

IDC MarketScape: Worldwide Warranty Analytics 2012 Vendor Assessment

IDC Manufacturing Insights: Aftermarket and Service Strategies

EXCERPT

#MI233833E_SAS

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IN THIS EXCERPT

The content for this Excerpt was taken directly from the IDC MarketScape: "IDC MarketScape: Worldwide Warranty Analytics 2012 Vendor Assessment" by Sheila Brennan and Joe Barkai (Doc # MI233833). All or parts of the following sections are included in this excerpt: IDC Manufacturing Opinion, In This Study, Situation Overview, Future Outlook, Essential Guidance, Learn More, Related Research, and Synopsis. Also included are Figures 1 and 2.

IDC MANUFACTURING INSIGHTS OPINION

IDC Manufacturing Insights has seen a dramatic uptick in interest in warranty management and warranty analytics software among manufacturers as the need to reduce costs, improve quality, and retain customers becomes paramount in the uncertain economy. Manufacturers must have better information to evaluate these systems in the context of their diverse industries, strategic goals, business challenges, and IT infrastructures lest they risk tarnishing brand image and losing market share. However, as more warranty software vendors enter into the market, OEMs and brand owners face increased difficulty in sorting through the maze of warranty analytics offerings.

This IDC MarketScape report examines the capabilities and strategies of the key vendors in the warranty analytics software market to provide essential guidance to IT buyers. Through IDC Manufacturing Insights research, we have found that key criteria that contribute to the ability to successfully adopt and derive business value from a warranty analytic application include:

- A software provider's deep knowledge of challenges associated with the warranty process, backed up by credible use cases and proof points of tangible benefits delivered, and further, the ability of a software provider to align with industry practices and the buying organization's business processes
- The application's availability of user value acceleration tools for predictive early warning, suspect claims, and expedited root cause

analysis, and specific features that include predefined report templates and customization capabilities

- Buyer organization maturity and readiness to both adequately supply a warranty analytics tool with robust multidisciplinary data to derive intended usefulness, and take action with the results.
- In general, warranty-specific analytic tools usually provide greater functionality, better value, and faster return on investment (ROI) over "generic" analytic tools customized for warranty.

IN THIS STUDY

This IDC Manufacturing Insights study uses the IDC MarketScape software vendor assessment model to provide a quantitative and qualitative assessment of the capabilities and strategies of the key vendors in the warranty analytics software market. The assessment is based on buyer and vendor surveys, analysts' assessment, and observations of industry best practices.

This study comprises four key sections. The first is a definition and description of the characteristics that IDC Manufacturing Insights analysts have determined to be most critical in selecting a warranty analytics software package and influence vendors' long-term and short-term success.

The second part is the aggregation and visual representation of the evaluation results into a single bubble-chart format. This display concisely exhibits the observed and quantified scores of the software providers reviewed.

The document continues with profiles and a brief assessment of each of the vendors, and it concludes with IDC Manufacturing Insights' essential guidance for warranty analytics software buyers and vendors.

Methodology

The IDC MarketScape is an IDC research methodology designed to identify the factors most conducive to deliver customer value in a given market, and assess vendors participating in the market against those factors. This relative assessment provides buyers and a vendor with a consistent and objective view of key market participants relative to market trends and needs, and to other market participants.

The general evaluation methodology and process is as follows (see the Learn More section later in this document for a detailed description on the evaluation criteria methodology):

- Market assessment using industry knowledge and ongoing research, combined with user interviews, buyer surveys, and the input of a review board of IDC experts
- Development of specific evaluation metrics to identify the ability of a vendor to meet short- and long-term market needs.
- Compilation of vendor data:
 - Detailed product and company information provided by vendor
 - Product demonstration and briefing on capabilities and road map
 - IDC and public data resources
 - Customer interviews
- Quantitative and qualitative assessment of each vendor against the evaluation criteria
- Review of scores and assessment with each vendor prior to publication to ensure factual correctness

SITUATION OVERVIEW

Introduction

As manufacturing growth in key sectors has been stunted by the uncertain economy, companies are faced by an urgent need to reduce costs, improve quality, and retain customers. Yet product complexity continues to increase to meet the ever-growing demands of globally diverse and increasingly educated consumers, and warranty claims and costs continue to rise in some sectors. Furthermore, IDC Manufacturing Insights' research shows that:

- Warranty cost variability is exorbitant within industries and even within individual companies when viewed over time.
- The overall industry's ability to drive warranty improvement is limited for lack of adequate methods and tools.
 - The use of benchmarking to assess performance and implement continuous improvement is minimal.

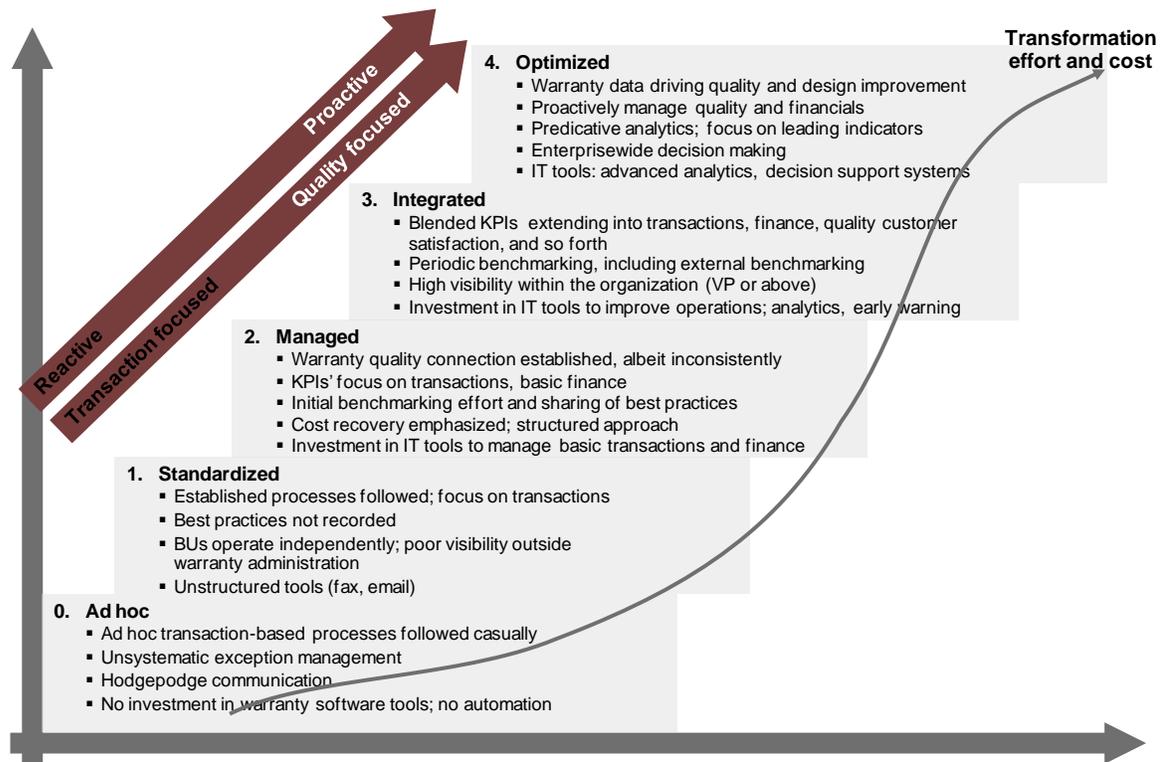
- The application of IT tools to manage warranty transactions, perform warranty and quality analysis, and improve financial management is highly inconsistent.

IDC Manufacturing Insights has established the Warranty Capability Maturity Model (WCMM) (see *Warranty Management Capabilities Maturity Model*, IDC Manufacturing Insights #MI227896, May 2011) to assist manufacturers in self-assessment, continuous improvement, and to help them make certain foundational processes are in place, which will ensure investments in processes or tools will generate the maximum benefit (see Figure 1).

This IDC MarketScope focuses on the market for warranty analytic applications, which, according to Figure 1, tend to be adopted in later stages of maturity after basic warranty transactional systems are in place. This is because a critical element of warranty analytics includes the use of data from these systems.

FIGURE 1

Warranty Management Capability Maturity Model



Source: IDC Manufacturing Insights, 2012

Warranty Analytic Applications

Warranty analytic applications provide a pivotal piece of business intelligence (BI) because they bring heightened visibility into product quality and warranty performance and eliminate the cumbersome and often unrepeatable investigation associated with complex multidisciplinary data sets.

Effective warranty analytic applications:

- Aggregate disparate data from a variety of independent sources, both structured and unstructured (i.e., text). Typical data sources include warranty claims, service incident reports, and financial analyses. Advanced analytics could also include public and social media.
- Provide product quality and financial analysis and reporting tools.
- Aid in root cause analysis.
- Enable identification of suspect claims either through definition of specific business rules or through automatic discovery or both.
- Apply statistical models and other algorithms to predict emerging issues, providing advance notice for the information consumer to act upon it.
- Accelerate analysis of warranty and peripheral data through predefined report templates and graphical dashboards, as well as functionality, which enable customization of workflows and reports.

FUTURE OUTLOOK

Increasing market pressures will propel manufacturers to closely examine warranty operations to reduce costs and improve margins, improve product quality, and be more agile. This need will lead to growing investments in warranty analytics software, where companies can take advantage of information they already collect.

These companies will look for software providers that offer segment analysis for root cause analysis (e.g., by dealer/distributor, causal part, geography), a user-friendly interface for reporting and graphical displays, proof of concept/ROI, and the ability to adapt to the buyer's business rules and workflow. Additionally, suspect claim detection is another core functionality that the market has had increased demand for in recent times, and includes fraudulent or inflated claims from customers, dealers, service providers, and other partners. Moreover, as data volumes and complexity increase, companies will need to ensure that system can scale.

Manufacturers that have already deployed warranty analytics will move from analysis and reports to complex analyses and predictions, with better granularity, higher precision, and a prediction window that can be optimized for purpose (adjusts to user needs, product type, sales volume, etc.).

IDC MarketScape Warranty Analytics Vendor Assessment

The IDC MarketScape vendor assessment for warranty analytics represents IDC Manufacturing Insights' opinion on which vendors are well positioned today through current capabilities and which vendors are best positioned to gain market share over the next few years. Position in the upper right of the grid indicates that vendors are well positioned to meet market needs. For the purposes of discussion, IDC Manufacturing Insights divided potential key strategy measures for success into two primary categories: capabilities and strategy.

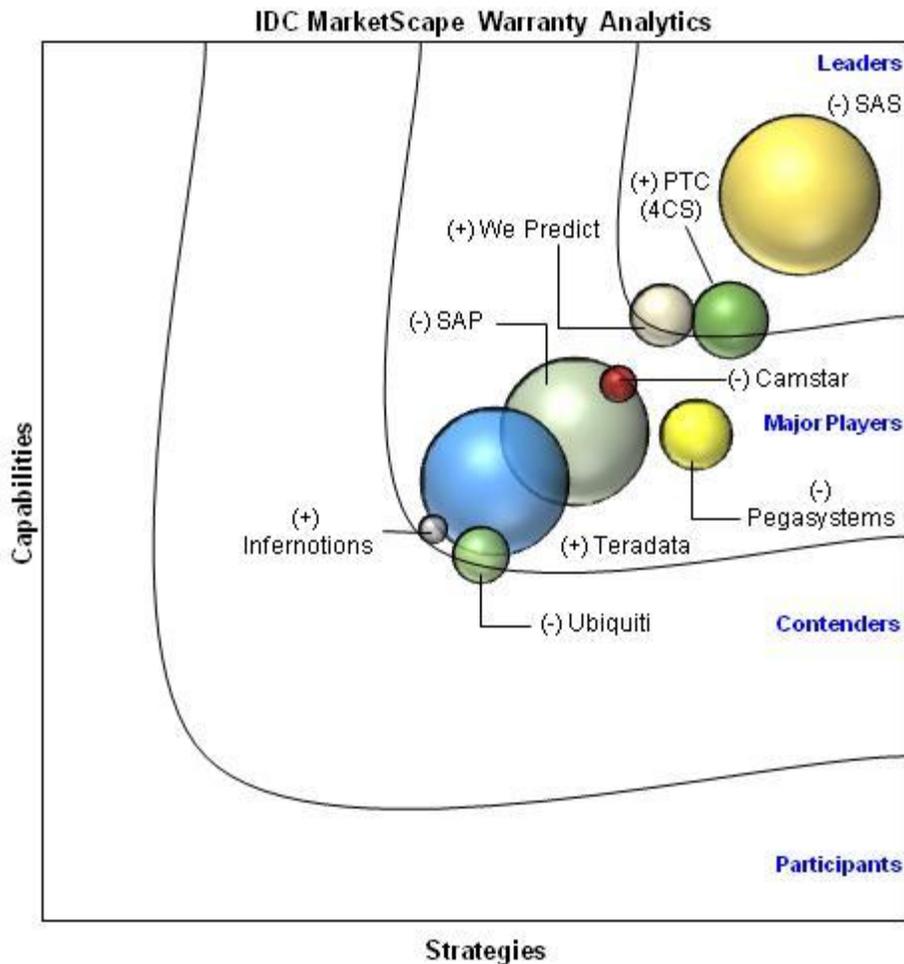
The most critical criteria for positioning on the y-axis and x-axis are as follows:

- Position on the y-axis reflects the vendor's current capabilities and how aligned it is to customer needs. Under this category, IDC Manufacturing Insights analysts look at how well a vendor is building/delivering capabilities that enable it to meet customer technical and business needs.
- Position on the x-axis or strategy axis indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategy category focuses on high-level strategic decisions and underlying assumptions about offerings, customer segments, business, and go-to-market plans for the future, in this case defined as the next three to five years.

Figure 2 shows each vendor's position in the vendor assessment chart. Its market share is indicated by the size of the bubble, and a (+), (-), or (=) icon indicates whether the vendor is growing faster than, slower than, or at the same pace of the overall market growth, respectively. Market size and growth rates are estimated and are relative to vendors included in this analysis. Thus a (-) does not mean a lack of growth but rather merely that a particular vendor's growth is below the average growth of its competitors.

FIGURE 2

IDC MarketScape: Warranty Analytics Vendor Assessment



Source: IDC Manufacturing Insights, 2012

Vendor Summary Analysis

This section briefly explains the key observations made regarding each vendor's offering, capabilities, and strategy beyond what can be interpreted from the graphic.

SAS

Founded in 1976, SAS is headquartered in Cary, North Carolina (United States). Best known for its analytics capabilities, SAS has been active in the warranty industry for 29 years, but only within the past 10 years has it formalized its offering around its warranty analysis and suspect claims detection. While warranty analytics accounts for

only a small fraction of the company's \$2.4 billion annual revenue, SAS is the largest warranty analytics provider in the group. SAS has warranty analytics implementations at retailers and discrete manufacturers across industries. Based on SAS' score in this IDC MarketScape, the company is positioned in the Leaders category.

SAS' warranty analytic application exhibits expertise and investment in analytics and in its application in warranty. The application is highly competent in rigorous predictive analytics, root cause analysis, and suspect claims analysis, using out-of-the-box system functionality and statistical methods such as anomaly detection and social network analysis combined with implementation-specific user-defined rules.

Business rules can be customized by the user, and the application offers a variety of predefined templates and reports.

While SAS' application interface isn't very flexible or easy to customize by the business user, its ability to handle big data, combined with its predictive analytics capabilities, seems to outweigh this for its customers.

SAS' road map is well developed, and given the company's maturity, it is not as easily influenced as smaller vendors in the group. However, despite its size, attention to customer service is not diluted, and customers report that requests are responded to in a timely manner.

The SAS application environment integrates with any enterprise management system, and it has proven experience in most cases. It is available as Web-hosted software, or it can be deployed on-premise.

Relative to other vendors in the group, SAS has a strong offering, go-to-market and business capabilities, and notable investments in product innovation. Compared with the product cost of SAS' smaller peers, SAS' prices are higher and implementation takes longer, impacting the return-on-investment time. Recognizing this, SAS recently began to offer a more affordable version of the warranty analysis application with modified capabilities for the small enterprise.

Overall, SAS received very good marks from its customer references, both in current capabilities and in strategy.

Guidance

As with other SAS applications, SAS' warranty analytics software is typically aligned for large enterprises that deal with large amounts of data. If the organization already uses SAS for business analytics, then using SAS is a logical extension.

ESSENTIAL GUIDANCE

Warranty analytics can be viewed as the cornerstone for insight and decision making in a maturing warranty organization (see *Warranty Management Capabilities Maturity Model*, IDC Manufacturing Insights #MI227896, May 2011). Sharp growth in the industry over the past year is an indication that many organizations have reached a state of readiness or maturity to utilize warranty applications. At the same time, it may be that some investments may have been made prematurely, and organizations will need to backtrack to build the foundations needed to fully leverage their IT investments.

In our research, we have found that some manufacturing organizations leverage existing business intelligence tools over purchasing a specialized warranty analytics software. However, IDC Manufacturing Insights asserts that user value acceleration tools for early warning, suspect claims, and expedited root cause analysis, and prebuilt workflows and report templates, in combination with vendors' specialized knowledge of the warranty industry, can provide better value at lower risk.

LEARN MORE

IDC MarketScape Assessment Methodology

The IDC MarketScape framework was developed in response to changing competitive dynamics in most software markets and a request from IDC customers for an assessment of vendors in a given market that is transparent, consistent, and rigorous. Warranty analytics is a segment of the supply chain analytic applications market, which is a component of IDC's overall business analytics market.

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of a review board of IDC experts in each market. IDC analysts base individual vendor scores and ultimately vendor positions in the IDC MarketScape on detailed interviews, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

Related Research

- *Real-World Challenges in Warranty Analytics* (IDC Manufacturing Insights #MI230334, September 2011)
- *Methods and Practices: Warranty Spend in U.S. Manufacturing, 2010* (IDC Manufacturing Insights #MI229203, June 2011)
- *Methods and Practices: Warranty Capabilities Maturity Model* (IDC Manufacturing Insights #MI227896, May 2011)
- *Market Analysis Perspective: Worldwide Business Analytics Solutions 2010 — The Emerging Mass Market for Business Intelligence, Analytics, and Data Warehousing* (IDC #227397, March 2011)
- *Methods and Practices: Warranty Spend in U.S. Manufacturing 2009* (IDC Manufacturing Insights #MI224909, September 2010)
- *Chrysler Wages War on Warranty* (IDC Manufacturing Insights #MI225075, September 2010)
- *Camstar Acquires SigmaQuest, Giving Manufacturing Companies a Broader Set of Quality Management Capabilities* (IDC Manufacturing Insights #MI224789, September 2010)
- *Advanced Signature Analysis Closes the Quality Loop* (IDC Manufacturing Insights #MI224787, September 2010)

Synopsis

This IDC Manufacturing Insights report uses the IDC MarketScape vendor assessment model to provide a quantitative and qualitative assessment of the capabilities and strategies of the key vendors in the warranty analytics software market. The assessment is based on buyer and vendor surveys, analysts' assessment, and observations of industry best practices.

"Many organizations attempt to leverage existing business intelligence tools over purchasing a formal warranty analytics offering," says Sheila Brennan, program manager of IDC Manufacturing Insights' Aftermarket and Service Strategies research and advisory service. "However, we assert that user value acceleration tools for predictive early warning, suspect claims, and expedited root cause analysis and the inclusion of predefined report templates and customization capabilities are primary reasons end users ultimately make the investment in this growing class of specialized analytic applications."

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