

Tech Perspectives

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Winning in the tablet market

Overview

Almost overnight, tablets have become a key component of many computer companies' growth strategies--and for good reason. Based on one of our recent studies, tablet demand will surge to 200 million by 2014, an increase of more than 300 percent. Not surprisingly, the market has seen an enormous proliferation of new devices. In this environment, however, companies may need more than flashy products to compete--along with a differentiating model for customer service and repair.

That's a daunting task, given that most tablet producers have had to rely on mobile phone storefronts and electronics superstores rather than dedicated retail outlets. Many mobile phone storefronts and electronics superstores are not used to handling returns and repair for a product as complex as a tablet. Staff may need training to educate consumers on the product and to keep frustration levels manageable. Many repair service outsourcers are not yet set up for the kind of quick turnaround tablets require.

With such dramatic growth on the horizon, companies that want to be out in front should start building customer loyalty now. To meet the distinctive service needs of this market, it's important to keep the following points in mind:

Tablets are discretionary, instant-gratification products

One tablet manufacturer has reported that nearly 15% of their customers return tablets for a refund--much higher than the 6% rate at which traditional PCs are returned, based on our proprietary data. Because any problem could prove an impetus for a return, tablet service and repair should be as speedy and effortless as possible.



Customers of high-end products expect high-end service

A ten-day repair model may be impractical in the tablet market. A more practical approach is: When a product is broken or defective, send an overnight replacement, preloaded with a customer's data that has been recovered from the Cloud.

Early planning minimizes friction in the value chain

Because tablets are fragile items, inventory levels of swap stock, spare parts, and accessories should be high. It is important to make agreements ahead of time regarding who owns that inventory and how that owner is compensated for holding it. Here, early planning leads to cost savings: Spare parts and extra units are much cheaper when ordered in bulk.

Service is an investment

The service package is not just insurance for the customer--it's insurance for the company. Though top-flight service may reduce profit per unit early on in a product's life cycle,

a bad experience with a first-generation product can create a negative association that lingers for years. Squeezing expense-to-revenue ratios too hard in the beginning can be a mistake.

Service is a potential profit center

Tablets are much more fragile than a laptop or desktop. Consumers understand and so are willing to pay a premium for service packages that go above and beyond the norm. Companies should consider offering an extended warranty that includes full phone support, coverage of key peripherals such as batteries, and even protection against accidental damage.

We believe that the competitive landscape will change dramatically in the next 12 to 18 months. The market will soon have a range of tablets and peripherals that reflects an ever-growing variety of business and consumer needs. Whether a company wins a share of that new market depends not just on the great new product features it develops for 2013, but on the service its early adopters experience today.

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