

IBM Study Uncovers New and Innovative Ways for Electronics Companies to Improve Warranty Operations and Reduce Costs

Advances in predictive analytics, cognitive computing and Internet of Things (IoT) offer an opportunity to transform traditional warranty processes

ARMONK, N.Y., April 20, 2017 [PRNewswire/](#) -- IBM (NYSE: [IBM](#)) today announced results from a global benchmark survey analyzing electronics industry warranty performance, finding significant potential for improvement in warranty and supply chain operations.

According to the new IBM Institute for Business Value (IBV) study, [Powering Warranty Reinvention: How Electronics Companies Leverage New Technologies to Improve Warranty Management](#), many companies don't put enough focus on effective warranty management or treat it as a competitive differentiator. Warranties are a critical part of product upgrades and launches, particularly for electronics companies that constantly introduce new features, software or experiences. Underestimating the operational impact of returns and repairs can have a profound effect on company reputation and bottom line.

- On average, warranty costs are close to 3 percent of revenue of those companies surveyed.
- Of that 3 percent, less than 1 percent is actually spent on direct repair or replacement of defective goods.
- For a one-billion-dollar company, that's USD 20 million in processing and administration costs across the repair cycle.

IBM assessed the warranty management performance of 304 surveyed electronics companies in North America, South America, Europe, Asia Pacific, the Middle East and Africa. The survey evaluated the potential impact of new warranty management practices across four key areas: reduced operational costs, improved brand integrity and customer experience, identification of new revenue streams and competitive differentiation.

The study uncovered three key competencies common among companies with highly effective warranty management:

1. **Standardized processes and improved communication** across organizations to reduce cost and improve insight.
2. **Increased traceability** back from warranty management into manufacturing and the supply chain.
3. **Broadened interactions and information sharing** across the ecosystem, including support for customers, service providers and the original equipment manufacturer (OEM).

The results also demonstrated that average warranty costs for bottom performers were 50 percent higher than costs for those at the median and 150 percent higher than those at the top. That means a company with USD 1 billion in revenue could expect warranty costs that are USD 27 million (or 150 percent) higher, on average, than a top performer.

"Effective warranty management does not only improve your bottom line, it can also can have a direct impact on customer satisfaction and retention," says Cristene Gonzalez-Wertz, Electronics Research Lead, IBM Institute for Business Value. "If consumers believe a company treats them fairly when products fail to live up to expectations, they are more likely to buy the company's products in the future, building brand loyalty."

IBM also found that, when integrated successfully, IoT can be a powerful competitive differentiator, increasing the potential for new revenue streams through innovative commerce and data sharing/insight opportunities. IoT data can be combined with existing warranty data to obtain new insights into companies' customers, products and operations. In turn, this can lead to enhanced support processes, optimized product service, and the provision of new and differentiating experiences for customers, all of which can help drive revenue. Enabling a 360-degree digitized view also allows companies to forecast warranty costs more and predict detection of problems earlier.

Based on the global study findings, IBM recommends that electronics companies start improving their warranty management

systems by taking the following steps:

- Simplify and standardize warranty processes across products, divisions and repair teams
- Increase process automation
- Communicate warranty and service information to business functions
- Use technology and big data to improve accrual management
- Use advanced analytics for fraud detection

Access the full IBV study findings [here](#).

For more information about the IBM Institute for Business Value visit www.ibm.com/iibv

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