

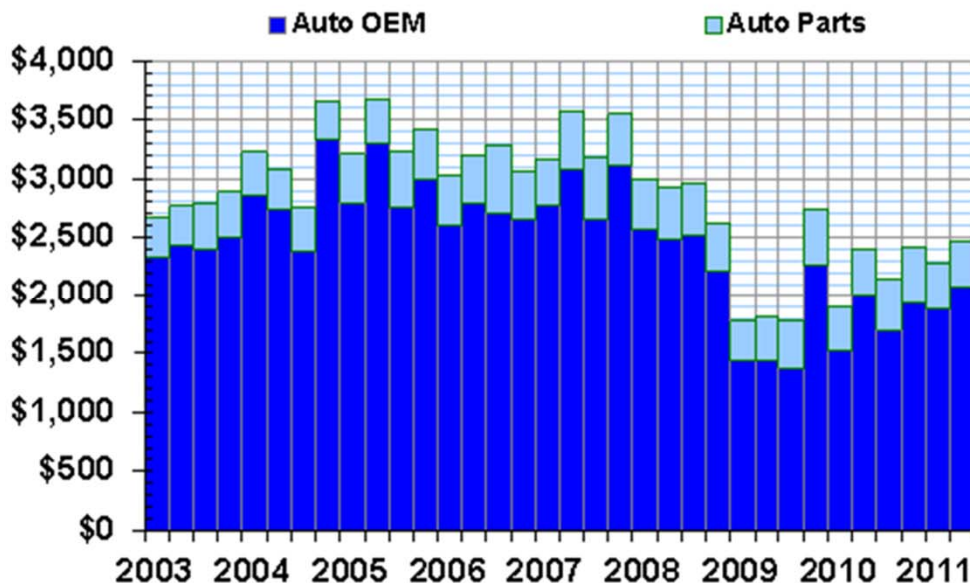


Grand Rapids Section 1001

Automotive Warranty-
The role of the Supplier

Automotive Warranty- Current Environment

US\$ Millions



Source: Warranty Week

Over the 8-1/2 years covered by the chart, the ratio between the OEMs' accruals and their suppliers accruals has averaged 85% to 15%.

But again, as with claims, there's been a decided shift towards the suppliers. In the past 10 quarters, the ratio has been closer to 80%/20%.

Michael Hirt
10-Nov-11

By helping others succeed, we
bring out the best in ourselves.

Automotive Warranty- Current Environment

“In other words, the suppliers are paying a greater share of the total, or more precisely, the OEMs are becoming more successful in their efforts to shift a greater portion of warranty costs to their suppliers.”

Warranty Week 22-Sep-11

Automotive Warranty- The role of the Supplier

Warranty Council Tools

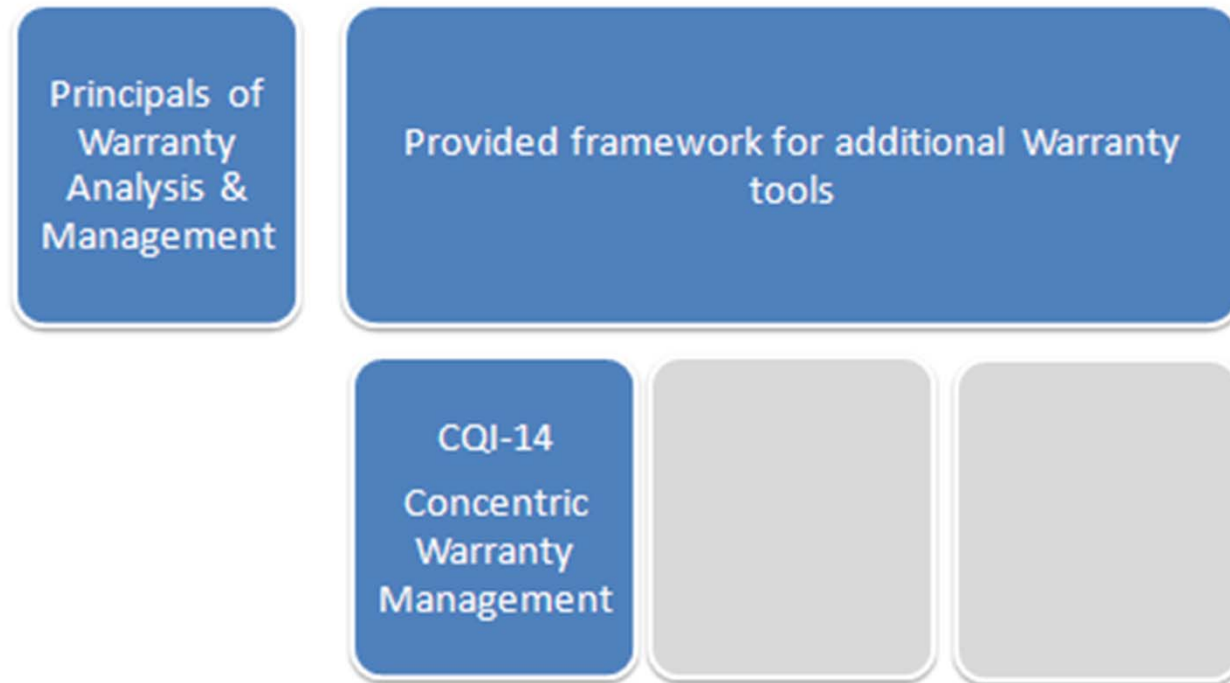
Principals of Warranty Analysis & Management

First guide lines for
Warranty flow
between Automotive
Customers and
Suppliers

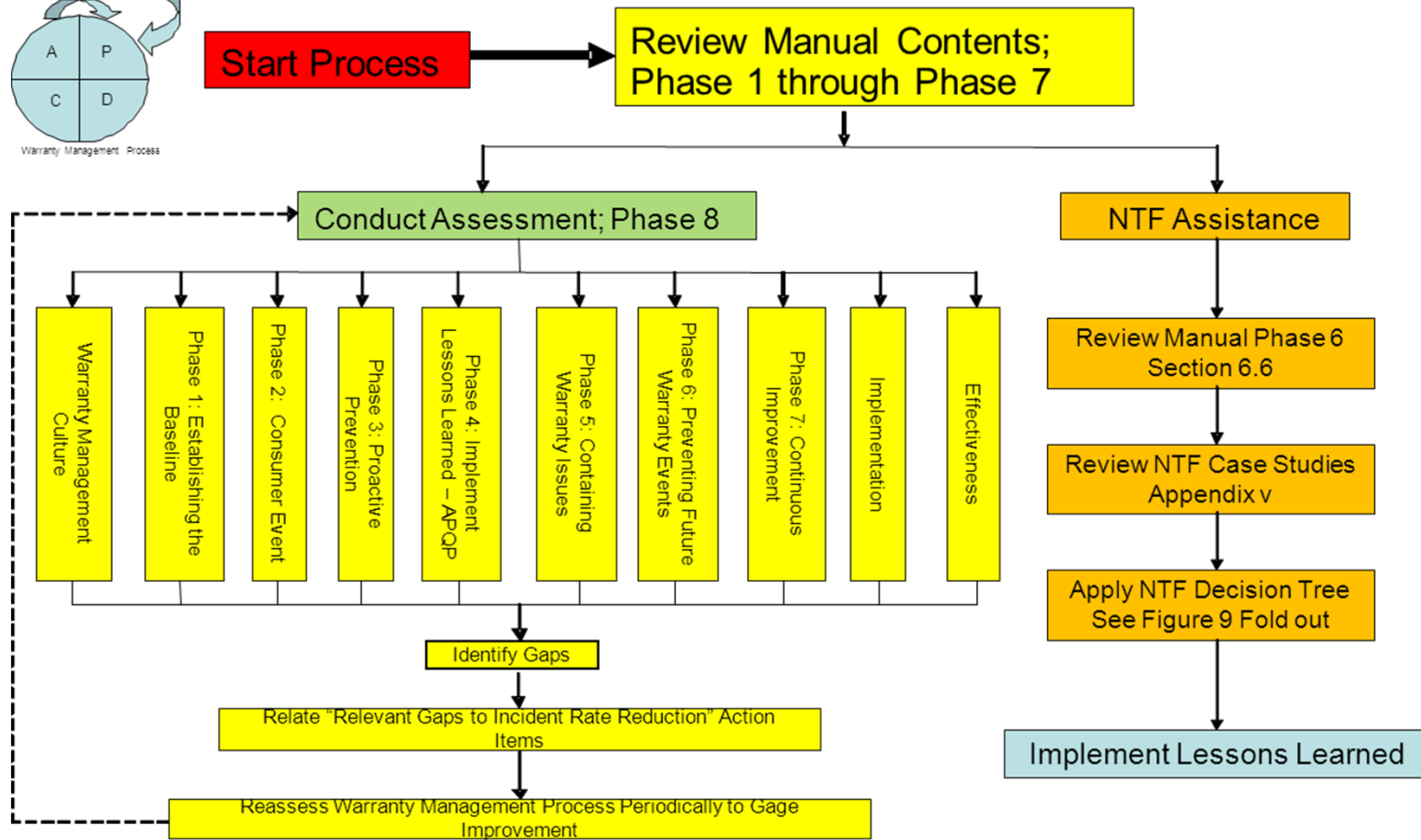
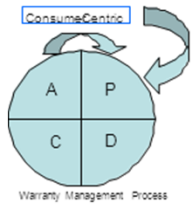
Provided framework
for additional
Warranty tools

Automotive Warranty- The role of the Supplier

Warranty Council Tools



Automotive Warranty- The role of the Supplier



Automotive Warranty- The role of the Supplier

- Establishing the baseline:
Introduction to Warranty
- Consumer Events and Dealership Activities
- ***Proactive Prevention: Lessons Learned in Pre-Program Activities***
- ***Implementing Lessons Learned: Advance Product Quality Planning***
- Containing Warranty: Post-start of Production
- ***Preventing Future Warranty Events: Actions/Solutions***
- ***Continuous Improvement: Institutionalizing the Process***

Added the Role of Senior Management to the Process

Automotive Warranty- The role of the Supplier

1.2 Senior Management

(Process owners: Management)

Consumer-Centric Warranty Management is intended to assist organizations to improve their warranty processes through preventive activities, with reduced incident rate risk and improved effectiveness of claim repairs. OEM's and Tier 1 suppliers have not previously provided clear and consistent direction on the warranty management process, impeding the collaboration necessary to effectively and quickly improve warranty performance.

A paradigm shift from a cost-focused process to a warranty incident rate reduction system is required for the organization, its partners and the industry as a whole to significantly improve performance through collaborative efforts. The project team believes the ownership of this paradigm shift is with the Senior Management of the value chain organizations.

Improvement in performance requires the establishment of an organization wide process and measures to gauge effectiveness and applicability. The project team determined that the best way to achieve successful implementation of the CQI-14 guideline throughout the industry was to have organizations perform self-assessment audits to the CQI-14 guideline. The fundamental approach this document takes is defining a process of best practices that is preventive risk reduction focused to reduce the incident rates.

The appropriate roles and responsibilities within the organization also need to be defined. The activities will typically involve cross functional teams. In each of these cases, Senior Management can greatly influence the activities by monitoring the warranty process, the measure of effectiveness and leading the cultural change to being consumer-centric driven.

The continuous improvement PDCA quality approach requires relentless pursuit of root cause determination and implementation of corrective actions that builds the Lessons Learned into future programs and "Look Across" opportunities. Root cause analysis of events that do occur are critical and as studies have shown, No Trouble Found (NTF) can be the most challenging of these. A strategy on how to address NTFs is provided in this document. Warranty management and problem solving does require resources to conduct these activities.

Yearly improvement targets, preferably with the organization's partners, should be set by management and pursued with periodic management reviews to support these improvement projects. The CQI-14 assessment conducted on a yearly basis, will allow continuous incremental improvements that will not only improve customer satisfaction but will ultimately drive lower costs for the organization.

The success of an organization's ability to manage its warranty performance will therefore be driven by the Senior Management of that organization. Through implementation of an effective process, active participation in the setting and monitoring of warranty metrics and the establishment of resources, training and clear roles and responsibilities, successful performance and a consumer-centric warranty culture is possible. This Assessment Tool is intended to assist Senior Management in achieving these objectives.

Automotive Warranty- The role of the Supplier

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Automotive Warranty- The role of the Supplier

The organization regularly carries out on-going assessment of its warranty management culture and identifies opportunities for improvement

The organization shares warranty performance metrics with employees, customers and supply chain as an indication of the commitment to reduce incident rates

The organization's management provides a supportive environment, and resources, at all levels, for employees to be Consumer-Centric focused to achieve reductions in warranty incident rates

The whole organization must be engaged and supported by Sr. Management

Automotive Warranty- The role of the Supplier

- Management tool allows organization to quantify the warranty process
- Identify gaps
- Identify areas for improvement
- Develop a plan to continuously improve the warranty process and assess effectiveness
- Advances consumer satisfaction and continuous warranty improvement
- Focus efforts in areas the organization thinks will reduce warranty incident rates

Automotive Warranty- The role of the Supplier

Assessment Tool Scoring Summary	
For Consumer-Centric Warranty Management Assessment	
OEM Assessment Scores	
Phase 1: Management Introduction to Warranty Score:	0.00
Phase 1: Establishing the Baseline:Introduction to Warranty Score:	0.00
Phase 2: Consumer Event and the Dealership Activities Score:	0.00
Phase 3: Proactive Prevention: Lesson's Learned in Pre-Program Activities Score:	0.00
Phase 4: Implementing the Lessons Learned: Advanced Product Quality Planning (APQP) Score:	0.00
Phase 5: Containing Warranty Issues: Post-Start of Production Score:	0.00
Phase 6: Preventing Future Warranty Events: Actions/Solutions Score:	0.00
Phase 7: Continuous Improvement: Institutionalize the Process Score:	0.00
Implementation Assessment Score:	0.00
Effectiveness Assessment of Warranty Management Program Score:	0.00
Supplier Assessment Scores	
Phase 1: Management Introduction to Warranty Score:	0.00
Phase 1: Establishing the Baseline:Introduction to Warranty Score:	0.00
Phase 3: Proactive Prevention: Lesson's Learned in Pre-Program Activities Score:	0.00
Phase 4: Implementing the Lessons Learned: Advanced Product Quality Planning (APQP) Score:	0.00
Phase 5: Containing Warranty Issues: Post-Start of Production Score:	0.00
Phase 6: Preventing Future Warranty Events: Actions/Solutions Score:	0.00
Phase 7: Continuous Improvement: Institutionalize the Process Score:	0.00
Implementation Assessment Score:	0.00
Effectiveness Assessment of Warranty Management Program Score:	0.00

Automotive Warranty- The role of the Supplier

Consumer-Centric Warranty Management Assessment

Consumer-Centric Warranty Management Assessment

Warranty Management Culture

Process Assessment

Phase 0. Establishing the Baseline: Introduction to Warranty

Number	Circumstance or Condition	Finding/Observation	Score 0-5	Number	Circumstance or Condition	Finding/Observation	Score 0-5
1	The organization defines a warranty strategy that drives behavior of company				The organization have a defined warranty		
2	The organization expect warranty rates to be targeted in OEM's and						
3	There are management the culture						
4	The organization with employee indication						
5	Leaders are environment to be Consumer warranty in						
6	The organization instead of partners to						
7	There is a with risk reduction improvement						
8	The organization reduce incident and repair						
9	The organization sponsored and works						
10	The organization involved with solving incident and admin						
11	Employee and accept NTFs are consumer problem solved						
12	Eliminated						

Score	Frequency	Definition
0	Never	No documented system or process exists or exists at a very minimal level with incomplete or no documentation ; system never utilized/applied.
1	Very Rarely	System or process exists and is documented, but is rarely applied
2	Sometimes	System or process exists and is documented, but is inconsistently applied.
3	Often	System or process exists with complete documentation and is consistently applied over time, however effectiveness is not clearly measured
4	Usually	Robust system or process exists with complete documentation, is consistently applied over time and is directly linked to internal measures or KPI's. (Key Process Indicators)
5	Almost Always	Benchmark level process. System is fully documented, consistently applied over time with clear measures and has demonstrated closed loop, continuous improvement (effectiveness) from program to program.

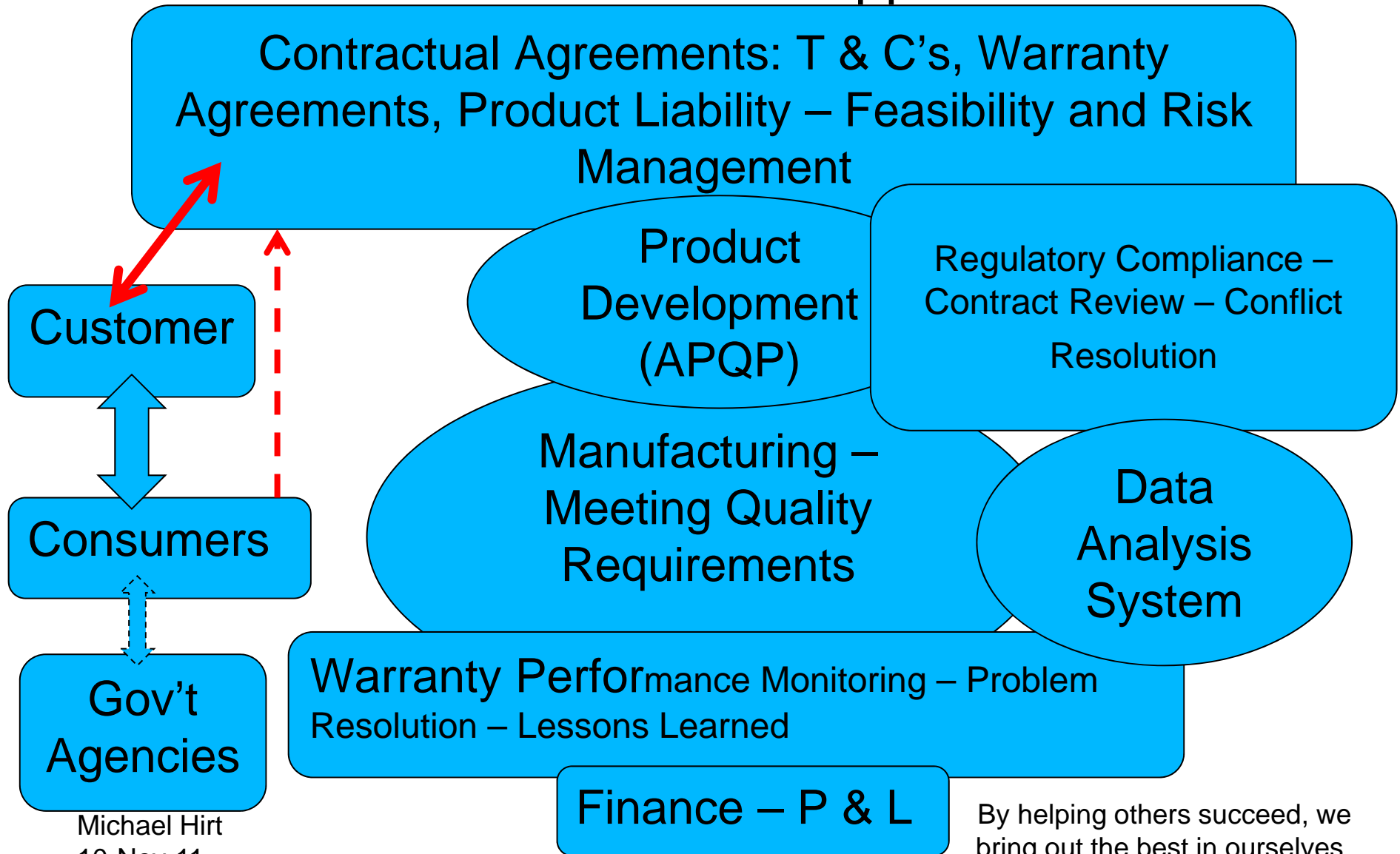
Note: The intent of the incident rates. Organizational areas of improvement identify gaps between the best-in-class, recommended practices and current state.

Warranty incident rates. Areas of improvement that are the best-in-class,

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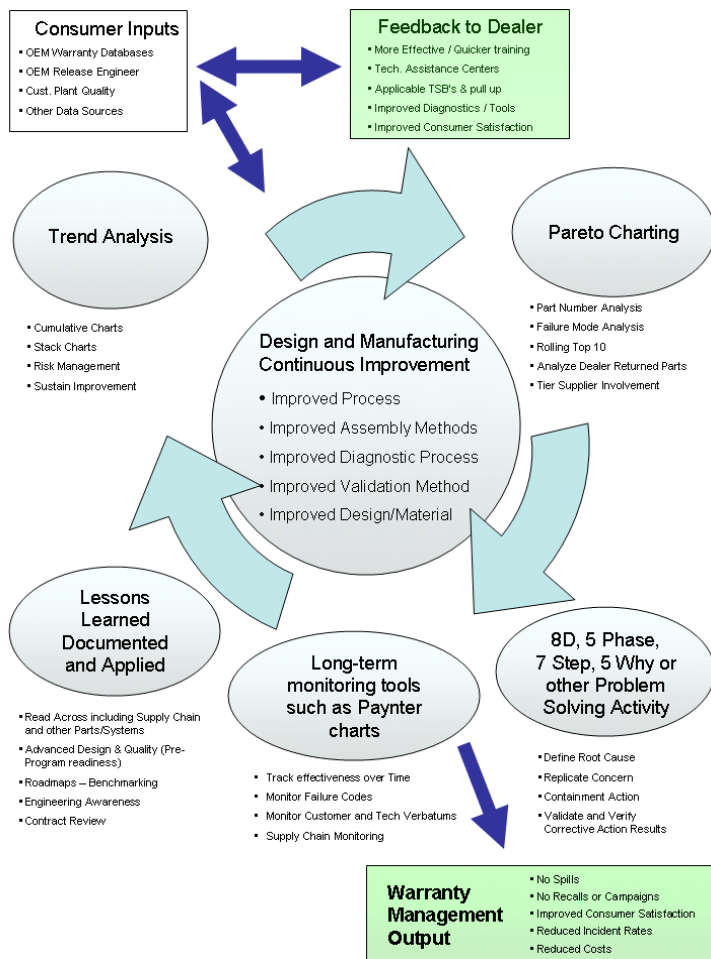
Automotive Warranty- The role of the Supplier

The greatest opportunity to implement improvements is during the development phase – design, material, process, handling, assembly, service procedure and tools are still flexible to change until reaching PPAP

Decisions made during development will ultimately affect warranty performance

Automotive Warranty- The role of the Supplier

Figure 2: Warranty Management Process



- Warranty Management goes beyond the warranty event and subsequent countermeasure action
- Fast determination of root cause and time to correction are important measures and is where most warranty management activity is focused
- Driving Consumer satisfaction is equally about preventive steps to reduce risk of an event
- Consumer-Centric focuses on both preventive steps as well as when events occur
- Key is driving Lessons Learned into preventive practices to drive incident rate reduction

Automotive Warranty-

The role of the Supplier

- Sr. management must engage the whole organization to implement a warranty mgmt. process and change the culture
- Use CQI-14 and the Assessment Tool to determine areas for improvement
- Warranty is not just how to resolve a field claim, it is about the learning process from problem solving and building that into like products/materials/processes and integrating in to the next program to avoid field claims – improve the product development process
- Understand contractual obligations and understand the risk before beginning a program – make informed business decisions and identify/implement mitigation activity
- Participate in Industry Organizations such as OESA/AIAG to increase the supply community to speak as one and improve the process

Automotive Warranty- The role of the Supplier

Managing warranty risks will be a long journey – working together will help change the industry culture – all parts of the organization will need to be engaged as well as with common Industry Voices

Automotive Warranty- The role of the Supplier

- Formal Training
 - Developed by the team that revised the document
 - Provides complete review of standard and expectations
 - Presented by AIAG

Nov. 17, 2011	Southfield, MI	8:00 AM - 5:00 PM
Apr. 19, 2012	Southfield, MI	8:00 AM - 5:00 PM
Jun. 14, 2012	Southfield, MI	8:00 AM - 5:00 PM
Sep. 13, 2012	Southfield, MI	8:00 AM - 5:00 PM



Three Things

- Risk reduction, Preventative activities to reduce Incident rate through Consumer Centric Warranty Management.
- The assessment tool to measure and improve the Warranty Management Process- Change Culture!
- Sr. Management needs to be involved and drive improvement.

Increase consumer satisfaction through a paradigm shift that focuses on incident rate reduction and more effective claim resolution.

Product Development activity is integral to this success!

Thank you

What questions can
I answer ???