



SERVICE PACK OPTIMIZATION

Extended warranties, service contracts, out-of-warranty repair service fees, and other service packs condition customer responses to additional offers and mitigate production quality issues. They can also help modulate demand to match it with the company's service-delivery capabilities. Deciding how to optimally package and price service offers helps convert what may be an unprofitable requirement for manufacturers into a significant income generator.

Optimized service packs have a major impact on customer loyalty and brand reputation as well. Every manufactured product line will exhibit quality control issues, field failures, and premature end-of-life issues from time to time. Dealing with problems like this fairly and offering warranty extensions and service contracts at attractive prices helps reduce customer worries about product longevity, particularly with new product introductions.

Devising optimized service packs requires reliable, consistent data which must first be gathered from disparate sources and then analyzed efficiently.

Pricing: A Critical Factor in Service Pack Optimization

Optimized service pack pricing focuses on customers' willingness to pay rather than the manufacturer's costs of provision.

Put simply, willingness to pay is the highest price a customer will agree to pay for a service, as opposed to willingness to accept, which is the lowest price the company can afford to offer. Determining willingness to pay is the most critical step in developing a service pricing strategy. It is relatively easy to focus on willingness to accept, and some manufacturers continue to set service pricing based on their costs of provision. This approach nearly always leaves money on the table. The cost-based price may be too high for many customers, reducing demand for service offers and often boosting the per-service cost of provision. Setting the price too low may make it easy to sell more services, but the result can often be an unprofitable set of service offerings. Cost, while it must be considered, is rarely a good way to set optimum service prices.

Pricing decisions involve much more than assigning a number to a service pack. There are myriad ways to construct service offers. Figuring out exactly which services to include in each pack, availability, exclusions, expirations, repair warranties, and every other dimension are all part of the pricing decision.

OPTIMIZED SERVICE
PACKS IMPROVE
PROFITABILITY
AND CUSTOMER
SATISFACTION

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Applying Data Analytics to Service Pack Optimization

Most companies have access to large amounts of quantifiable historical data that can inform an optimized pricing strategy and develop a clear understanding of customers' willingness to pay, including previous service sales, analysis of comparable service offers from competitors, survey data, fault analysis of products in the field, warranty claims, and the like.

State-of-the-art data preparation tools enable an analytics team to wrangle all of these sources of information and convert them into useful, clean, consistent data sets. These sets can then be fed into machine learning (ML) algorithms to predict how customers will respond to different offers and how their responses will affect company costs, profitability, and sales.

Manufacturers can also use data analytics to optimize the length and terms for original warranty offers by taking competition, product price points, customer preference survey results, and other factors into account.

Altair Data Analytics for Service Pack Optimization

Altair offers a complete suite of tools that enable manufacturers to develop profitable post-warranty service and maintenance offers, service contracts, and extended warranties as well as determine optimum original warranty periods.

Data Preparation: Access, cleanse, and format warranty and service utilization data from CRM, ERP, and systems managed by channel partners, as well as PDF and Excel reports and big data sources without any manual data entry or coding.

Machine Learning: Altair's industry-leading visual approach to data analytics enables businesses to build and deploy machine learning models in almost any analytic infrastructure. Altair's automated ML and explainable AI functions eliminate repetitive tasks, makes data scientists and business analysts more productive, and enables managers to create profitable, attractive service packs.

Streaming Analytics: Build stream processing applications and sophisticated analytical dashboards without writing any code. Solve difficult problems quickly, understand complex relationships in seconds, and identify issues requiring further investigation with just a few clicks.



Altair data analytics enables firms to gather data from virtually any source, including PDF reports, spreadsheets, and any kind of database, and produce clean, consistent data sets. Users can then use Altair's drag-and-drop tools to build automated machine learning algorithms to parse, sort, and categorize the data to make predictions on how customers will respond to different service pack offerings and how their introductions will affect profitability and sales.

“Basing service pack pricing on your costs is a good way to leave money on the table.”

Analytics gives you insight into your customers' appetite for different types of packs, helps you develop programs that enhance the overall value of the product, and makes it easier to keep customers happy.”

Sam Mahalingam, CTO, Altair