

Case Example: Reducing Warranty Costs



1. Situation

- Product development community responsible for interior electronics
- Returns and warranty claims growing as a percent of sales
- Customers becoming more dissatisfied with quality image
- Dealers not incented to solve problems, only fix symptoms
- Resistance to divert new development engineering resources to solve current model problems
- Suppliers resistant to assume additional warranty responsibility

3. Deliverables

- Diagnosed existing development process for quality assurance
- Identified use of systems engineering as method for “quality requirements capture and management”
- Reengineered product development process to include “root cause analysis” methodology
- Validated approach on pilot project then introduced process across engineering organization
- Introduced new process to dealers and key suppliers

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2. Key Issues

- Company seeking to reduce total warranty costs and improve customer satisfaction
- Electronics content increasing for all interior systems
- Dealers only make money when there is a defective part to return, which they do most of the time
- Returned parts not always at fault when tested
- Cost pressure would not allow addition of engineering resources upstream

4. Results

- Introduced new process within six months of initiating the reengineering activities
- Reduced the total number of defects reported by customers 20% within one year
- Reduced total warranty costs 18%
- Reduced spare parts inventories at dealers 15%
- All improvements made with no increase in engineering headcount

“Previous attempts at reducing our warranty costs were ineffective. Conequity brought a new approach which allowed us to reduce costs by up to 20%, a significant breakthrough for us.”

VP Quality, Global Automobile Manufacturer