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Getting After-Sales Service Right *The Competitive Edge in Telecom and Consumer Electronics*

In a world where consumer electronics manufacturers and telecommunications companies find it more and more difficult to differentiate themselves from competitors, improved after-sales service can offer real benefits. Consumers prefer to do business with companies that can repair their products quickly, and the potential for cross-selling is real. Yet many companies do not even get the basics right. To do so, they must identify improvement priorities, determine which improvement measures will make the biggest difference, and develop metrics to monitor performance. A successful program can mean greater customer satisfaction, higher revenues, and—as the case of one company demonstrates—significantly lower costs.

AFTER-SALES SERVICE IN A COMMODITY BUSINESS

From laptops to digital cameras to mobile handsets, virtually every product in the global market for consumer electronics has become a commodity. As a result, manufacturers and telecommunications companies face a continuing struggle to increase sales volume while trying to maintain margins. Given these market dynamics, how can companies better differentiate themselves from the competition?

Here's one method: Improve the quality and eco-friendliness of repair, warranty, and recycling programs. In a recent study by market research firm Vocatus for B2X Care Solutions,¹ nearly 90 percent of consumers interviewed said the quality of a company's after-sales service influences their future purchasing decisions. The customer contact required for after-sales service also presents a real opportunity for cross-selling and up-selling: More than 40 percent of the survey respondents had required service for an electronic device in the past two years. Of that service, 23 percent involved PCs and laptops, 18 percent was for mobile phones, and 15 percent involved digital cameras.

Yet consumer satisfaction with repair and warranty services is low. More than 25 percent of respondents to the Vocatus study said they were dissatisfied with their after-sales service experience. The reasons are simple: Customers just want to get their problems fixed quickly and reliably. Other service offerings such as free pickup and delivery, track and trace, and online software updates matter less. So why do companies struggle to get the basics right?

Providing high-quality after-sales service is no easy task, especially for large global companies. The very complexity of the logistics and communi-

cation processes involved in picking up, repairing, and returning devices can easily increase turnaround times, while poorly aligned systems create yet more waiting time between steps in the process.

Companies certainly understand the problem and the benefits of fixing it: Nearly two-thirds of the respondents to a recent Booz & Company study have lately made efforts to improve their existing processes, systems, and staff qualifications. Typically they take one of two approaches, either working to improve in-house after-sales service or outsourcing all or part of it to third parties. Either way, if done right, the effort can result in higher revenue through increased cross- and up-selling, and decreased cost through higher efficiency in service delivery.

Developing a successful after-sales service program requires a three-step process:

1. Identify improvement priorities by looking at the warranty cost structure (the cost of repair labor, repair material, and logistics) and qualitative key performance indicators (KPIs). KPIs may include turnaround time, repeat repair rate, and call center availability, as well as customer needs and satisfaction studies (satisfaction at consumer touch points and critical "moments of truth," such as when customers urgently need their phones back). Then compare your own performance with best-in-class warranty cost benchmarks such as warranty costs as a percentage of sales, warranty costs per return, and warranty reserves.
2. Define improvement measures according to both their impact and the cost and effort required to

implement them. Such measures might include consolidating the supplier base to reduce complexity, identifying the steps in the process that could be outsourced, and building up end-to-end supplier monitoring and controlling capabilities.

3. Implement an improvement program and track its impact on customer satisfaction and cost KPIs. Consistently use the results to upgrade overall performance.

Among the benefits of a successful after-sales service program: happier customers, higher revenues, and lower costs—and a new capability that will clearly differentiate the winners in a crowded and highly competitive marketplace.

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¹Vocatus Customer Satisfaction Study (2008)

Case Example: From Decline to Service Leadership

Even the most dysfunctional after-sales service programs can be rescued through a carefully planned and executed improvement effort.

In 2006, B2X Care Solutions, a Munich-based outsourcing provider, took over the warranty responsibilities of a large Asian wireless phone supplier that was facing severe service problems. At the time, 40 million of the phone supplier's cell phones were in use around the world. Its after-sales service, including call centers and repair services, were breaking down.

Within six months, the company had restructured its service infrastructure and returned the contractual service levels to normal. These results were achieved by consolidating the global service network, standardizing the IT processes by establishing end-to-end service chain visibility, implementing proactive KPIs, and monitoring the service levels daily, avoiding or reducing the number of repair incidents. Overall, these measures led to a total warranty cost reduction of 25 percent.

Once the service environment was stabilized, B2X developed a service infrastructure as a shared-services platform for various OEMs and products. Thus, significant overhead synergies and repair and logistics cost savings through economies of scale were attained.

B2X Care Solutions offers worldwide after-sales services for the telecommunications, IT, consumer electronics, household appliance, and industrial components industries.

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