



Your monthly newsletter with predictive analytics insights, tips, and industry news.

Now that you've joined our newsletter, you'll get the benefit of our knowledge and data that can help *your business*.

This month, we're focusing on the COVID-19 impact on automakers, supplier plants, and warranties. We share an interesting study on specific automotive brands that are seeing increased service incidents as an indicator of increasing warranty claims, as well as those who are seeing a lower risk of warranty claims and costs.

Need a bit of inspiration for your business? Read on to get relevant, data-driven industry insights and then [contact us to discuss your business goals](#).

Insight #1: COVID-19 impact on automakers

Never before has the entire automotive industry experienced a global shutdown to the level seen this year. Automakers and suppliers were forced to shut down facilities, and in some instances make medical supplies to help with COVID-19 recovery efforts.

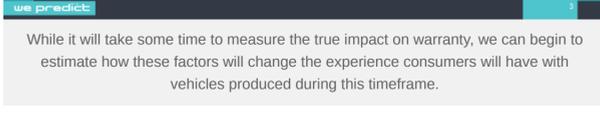
These companies are now beginning to reopen their facilities and implement new processes and procedures to ensure employee health and safety. Some of these include new entry procedures, rebalancing production lines to ensure sufficient space between workers, and new handling and protective gear. Many companies face these challenges while under sudden and severe financial strain as vehicle sales stalled.

Potential impacts on automotive warranty

In the past, warranty rates increase as plants launched new products and assembly lines. As states announced stay-at-home shutdowns, many dealers shuttered temporarily, leaving vehicles on lots and at ports longer, increasing the opportunity for "lot rot". Supplier part disruptions put certain models at further risk of increased warranty. On the flip side, warranty and service rates were projected to temporarily decline beginning in March as customers held off on repairs and experienced a shortage in some parts.

Potential impacts on warranty

The global pandemic has implications to change what OEMs and suppliers see in their warranty, with the potential for several factors to disrupt or negatively impact results



While it will take some time to measure the true impact on warranty, we can begin to estimate how these factors will change the experience consumers will have with vehicles produced during this timeframe.

The global pandemic has implications to change what automakers and suppliers see in their warranty, with the potential for several factors to disrupt service rates on vehicles, which are currently in customers' hands and those being produced as manufacturers restart production.

How do you measure the potential impact?

With no real precedent for this situation, we will start with plant start-up disruption to look at the potential risk in the market with the enormous manufacturing reset in progress.

How can we estimate plant start up disruption?

The following assumptions were used to estimate the potential warranty degradation from the staged start up of most automotive assembly plants and suppliers globally:

- 1. A company's ability to manage a full plant start-up would mirror that company's ability to manage launch
- 2. Improvement in year 2 of the launch is a proxy for the company's ability to rise out of launch disruption
- 3. Launch can include all-new and major changes, such as technology improvements
- 4. Change in year 2 can be positive (coming out of disruption) or negative (increasing disruption) – both are important and included in the metric
- 5. Brands with little launch activity were excluded

Insight #2: Estimating impacts on automotive warranty

In the study shown below, we looked at 328 separate launches over a period of 8 model years (2013-2020 models) on 23 brands. We compared the warranty frequency that the model experienced at launch to what that same vehicle experienced the following year.

Not surprisingly, the vast majority of launches showed significant product resolution activity to reach a more steady-state operating level for the new product (inclusive of the design). On average, the industry overcame 388 incidents per 1000, ranging from a low of 104/1000 to a high of 784/1000 vehicles.

Brands with higher risk of increased warranty



Brands with lower risk of increased warranty



Credit: Deepview® by WePredict

On analyzing percent changes, launch disruption increased warranty by 25% on average, with brands ranging from 11% to 44% higher.

A Deeper Look: At [We Predict](#), we've created the industry's largest study of predictive and actual service incidents, incorporating tens of millions of vehicles and billions of service events over the past 10 years. We call this study "Deepview" and it's the first data-driven comparative benchmarking of its kind, providing an eye-opening view of what's happening with components today and in the future.

Percentage change during launch/ start-up



For each automaker, we took a deeper look at the change in vehicle degradation and warranty repair rates.

Credit: Deepview® by WePredict

Analysis: On analyzing percent changes, launch disruption increased warranty by 25% on average, with brands ranging from 11% to 44% higher.

"Start ups for auto suppliers after relatively short enforced layoffs can be problematic and require lots of planning at the best of times The Covid lay off, with it's length, change in working patterns and personnel, will potentially pose greater problems that could lead to decreased quality and increased warranty."

Dr. Stephen Norris,
Automotive Lead, We Predict

Conclusion: How will this translate to the auto industry? Based on previous launch experience, service per 1000 rates are projected to worsen to between 1198 and 1346 on late built-out 2020 and early 2021 production vehicles due to plan and supplier disruption cause by COVID-19. This represents an increase in warranty of between 240 and 388 incidents per 1000 vehicles over the first 3 years of customer usage.

Insight #3: Automotive service projections through 2021

With vehicle service requests by customers on the rise for certain vehicles, the next step is for automakers to identify where production can be ramped-up while implementing new procedures to keep customers and employees safe.

What does that mean to what the industry may experience?



For each model year, here are the projected repairs per 1000 vehicles after the COVID-19 crisis.

Credit: Deepview® by WePredict

Analysis: Some brands will see a higher risk of increased warranty based on their experience following launch - which is usually the closest estimate of how a company recovers from disruption. With starts and restarts due to outbreaks and financial strain in the supply chain, disruption of this magnitude has never occurred across the industry all at once, which makes estimating impacts to warranty a difficult task.

Conclusion: As plants restart, assessing the impact on the supply base, inventory, and line-balancing efforts will be key to keeping quality levels high. Using "Deepview", We Predict will continue to monitor and share the impact to the field, providing a guide to potential needed actions and key risk areas for automakers and suppliers. Getting ahead of upcoming trends can help industry leaders mitigate rising issues and take the bump out of the road ahead.

Get Data Insights For Your Organization

Now that you've seen the benefit of our knowledge and data, we would love the opportunity to discuss how Deepview can help *your business*.

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