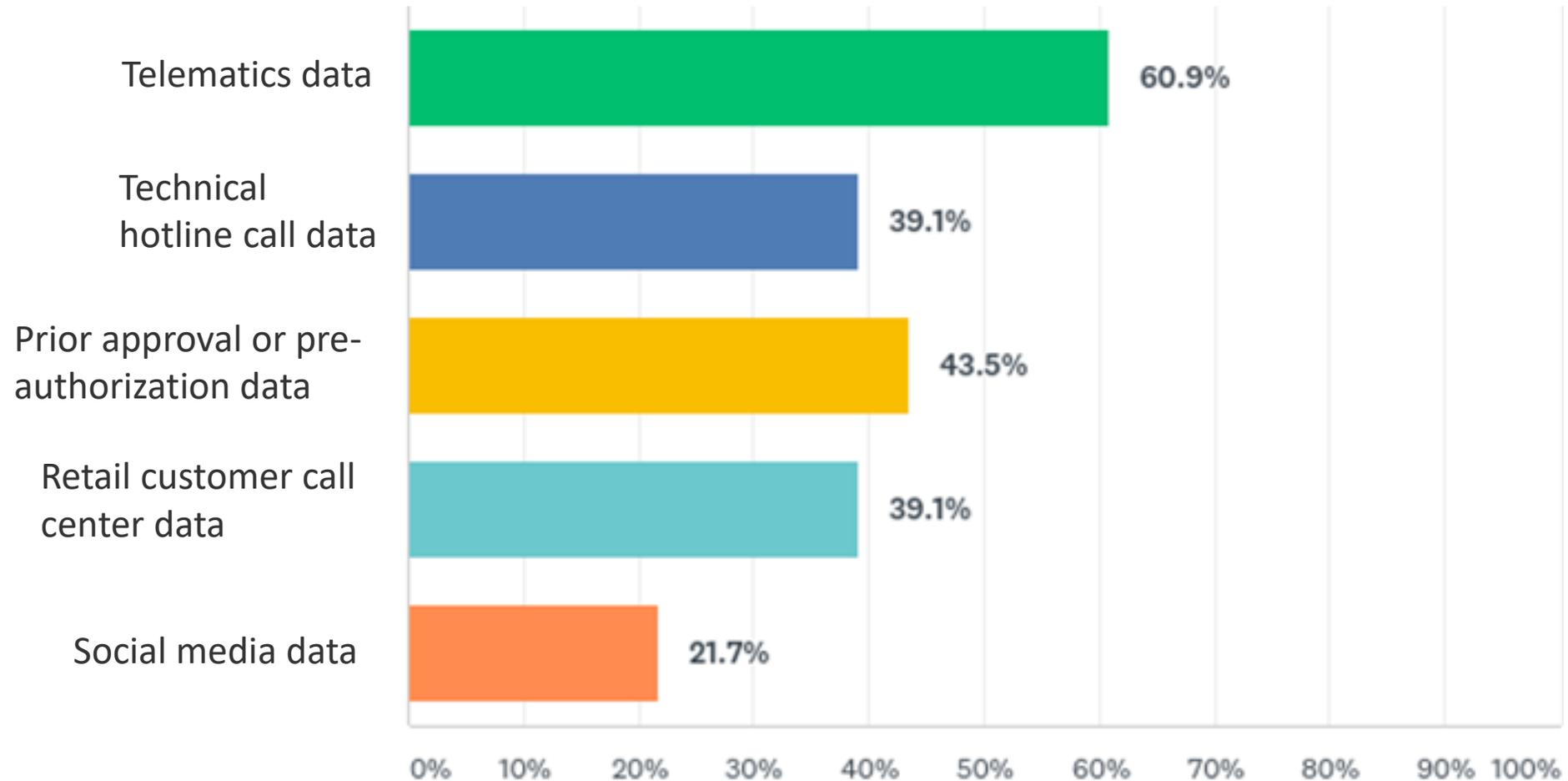
Answered: 23



What other data would you like to use in your warranty analysis?



Answered: 23



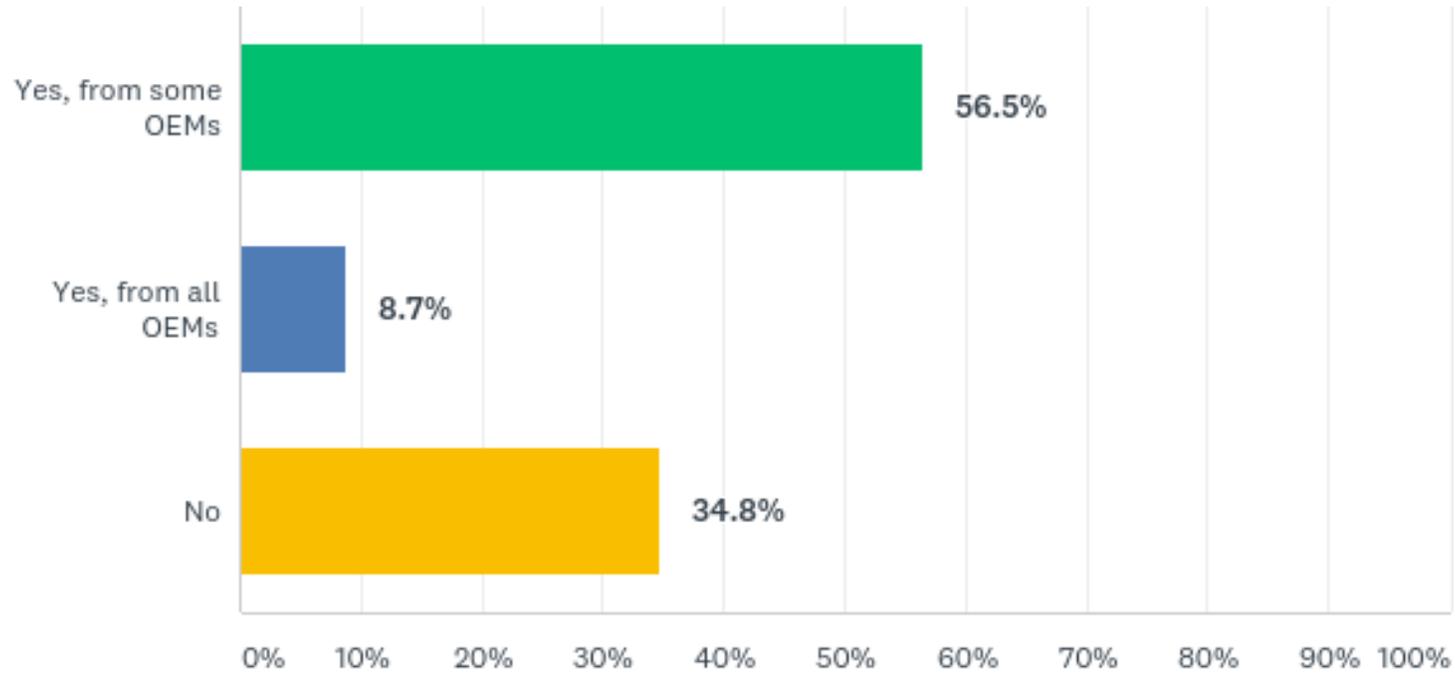
Benchmarks (Continued)



- Interestingly, a large number of companies do not receive telematic codes from their OEM, or they only receive them from some OEMs
- Yet, most companies indicate their parts provide DTC, other codes, or parameter data
- Due to lack of telematic data, most companies categorized claims as No Trouble Found (NTF) or Goodwill over the last 12 months

Do you receive telematics data from the OEM?

Answered: 23

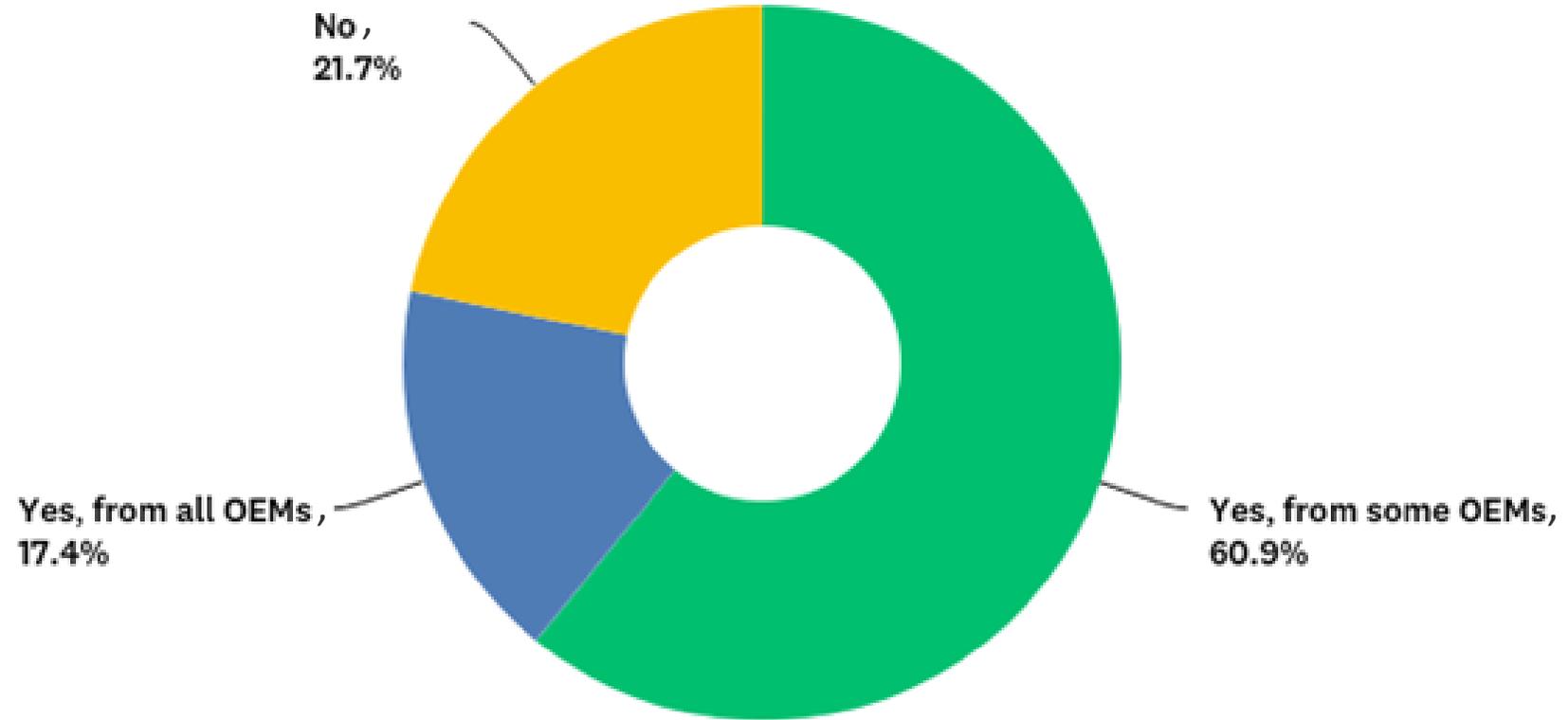


Telematics data as defined by Diagnostic Trouble Code (DTC) and parameter data out of the modules, not information written on the claim

Do your parts provide Diagnostic Trouble Code (DTC), other codes, or parameter data?



Answered: 23



Over the last 12 months, what percentage of claims from OEMs fell into each of the following categories?



Answered: 23

Categories	Percent of Claims						TOTAL
	0%	1-19%	20%-30%	40%-59%	60%-79%	>80%	
Chargeable	13.6%	40.9%	31.8%	13.6%	0.0%	0.0%	22
Non-Chargeable	26.3%	26.3%	15.8%	15.8%	10.5%	5.3%	19
No Trouble Found	14.3%	33.3%	19.0%	4.8%	19.0%	9.5%	21
Goodwill	19.0%	61.9%	9.5%	4.8%	4.8%	0.0%	21
Other	87.5%	0.0%	12.5%	0.0%	0.0%	0.0%	8

 = Most Frequent Response

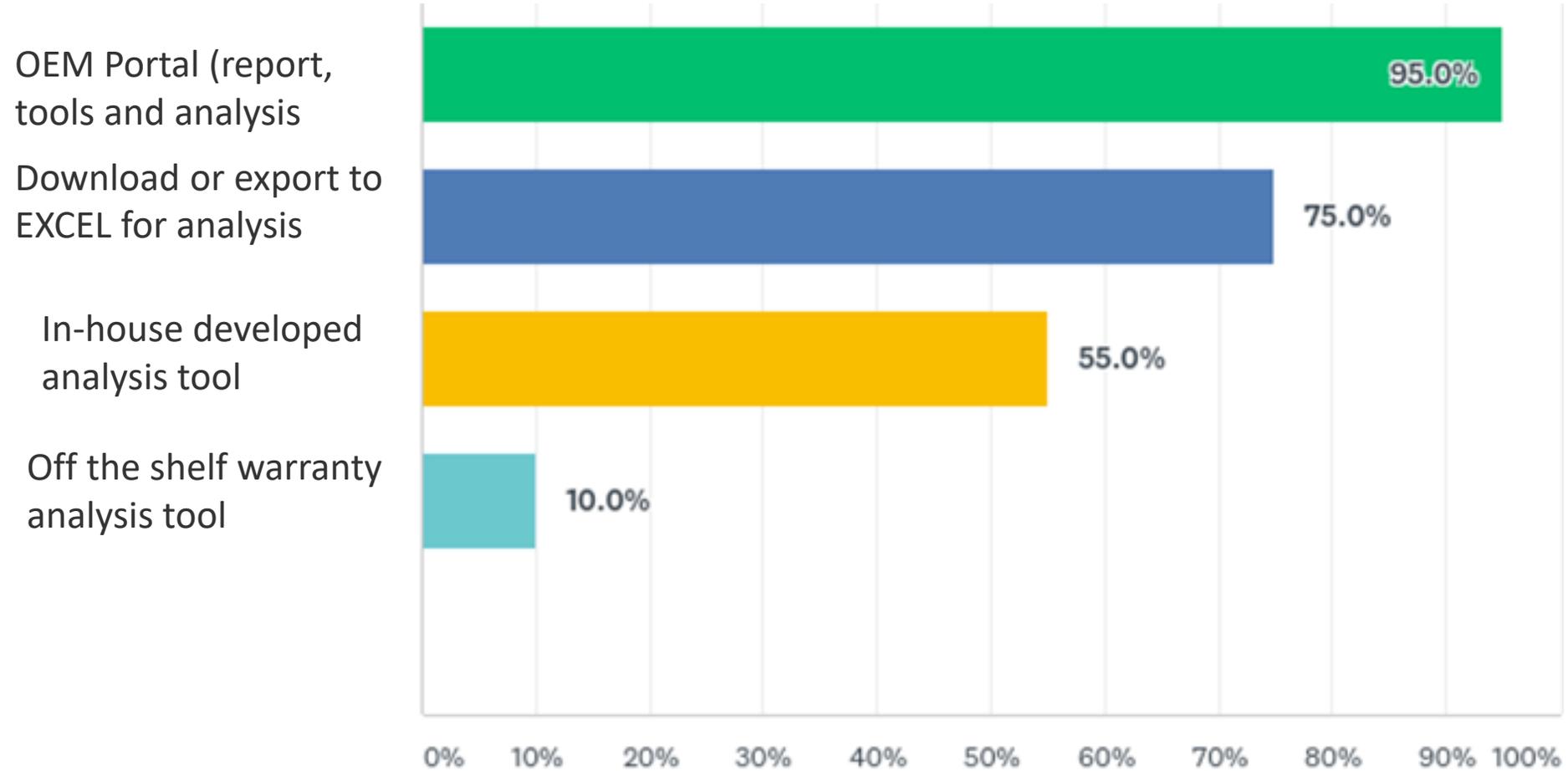
Benchmarks (Continued)



- Companies rely primarily on OEM portals, Excel Spreadsheets, or in-house tools to analyze warranty claims
- At issue, there is a lot of variability in the data coming from these different systems and data sources.
- Ideally, companies would like to have access to off the shelf, warranty analysis tools to streamline and standardize this process

What do you use today to analyze your warranty claims?

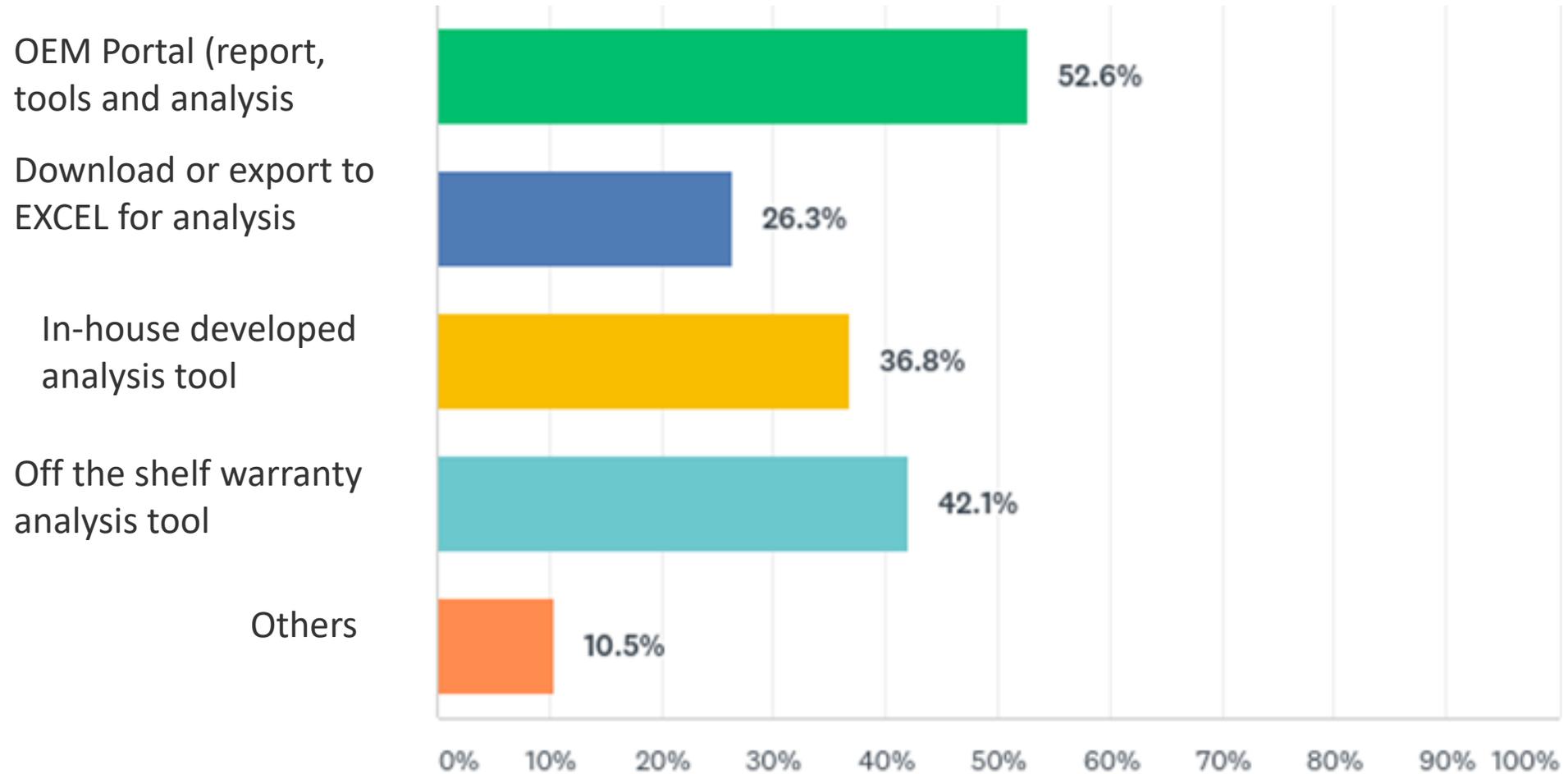
Answered: 20



In addition to warranty claim data and part returns, what other data, if available, would you like to use in warranty/quality analysis?



Answered: 19



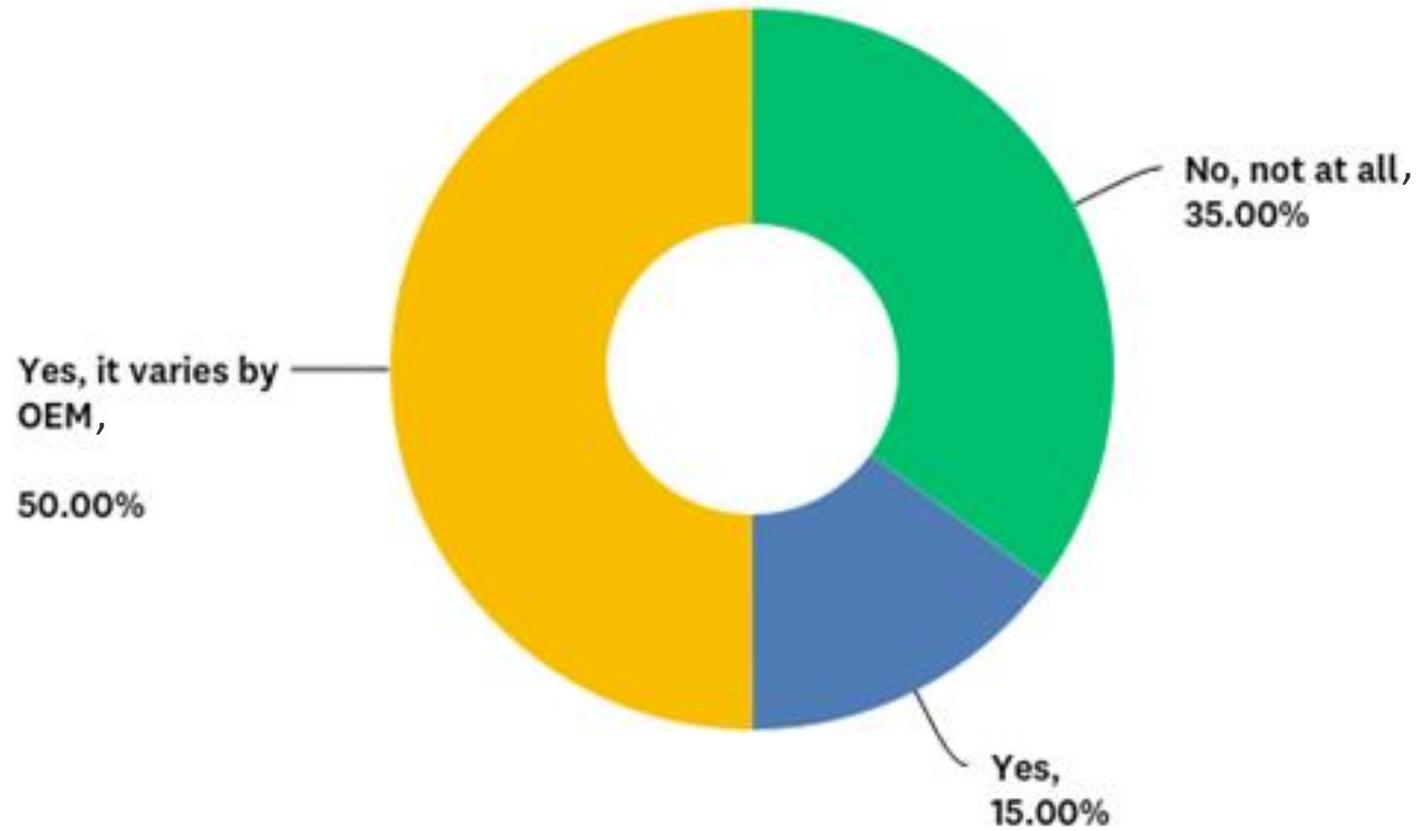
Benchmarks (Continued)



- Companies often call or visit dealerships to obtain additional information to help them in warranty/quality analysis
- Although costly and time-intensive, calls or visits are perceived as beneficial to obtaining additional information or clarification about claims
- A majority of companies also find that photos are beneficial to problem solving primarily because it can be sent and received in less time than shipping the actual part
- Interestingly, only a small percentage of companies find photos beneficial because it saves on shipping costs

Do you presently call or go visit dealerships?

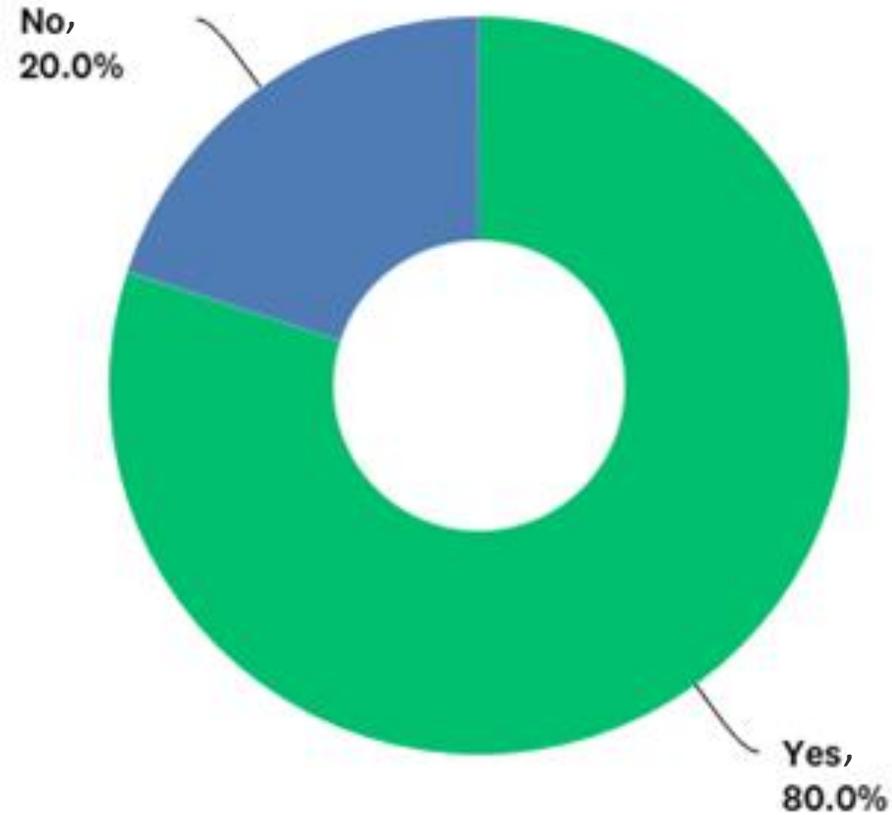
Answered: 20



Do you feel it is beneficial to be able to visit or call a dealership for additional information or clarification?



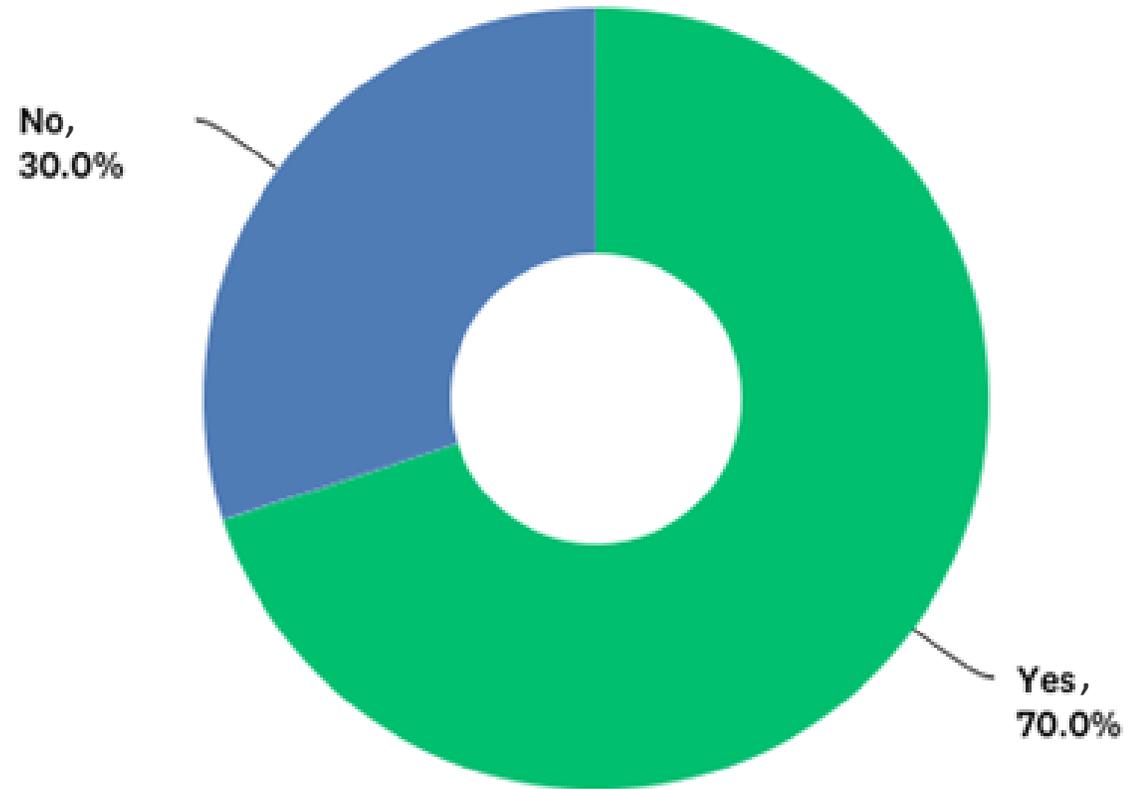
Answered: 20



Do you ever receive photos taken by dealerships?



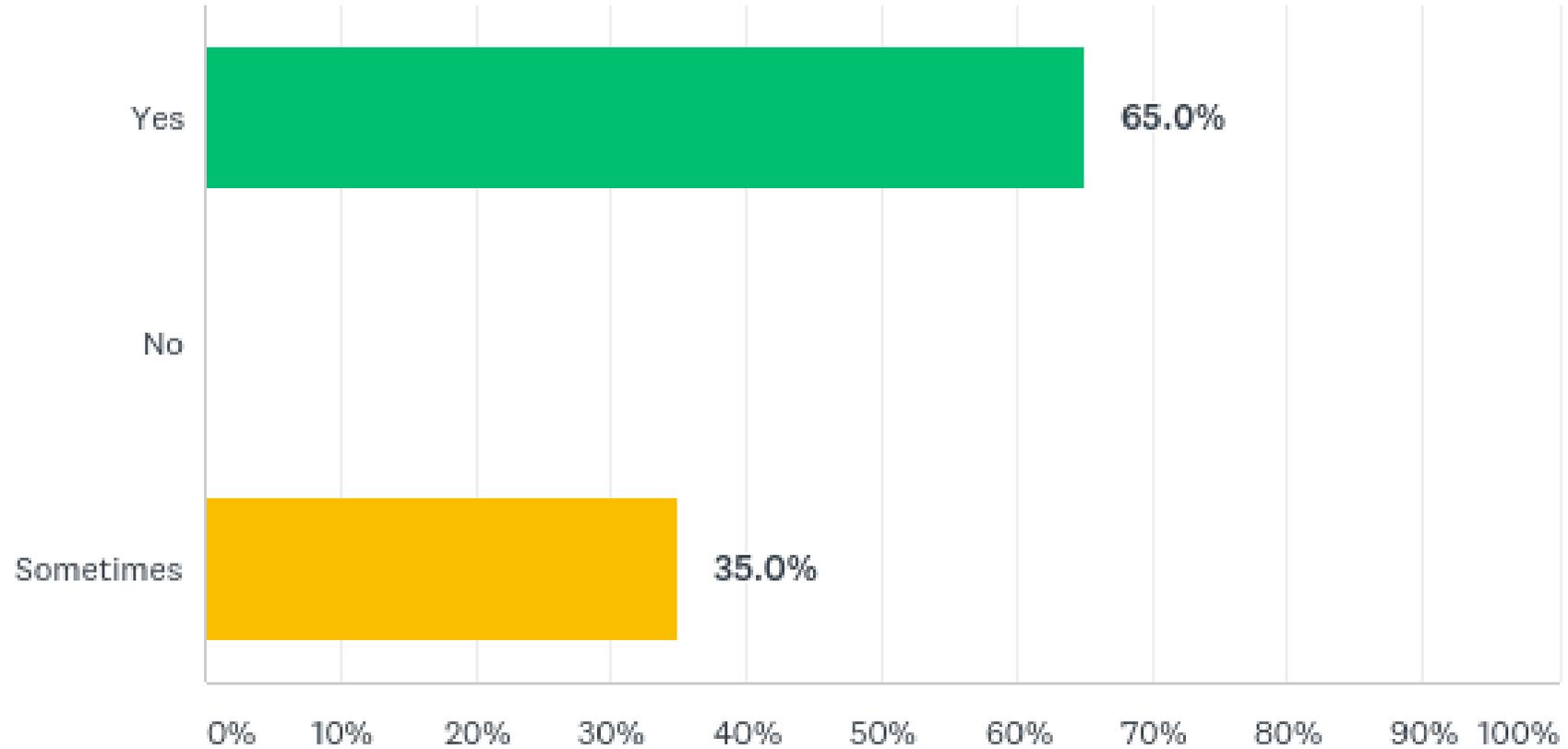
Answered: 20





Do you find photos to be beneficial in problem solving?

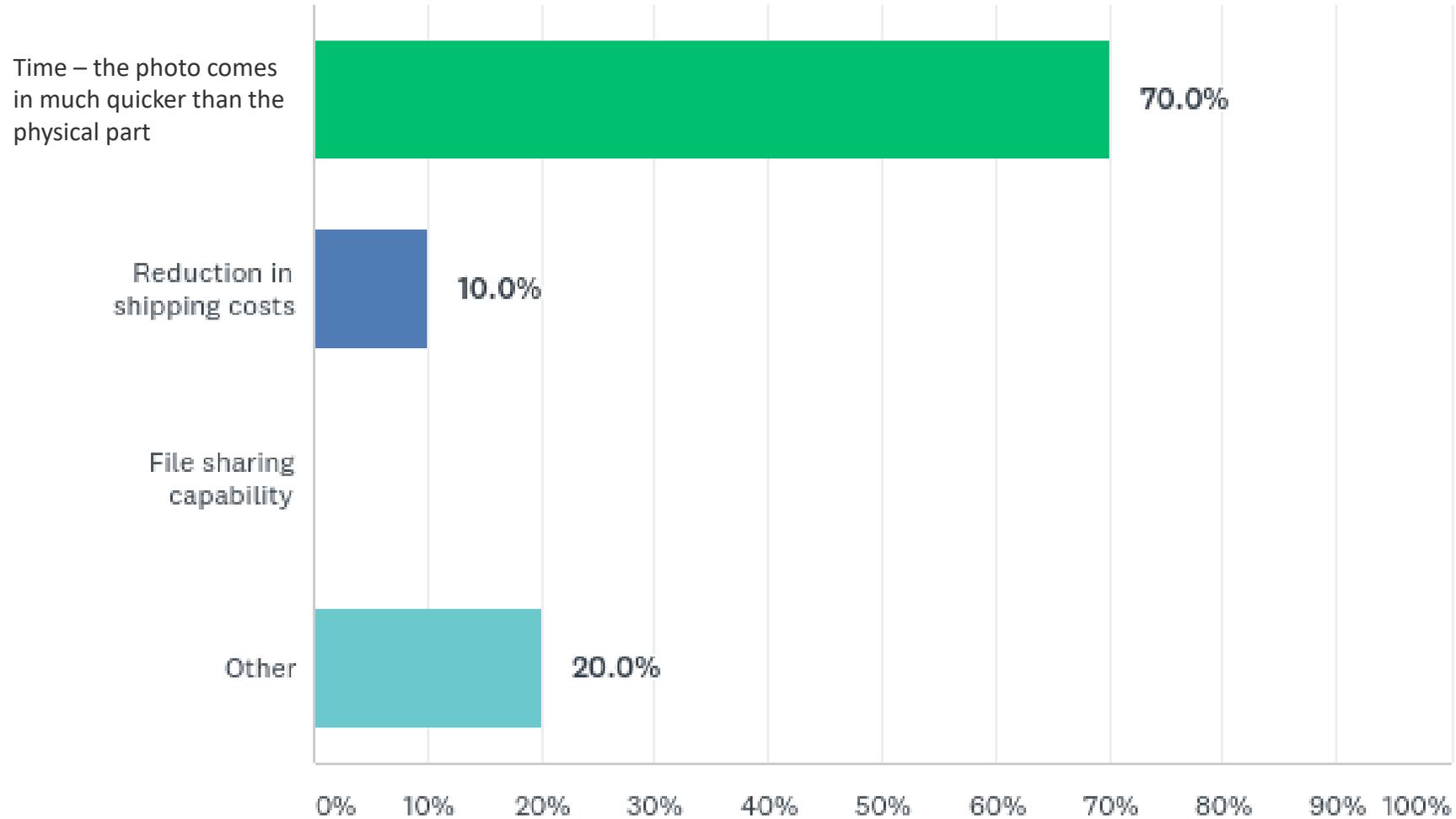
Answered: 20



What would you consider to be the major advantage to photos as opposed to a physical part return?



Answered: 20



Summary & Implications of Study Findings

- Supplier Warranty Management is Time Consuming, Data Intensive, Costly
- Suppliers rely primarily on OEM Portals and Excel Spreadsheets
- Multiple data sources are utilized in Warranty Analysis
- High level of variability in the type, source, and quality of data supplied by OEMs
- Claims are frequently processed as goodwill or NTF for payment
- One fifth of parts have no coding, and physical parts are rarely returned, meaning judgements must be made on data alone
- Additional data sources are critical to successful warranty analysis.
- Opportunity to implement a solution that can streamline, simplify, and standardize Warranty Management

Summary & Implication of Study Findings



- In general, Suppliers are under pressure to take more financial responsibility for Warranty costs with less focus on collaboration to improve Quality
- Unfortunately, this represents a challenge to Suppliers as they must deal with multiple OEM Portals, Warranty systems, data formats
- In addition, they rely on ad-hoc and inefficient processes using Excel spreadsheets, emails, and disparate systems
- As a result, it takes weeks or months to respond quickly to emerging issues due
- Most importantly, Warranty data they receive is often inadequate to focus on Quality analysis and correction action

Optimal Supplier Warranty Management Solution

Solution to enable OEMs and Suppliers to Overcome Warranty Challenges



- Characteristics of the optimal solution include:
 - ✓ Platform to enable simple and integrated Warranty Data Exchange
 - ✓ Capabilities for OEMs and Suppliers to
 - Process Claims and Returns
 - Share Warranty Analytics and Insights
 - Collaborate on Quality Improvement or Correction Action projects
 - ✓ Cost Effective System for OEMs and Suppliers
 - Cloud based Single and Secure platform
 - Value based Subscription model with minimal upfront investment

Supplier Warranty Management Solution



Streamline Claims Process



- Mize's ***Supplier Warranty Management*** Solution helps companies Streamline Claims processes
 - ✓ Process Claims from multiple sources from a single interface
 - ✓ Standardize failure coding (Complaint, Cause, Corrective action), Component codes, and Part numbers
 - ✓ Map and Re-bin Claims and Returns to automate processing
 - ✓ Robust policy management, business rules, and decision tables to validate claims data
 - ✓ Flexible Workflows to automate or route claims to right people

Cost-effective delivery model

- The Supplier Warranty Management Solution is available through a Costs-Effective Delivery Model
 - ✓ Subscription fee per month that includes license, support, maintenance, and hosting
 - ✓ Standard OEM Connectors to manage and maintain data exchange process with all OEMs globally
 - ✓ Pricing model and tiers based on volume of Transactions (Claims, RMAs, Supplier Claims)
 - ✓ Any number of OEMs or Users globally
 - ✓ Secure and Scalable Cloud deployment to minimize infrastructure costs



Case Study: Engine Manufacturer

The world-leading manufacturer of compact, multi-cylinder, liquid-cooled diesel engines.

- ✓ Automated claim import from 14+ OEMs – all with various formats
- ✓ Online Claims from Distributor/Dealer network
- ✓ Better visibility for Part Returns
- ✓ Reduced 68 step manual process to less than 8 steps
- ✓ Improved Warranty analytics

Next Steps:

Test Drive our Supplier Warranty Management



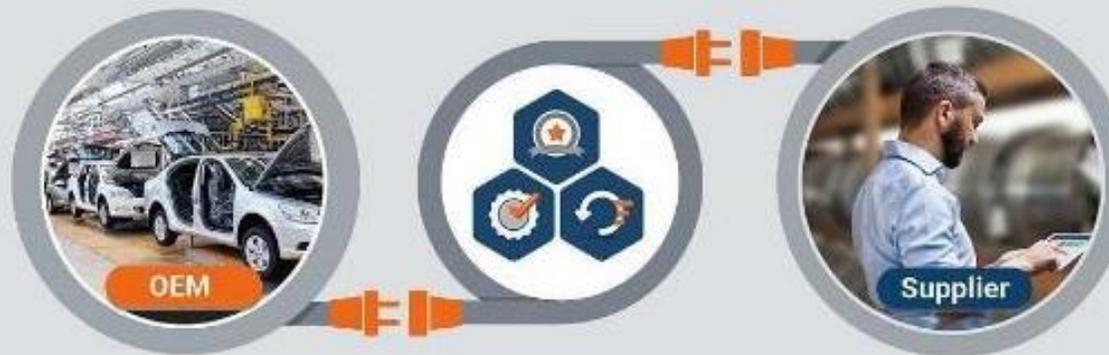
Free Trial

30 Day Trial, Quick setup, Proof of Concept
(Your Sample Data, OEM Claim Support)

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