IBM

Milwaukee Electric Tool transforms warranty claims process for greater responsiveness.

Overview

■ **Challenge**
Tool manufacturer was bogged down by manual warranty claims-handling process, which was time-consuming and cumbersome

■ **Why Become an On Demand Business?**
An online warranty claims-processing application would speed reimbursements, enabling Milwaukee to be more responsive to its service centers and service managers

■ **Solution**
Automated warranty claims-processing application provides quick claims submission and status-checking and efficient claims processing

■ **Key Benefits**
For authorized service centers: Up to 96% less time to receive claims reimbursement; For Milwaukee: hundreds of thousands of dollars saved compared to alternative prepackaged solutions; within 2 years, 100% of all claims will be processed over the Web, saving tens of thousands of dollars annually; full redeployment of claims-handling staff to other value-added tasks within 2 years

Milwaukee Electric Tool Corporation is part of the Atlas Copco Group, a global industrial company headquartered in Stockholm, Sweden.

Milwaukee Electric Tool Corporation (*www.milwaukeetools.com*) is known for delivering durable, high-quality electric tools to professional trades-people. Based in Brookfield, Wisconsin, and founded in 1924, Milwaukee Electric Tool Corporation (Milwaukee) is the country's only electric tool manufacturer that exclusively targets the professional tool user.

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>
> *– Cindy Thoenes, Business System Manager, Milwaukee Electric Tool Corporation*

ON DEMAND BUSINESS™

On Demand Business Benefits

- Up to 96% less time to receive claims reimbursement
- Ability to free up 60% of claims-processing staff within first year, with full redeployment to other value-added tasks within 2 years
- Heightened responsiveness to independent service station operators, since service managers can devote 10% more time to them within first year and 20% more time by end of second year
- Within 2 years, 100% of all claims will be processed over the Web—a 57% reduction in claims processing costs equaling tens of thousands of dollars in annual savings
- Ease of integrating claims-processing application into existing architecture
- Hundreds of thousands of dollars saved compared to prepackaged solutions by leveraging existing infrastructure and rich functionality of IBM WebSphere® Commerce software

The company's 2,000 employees are dedicated to developing powerful, durable tools spanning more than 400 models and 3,500 accessories. To support its customers, Milwaukee has more than 700 authorized service stations— independently owned businesses certified to repair products as covered by the tools' extensive warranties.

Ironically, while service technicians repaired some of the industry's most sophisticated electric tools, they had to use antiquated, paper-based claims processes to get reimbursed by Milwaukee for their warranty work. "Our service technicians had to complete—by pen or typewriter—a preprinted, multipage warranty reimbursement form that we'd manually sort and review," says Cindy Thoenes, Milwaukee business system manager. "It would take three to four weeks before the service station received its compensation by mail. That's a long wait to get paid."

What's more, because they were spending so much time chasing down warranty claims, the service centers had less time to devote to their core warranty repair work. Meanwhile, Milwaukee's service managers were engrossed in manual claims processing, a cumbersome task that left them with less time to strengthen their relationships with the independent service centers.

Revamping the reimbursement process

Milwaukee knew it needed to transform its warranty claims process by replacing paper-based processes with automated ones, so that it could credit its service stations' accounts for covered parts and labor expenses within 24 hours of their requests. Additionally, the company wanted to enable its service managers to work more efficiently by providing them automated systems and connected processes. "We needed to vastly improve the way we did business with our service stations— they are a primary point of contact for our end users, so it's critical to our business growth that we treat them with the same responsiveness that we expect them to impart to our end users," says Thoenes. By improving its responsiveness, Milwaukee could better focus on making sure that its service arm remained outstanding. The company could also reduce claims processing-related costs and enhance the level of support that its service managers could deliver.

Working with IBM Business Partner Haverstick Consulting, Milwaukee unveiled an online warranty claims-processing application. Once a process that lasted much longer than the actual repair work, claims reimbursement now has a quick turnaround, thanks to the new automated solution. Service centers can submit claims online, tapping into an electronic address book for customer information. They can also learn the pricing of the claims they submit as well as the status of their requests. Milwaukee service managers can process claims requests from the convenience of their laptops and in a much more expeditious manner.

The claims processing application brings together Milwaukee's business processes by connecting the claims process with core business systems, including the company's enterprise resource planning system. By eliminating manual processes, service technicians and service managers alike are freed to focus on their core responsibilities—tool repair and vendor service, respectively. No longer having to worry over tedious steps in the claims reimbursement process, both sides can devote more effort to pleasing end customers.

One-stop spot for warranty claims

Milwaukee's online warranty claims-processing application is based on IBM WebSphere Commerce and integrated with its existing business-to-business (B2B) extranet. Rather than using third-party or custom-built applications, the company recognized it would be prudent to build on its existing IBM infrastructure, using Java™ technology as well as the inherent functionality in its IBM e-business software.

The way the solution works is simple. From the password-protected extranet, service centers enter data about each customer, the tool to be repaired, parts used and the repair cycle into an easy-to-use online form. With the address book functionality of WebSphere Commerce, service centers can build a roster of customers, eliminating the need to re-enter information for future claims.

The Java technology-based claims processing application automatically validates the information entered and matches it against data resources such as the corporate parts and tools catalogs managed by WebSphere Commerce. The application also prices the claims for service stations. Explains Thoenes, "Submitted claims undergo a series of business rules that monitor various parameters. For example, is the cost being submitted within certain tolerances? We've essentially taken the work that service managers previously did in their heads and built rules around them to automate the process."

Claims that meet the parameters are approved and moved each hour using electronic data interchange to the business system, which is supported by IBM DB2 Universal Database for iSeries software. Credits are then processed by the business system in a nightly batch process. Says Thoenes, "Each hour, through file transfer protocol, we refresh the updated credit information from our DB2 database on the backend to the extranet site, which is also powered by DB2 Universal Database. We're exceeding our customers' current expectations for updated claims information."

Delivering better customer service

In addition to being the access channel for the warranty claims-processing application, Milwaukee's extranet enables its distributors to browse and buy products and track orders, so they don't need to rely on the company's call center. The extranet is based on IBM WebSphere Application Server Advanced Edition, WebSphere Commerce and IBM Lotus Domino software, and is integrated with ERP software.

Key Components

Software

- IBM WebSphere Application Server Advanced Edition, Version 3.5
- IBM WebSphere Commerce, Version 5.1
- IBM Lotus® Domino™, Version 5.08
- IBM DB2® Universal Database™ for iSeries™
- IBM Lotus Team Workplace (QuickPlace®), Version 2.08

Servers

- IBM @server iSeries 270

Business Partner

- Haverstick Consulting

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–Cindy Thoenes

Working with Haverstick Consulting, Milwaukee migrated to newer versions of its existing software—including WebSphere Commerce, Version 5.1 and WebSphere Application Server, Version 3.5. Haverstick hosts the Milwaukee Web site on an IBM @server iSeries 270 system. Notes Thoenes, "We don't consider Web development a core competency, so we've outsourced all of our extranet enhancements to Haverstick. This enables us to focus on our tools business. The fact that Haverstick has leveraged an iSeries system provides the best value for our business, because of its reliability, availability and serviceability."

Letting Java technology do the work

By leveraging its existing infrastructure, Milwaukee figures it has saved hundreds of thousands of dollars over the purchase of prepackaged applications. Adds Eric Warne, manager, IBM Application Development Practice, Haverstick Consulting, "The openness of Java technology, along with open-standards support in WebSphere software, made it relatively fast to integrate the claims-processing application into the existing architecture." And with the information captured in DB2 Universal Database, Milwaukee can generate insightful reports about customer behavior and repair turnaround time.

"We're responding to our service centers' need for faster reimbursements with a process that is also less costly to them, in time and postage," says Thoenes. "For Milwaukee, we'll free up 60 percent of our claims-processing staff within the first year and by the second year, we'll be able to fully refocus this staff to customer service-enhancing activities."

The benefits of the newly enhanced extranet also extend to Milwaukee's management team. Instead of being tied to the office reviewing claims forms, service managers have immediate online access from their laptops, so they can conduct their reviews on the road, between visits with service stations. Notes Thoenes, "In the first year, our service managers will be able to devote 10 percent more time to our service station operators and by the end of the second year, 20 percent more time," notes Thoenes. "Within 2 years, we'll be able to process all of our claims over the Web—that's a 57 percent reduction in claims processing costs, or tens of thousands of dollars saved annually."

Greater responsiveness for competitive advantage

For Milwaukee, enhancing its extranet and on demand capabilities is a continual process. By further leveraging WebSphere Commerce, the company will be able to display e-spots—targeted promotions—to specific customers. The company already uses IBM Lotus Team Workplace software to enable its product engineers worldwide to collaborate as a team, and foresees deploying IBM Lotus Instant Messaging software (formerly known as Lotus Sametime®) to support realtime communication.

"By continuing to use IBM on demand technology and working with Haverstick Consulting, we've evolved into a much more responsive company," concludes Thoenes. "That's just where we need to be—delivering power tools to our customers is a given, and providing excellent service and support are just as integral to our competitive advantage."