

# Customer Service

CASE  
STUDY

## Returned Goods & Warranty – Medical Devices

### Lean Customer Service Process Transformation for Medical Devices

#### Situation – Implementing lean principles in customer service to decrease returned goods processing cost

For 10 quarters, the volume of medical device product returns grew as expected. But the unpredictability of these returns doubled: products, location and timing. Returned goods processes varied widely by product and location. These differences prevented transferring the workload among locations. A costly technology upgrade delivered few changes. Cycle times slowed to three times the industry average. Compliance violations skyrocketed. Customer experience declined. Costs became unmanageable.

#### Client Description, Project Scope, Lean Operations Objectives

Management wanted to achieve operational flexibility and meet cost cutting goals through lean customer service management of the returned goods process. Operations needed standardization. Each location required capabilities to process any product. Cycle time had to be cut. Corporate set 12-month cost cutting targets: 20 percent customer service cost reduction. The Lab's database of standardization and improvement templates convinced management it was possible.

Worldwide, the medical device subsidiary maintains 20 facilities for operations and manufacturing. It sells and services products in over 100 countries. Product return operations included 450 employees in 3 locations.

Management selected The Lab to rapidly implement customer service process improvement, increase operational efficiency and realize the cost reduction targets. A 6-week, Phase I operational analysis pinpointed improvements and delivered a self-funding work plan. Implementation of improvements and standardization began immediately afterward. The Lab led the self-funding Phase II effort, on site with client teams. All global locations were complete in 7 months.

#### Lean Customer Service Transformation Examples

The Lab implemented roughly 150 non-technology returned goods process improvements. Examples:

**Reduced Returns Process Operational Variance**—This manufacturer used lean principles in its plants. But “shop floor” operational efficiency never made its way to returned product operations. Few procedures were documented or measured with key performance indicators. Work times for identical tasks varied up to 7X. The Lab's templates, management dashboards and lean customer service metrics helped rapidly implement process standardization and reduce variance to less than 1X.

**Standardized Inconsistent Warranty Process Data**—The lack of lean standard customer service methods affected data capture tasks. Each location used inconsistent definitions, formats and sequences for returned products data. This undermined operational efficiency by blocking visibility of work order status. The Lab implemented templates, operating procedures and quality tracking key performance indicators (KPIs) to standardize data capture.

**Improved Customer Service Coordination with Field Reps**—Few guidelines for product returns existed for the company's thousands of field representatives. They shipped products to the wrong locations. Inadequate packaging damaged 20 percent of returned products. Almost 70 percent lacked essential information. Standardizing the intake process reduced total cycle time by 20 percent.

### Top 3 Global Medical Devices Producer

#### Returned Goods & Warranty

United States and Worldwide

#### Project Sponsor:

##### Executive Vice President of Global Quality

Non-technology, self-funding operational improvement implementation:

- No new technology
- Global operations
- 7-month implementation

#### Project Objectives:

- Operational flexibility
- Cost reduction
- Lean customer service improvement

#### Project Scope:

- Product return logistics
- Case management
- Product failure testing
- Regulatory reporting
- Customer response letters
- Case closure

#### Implementation Results:

- Operating cost . . . . . ↓ 20%
- Annual savings . . . . . \$4M
- Capacity improvement . . . . . ↑ 25%
- Cycle time . . . . . ↓ 20%
- Break even point . . . . . 6 mos.
- ROI (12 month). . . . . 3X

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