



Warranty Approach

April 2017

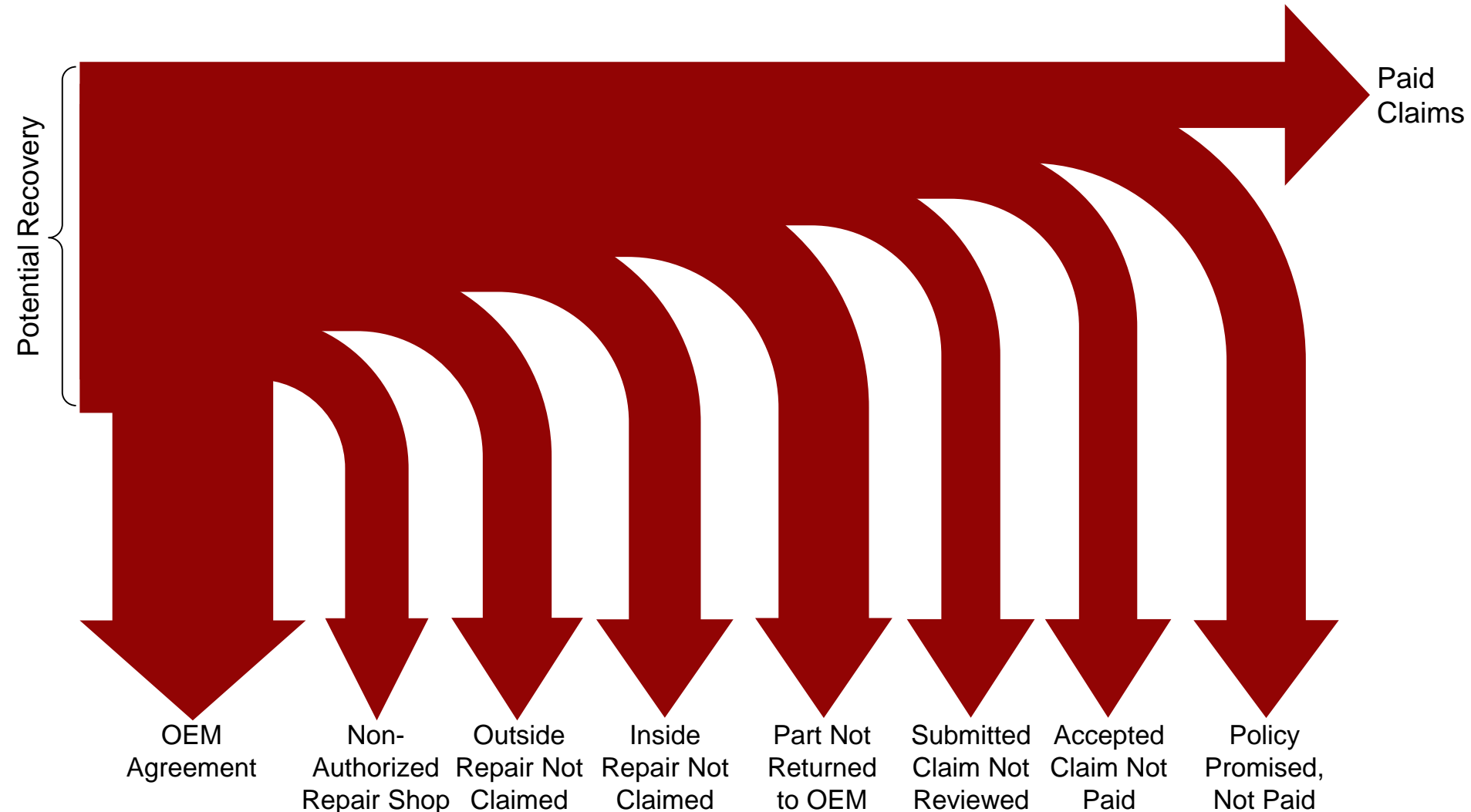
Executive Summary

A comprehensive Warranty strategy should combine data analytics, process analysis and supplier engagement.

- **Warranty Leakage**– Systemic and behavioral issues can result in warranty leakage throughout the potential recovery lifecycle.
- **Warranty Framework**– A coordinated toolbox should be utilized to minimize repair costs and maximize claim recovery.
- **Warranty Process**– System requirements and ways of working at all levels of the organization should be examined to identify bottlenecks, handoffs, exception processes and communication breakpoints.
- **Warranty Analytics**– Repair events should be compared to warranty agreements to identify opportunities to eliminate warranty leakage. System generated alerts should notify team members when a component is under warranty.
- **Warranty Scorecards**– Visually intuitive scorecards should be developed and readily accessible to stakeholders.

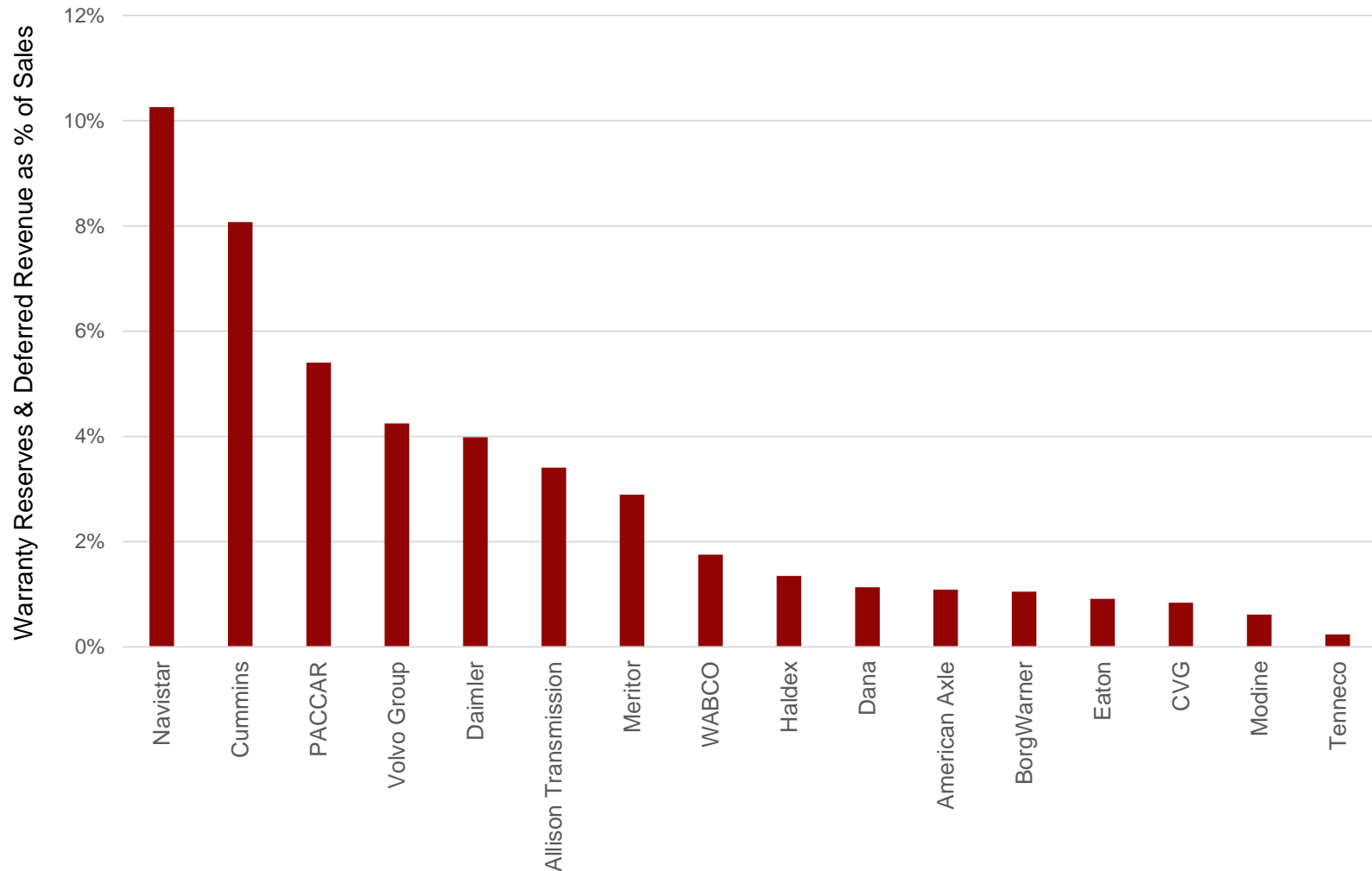
Warranty Leakage

Systemic and behavioral issues can result in warranty leakage throughout the potential recovery lifecycle.



Warranty Reserves

OEMs and parts suppliers set aside significant warranty reserves; fleets should ensure they are capturing the proper amount.



Warranty Optimization Framework

A coordinated toolbox should be utilized to minimize repair costs and maximize claim recovery.

Repair Source

Dealer				Internal Shop				Third Party			
Parts	Labor	Towing	Tax	Parts	Labor	Towing	Tax	Parts	Labor	Towing	Tax

Coverage

OE
Extended
Replacement Part
Policy

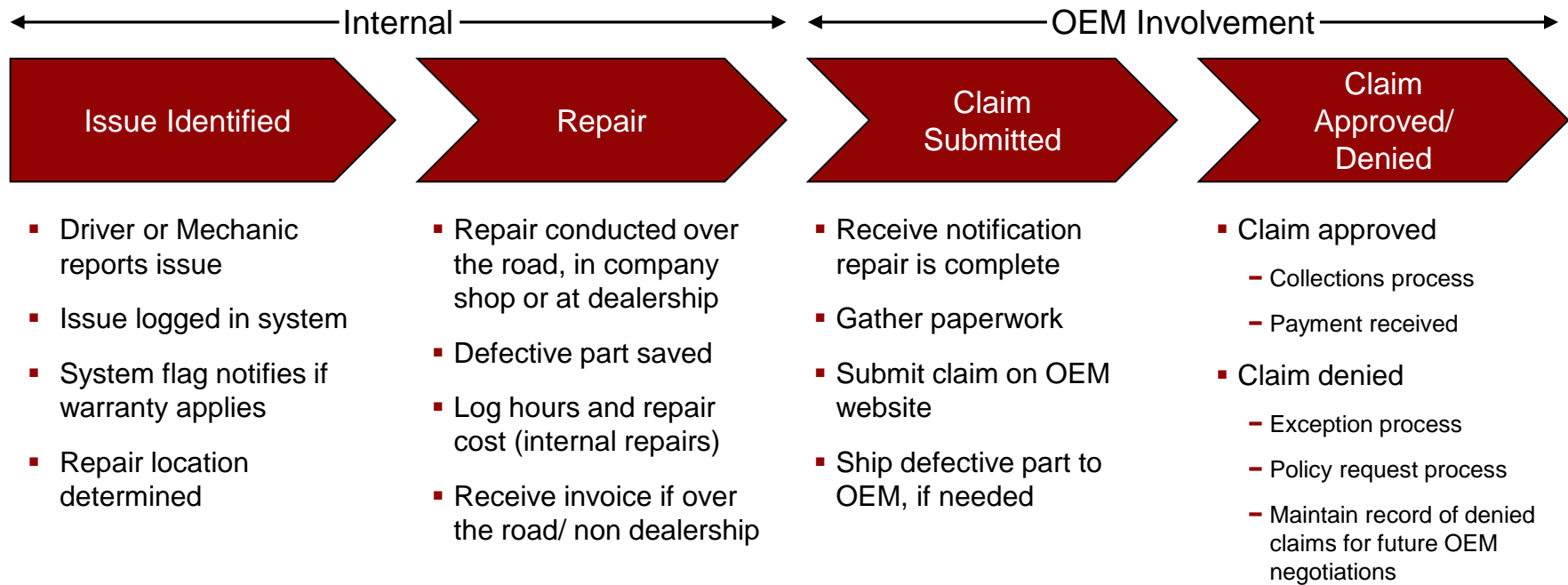
<ul style="list-style-type: none"> Track by ATA/VRMS Code OE repair / warranty KPI's Track policy distributions 	<ul style="list-style-type: none"> Document warranty process and required system interaction Benchmark best practices Compare warranty payment vs. internal cost structure 	<ul style="list-style-type: none"> Service Network Rate Cards Preferred Network Providers Route for part taxes (0-11%) Part Return Requirements
--	---	---

Collection

<ul style="list-style-type: none"> Claim to pay days Communicate policy guidelines to clerks 	<ul style="list-style-type: none"> Track denied claims Measure claimed amounts vs. repairs performed 	<ul style="list-style-type: none"> Measure claims denied due to part returns Chargeback denied claims to providers
--	--	--

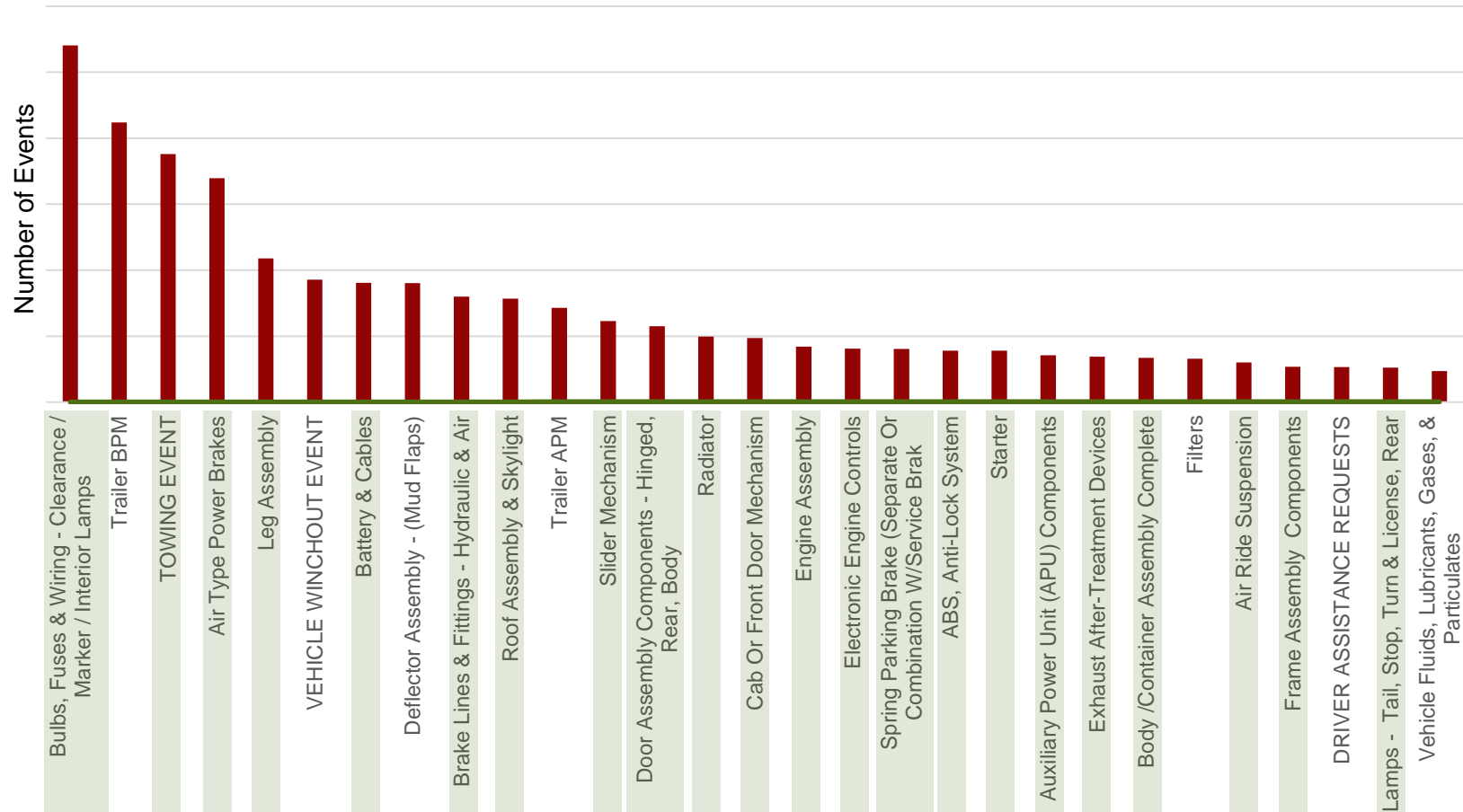
Process Review

Ways of working at all levels of the organization should be examined to identify bottlenecks, handoffs, exception processes and communication breakpoints.



Warranty Analytics

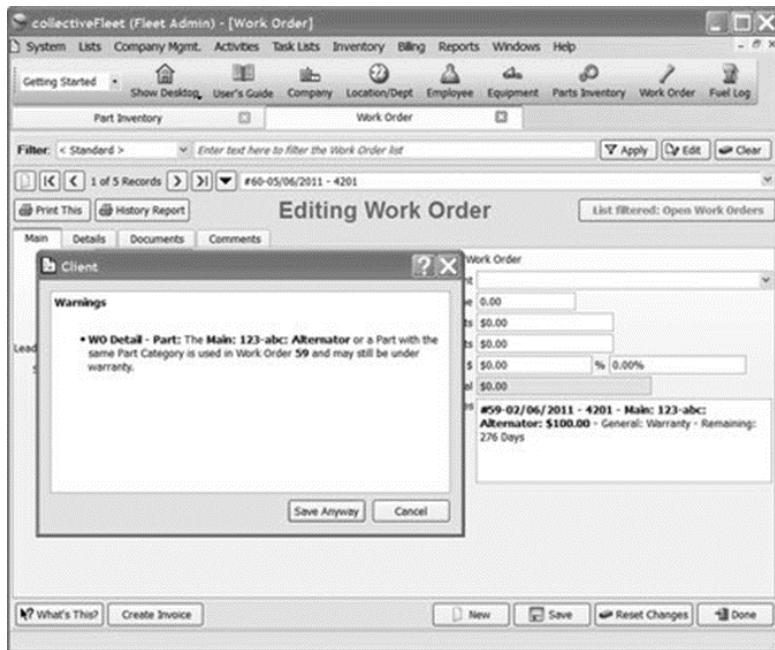
Repair events should be compared to warranty agreements to identify opportunities to eliminate warranty leakage.



Warranty Analytics

Automated alerts can help capture warranty events as they happen.

System Alerts



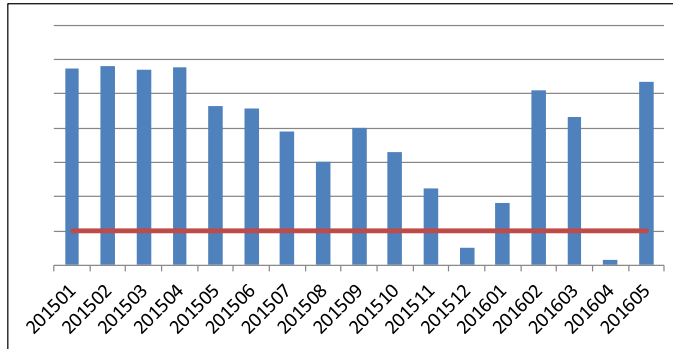
System Alerts

- Many maintenance systems can notify parts managers when a repair may be under warranty
- Permission settings may need to be adjusted to ensure warranty opportunities are not bypassed
- Exception reports should be regularly reviewed

Warranty Scorecard

Visually intuitive scorecards should be developed and readily accessible to members of the relevant organizations.

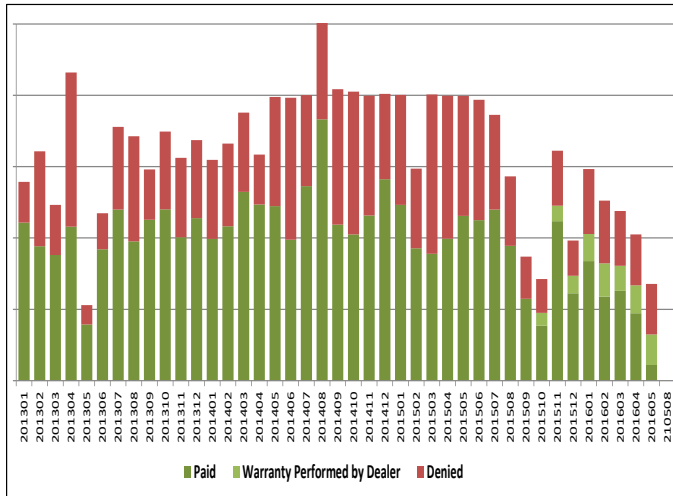
Claim Deny Rate by Month



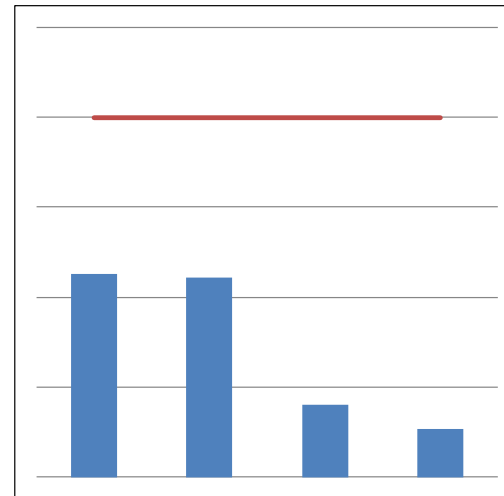
Claim to Pay (in Days)

OEM 1	XX
OEM 2	XX
OEM 3	XX
OEM 4	XX
Supplier 1	XX
Supplier 2	XX
Supplier 3	XX
Supplier 4	XX
Supplier 5	XX
Supplier 6	XXX
Supplier 7	XXX
Weighted Average	XX

Claims filed by Month



Repair Cost Claimed by Shop



Cost & Capital

For more information contact:

Tom Bokowy, Partner

(208) 610-0032

Cost & Capital Partners LLC

tbokowy@costandcapital.com

Ryan Hatcher, Director

(617) 459-0356

Cost & Capital Partners LLC

rhatcher@costandcapital.com