



Industry White Paper

*The Service Lifecycle Management
Approach*

*Strong Customer Relationships Result
In Profits in the Service Industry*

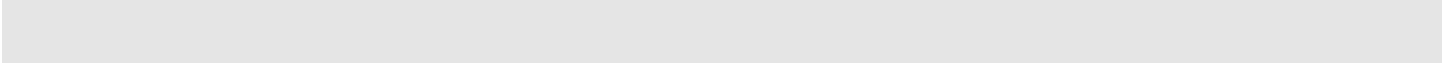


Executive Overview

Customers get invoices for service that should be covered under warranty. Out of warranty work is not billed. Sales opportunities for supplies, additional products and services are not being recognized. Upgrade and replacement opportunities are not offered to the right customers. Service contracts lapse without renewal notices or attempts to upgrade. Costs are high because of unnecessary paperwork, duplication of efforts and poor service call scheduling. Customers' service level expectations are not being met. Is this any way to service customers that rely on you to keep their mission-critical equipment in top performance? More importantly, is this any way to service customers and run a profitable business?

Profitability in the services business comes from developing and maintaining long-term customer relationships. Unfortunately for many companies, providing service to customers is an afterthought and hasn't gotten the attention that it deserves. As manufacturers, distributors and resellers are discovering, hidden opportunities for greater revenue and market share become available by focusing more attention on the aftermarket. Leading companies are beginning to view service operations as a strategic opportunity and focusing on improving their processes to serve their customers. This strategic approach to service, known as Service Lifecycle Management (SLM), holds significant, untapped business improvement opportunities.

The bottom line results of an SLM Strategy are compelling – increased revenue, lower costs and improved customer satisfaction / retention. This white paper explores the potential results and the path to achieving them. The paper is divided into two major sections. The first section explores the value of a Service Lifecycle Management Initiative. It highlights tangible improvement opportunities for companies to address in their businesses to improve revenue, decrease costs and increase customer satisfaction and retention while a product is being serviced for a customer. The second section will highlight processes and technology required to successfully make the necessary changes in the business.



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Improving Profitability in the Product Aftermarket

“To be successful in the services industry, you can’t live off of the initial product sale or project,” says Kurt Canova, president of Tech Electronics. “To be customer-driven, you need to look at the entire product lifecycle to ensure that you are able to build long-term relationships with your customers. Today, successful service organizations must be able to position themselves to be more focused on proactive instead of reactive service.” This comment from Mr. Canova provides an excellent introduction to the topic of Service Lifecycle Management, also known as SLM. It highlights the point that in many industries profits from servicing products often outweigh the original sale of the product itself. Whether the company is servicing capital equipment or an integrated solution including equipment and integrated information technology, the margins available from their customers are typically much higher when servicing the product in the aftermarket than from the initial sale. By focusing on the product aftermarket, companies can tap into significant revenue opportunities while also reducing costs. To increase the top line and margins concurrently, they must improve the processes they use to service their products and, more importantly, the customers that bought their products.

SLM is a business initiative that allows companies to capitalize on the additional profit available in the product aftermarket. This section of the white paper will follow a typical service lifecycle from the time of the equipment sale through product replacement and highlight improvement opportunities that can increase sales, increase efficiencies, decrease costs and increase customer satisfaction.

Never Ignore a Call for Help

Every call from a customer is an opportunity to increase customer satisfaction and possibly get an order. With the increase in communications technology in recent years, contacts can come from a telephone call, a report from an onsite technician, a submission from the web, an e-mail, a fax, an automated request from voice response, a call from a piece of equipment with imbedded monitoring or some other source. Customer contacts come in all varieties these days, and just keeping track of them can provide a challenge. Many companies can gain value simply by providing their employees with visibility to all of the contacts from a customer so they can get a full picture of the customer’s needs. By providing visibility to all of the contacts with the customer, customer service reps can identify the right support response and identify potential sales opportunities. Even better, advances in technology can help to get additional orders by suggesting products and services based on past history and current needs.



The increased variety and complexity of customer contacts also comes at a time when customers' expectations for service response have risen considerably. The negative perception of a missed call is now heightened because customers expect the use of technology to track contacts. This negative perception increases dramatically if the call was taken by an automated contact such as the web, because people are far more likely to forgive a person than an impersonal machine. Even worse is a supply order that gets lost on a piece of paperwork resulting in losing the order to a competitor. "We used to have supplier orders get lost in voice mail or on the bottom of a piece of paper," said Lubodar Olesnycky, president of Micros Retail Systems. "When we automated the process we got a spike in supply sales. Instead of a shipping clerk moving pieces of paper, we have automated orders that immediately get credit checked, and then we click on what's been fulfilled to generate the invoices." By automating the capture and response to requests through tools such as remote access, workflow, automated escalation and integrated e-mail, companies are ensuring that customer calls are captured and acted on in a timely manner.

Perhaps the best approach to providing customer satisfaction is not to capture the call, but to make the call yourself. By proactively predicting a problem or supply need based on embedded monitoring or predictive technology, customers can see value from service contracts through prevention of a problem as opposed to firefighting when a problem arises. Not only does this increase customer perception of value, it also decreases the need for expensive and disruptive emergency service calls because problems are avoided through advance action. The key to capturing and taking advantage of customer calls lies in having complete visibility to customer contacts, regardless of the source.

Reduce Waste in the Call Center

Margins on services business are highly dependent on keeping costs in check. When calls come in, they must be handled efficiently and effectively to avoid wasted expense. In order to improve call efficiency, companies are providing shared knowledge of problems, resolutions, occurrence rates and causes to their representatives. By providing information that can be quickly searched for relevant answers, the time spent with customers is more productive and provides more value to the customer.

In addition to improving the efficiency of customer representatives handling calls, leading companies are increasingly providing direct web access to their customers. If a customer can find the answer to their problem or question through self-service, customer satisfaction can come at a significantly reduced cost. Automated web response, if done properly, can also save significant resources and maintain high customer satisfaction levels.



Many companies have different processes and tools for managing customer and equipment information. Micros Retail Systems predicted significant benefits simply from reducing the number of times the customer was keyed in to service an order. Because multiple systems handled only departmental views of the customer, there was no one place to go to see the “360 degree view” of the customer. For larger businesses, efficiency can also come from globalizing and standardizing support processes and tools across multiple call centers.

Avoid the Service Call (or at least Reduce the Urgency)

Service calls are probably inevitable for most service-oriented businesses, but reducing the number of calls can reduce significant expense. By providing customers and customer service representatives with broad access to product and service-related knowledge, many service calls can be avoided. If the problem can be fixed without dispatching a technician, the cost of the technician and related overhead expenses can be saved.

Good predictive maintenance or remote monitoring can also be employed to help reduce the number of emergency service calls. Emergency calls are disruptive to the schedule and often lead to other unplanned costs. By preventing emergency calls with planned maintenance or repair, customer satisfaction can be increased with less need for urgent response.

Finally, through better scheduling, some service calls can be avoided. By taking advantage of the existing service schedule, routine maintenance and meter-reading calls can be combined with other calls. By providing the technician with the right information about the customer and upcoming service, technicians can often “kill two birds with one stone” and save on the total number of calls required. Another way to avoid service calls is to identify and combine duplicate calls, reducing the waste associated with the second trip for the same problem.

Make the Right Calls First

Not all customers are created equal. In the same way, not all service calls are created equal. Service calls should be prioritized based on the customer need, as well as on the value of the customer and the service level that the customer has agreed to pay for. Customers that require continuous availability of their equipment typically are willing to pay for the additional service, if they believe that paying for the extra service will keep their operations running. While nobody wants to leave a customer in need without assistance, knowledge of the contracted service agreement can allow company representatives to properly prioritize limited resources to the appropriate customer. Customers that continually request urgent responses and are not paying for that level of service can be identified and targeted for an upgrade to their service plan and more income for the company.

Customers will pay a premium for enhanced service levels. Service calls that are in danger of violating Service Level Agreements should be highlighted and automatically escalated in priority. With current processes and technology, SLA violations for most companies are not reported until the end of the month. Instead, any pending customer service failure should be reported in advance and the appropriate person notified while there is still time to address the problem. At a minimum, proactive notification of problems will allow for advanced communication to the customer to seek alternatives and retain satisfaction levels.

Close the Call the First Time

One of the largest cost-saving opportunity areas for many companies is reducing the requirement for repeat or follow-up service calls. By closing the call the first time, the number of service calls can be reduced and customer satisfaction can be increased. Closing the call the first time is not always a simple thing to accomplish. Fixing the problem the first time requires the right technician, with the right knowledge, parts and tools, and with the right customer and product information in hand. And closing the call means that the customer signs off that the problem is corrected. By having predefined response lists for problems that outline the appropriate actions, tools and materials required to make the correction, service technicians can show up prepared to get the job done right. Another key element of empowering the field service technician is to provide them with the relevant account history. Through visibility to the equipment installed, the service history and the call history, the technician can more accurately diagnose and resolve the issue.



Keep Technicians Productive, not Just Busy

Service technicians are critical, and often costly, assets to the business. In order to get the most value out of the service technician, their time should be spent on resolving customer problems. The service technician, however, is also critical to maintaining the knowledge of the customer and service history and providing information for billing. Technology, including mobile applications, can greatly simplify the capture and communication of information critical to managing the business. By reducing the amount of time that the technician spends on paper work, the technician can take more calls, reducing employee expenses from overtime and hiring additional technicians.

Technicians get paid for doing their job, whether it is the valuable part of their job or not. If a technician is on hold to order a part or waiting for their next job to be dispatched, the technician is not serving the primary need of servicing the customer. In fact, the company is wasting the technician's valuable time that could be used on another customer service call. Mobile technology and self-service capabilities can significantly reduce both the load on the call center from technicians and the amount of time the technician must spend on the phone and away from helping customers. Keeping technicians updated, in real-time, of schedule changes is another way that service technicians can be kept productive. Technicians that miss a phone call and drive to a cancelled appointment, for example, are wasting productive time because they are working on old information.

Better scheduling can also help to get more productive time out of service technicians. Centralized visibility to all calls, regardless of origin or type, can help optimize service schedules. Scheduling based on service maps can help decrease unproductive transit times.

Turn the Service Call into an Opportunity

Who has a better ability to see the need for service supplies, complementary products, upgrades, or replacements than the service technician? Companies with field service personnel trained to spot sales opportunities can add a significant new source of revenue, provided that it is easy for them to communicate those opportunities back so the order is captured or turned over to sales. Service technicians that have visibility to contract expirations, upgrade availability and complementary products can increase customer satisfaction as well as sales revenue. This is achievable, of course, only if the service technician is properly motivated to sell and if the information is in one place. A service technician with a piece of equipment to fix will probably not look in another system to identify a sales opportunity, but if they are proactively notified of the opportunity in the course of their work, they can uncover new orders for the company.

Turn Service into Cash – Rapidly

Perhaps one of the best ways to increase the profitability of services work is to invoice for the work at the time of service. There are a number of advantages available if the service technician can not only close the call, but also bill the customer at the same time. By creating the invoice on the spot, the payment cycle starts immediately. The sooner the invoice is created and delivered, the sooner it will be paid. Shortening the service-to-cash cycle can provide significant financial benefits. In addition to being paid earlier, the service technician can get approval at the time of the service. At the time the service is performed, there is little question about work that was done, materials used, etc. If there is disagreement, it can be resolved on the spot based on the facts. If approval waits for days or weeks, then disagreements have to be researched and resolved based on the memories of the customer and the technician, which generally works in favor of the customer.

Although the benefits of early billing and approval are clear, it does not mean that it is an easy thing to do. And, some would argue that creating an inaccurate invoice may be worse than delaying the invoice, because of the damage to customer satisfaction and the significant effort that is usually required to research and correct the problem. On the other side of the argument, though, is the fact that part numbers, time and expenses are much more accurate when captured quickly so nothing is lost. The challenge is creating an accurate, real-time invoice. To generate an accurate invoice in the field requires easy access to understandable information on contracts, warranties, service history, call history and customer information. With the right information to generate the invoice accurately and get it approved, the company will have less disputes and credits, and increase cash flow positively.

Stop Revenue Leaks

Service Lifecycle Management can help identify new revenue opportunities, but it can also ensure that revenue that is due to the company is captured and billed. “We want to give the customer everything they are entitled to, but nothing more,” says Mr. Olesnycky of Micros Retail Systems. “By not billing for expenses and absorbing them, we were leaving money on the table.” This missed income is an area that is ripe for improvement in most service companies. Without easy access to the proper information, it is very difficult to determine which parts of a service call are covered under warranties or service contracts and which parts should be billed. When it is unclear if expenses are billable or not, the path of least resistance is to leave it off of the invoice to avoid disputes. Because, as Mr. Olesnycky continues, “It adds insult to injury if you bill somebody for a problem and they have a contract that should cover it.” If replacement parts are given away for free, not only is some of the customer’s money left on the table, but the service company puts some of their own money on the table to leave behind, because direct expenses are not reimbursed. The leakage of revenue quickly eats into profit margins, but is very difficult to identify after the fact, because it occurs in small but frequent occurrences.

Another improvement area that is prone to guesswork, in the absence of good information, is tracking back returnable or refundable items to suppliers. Parts replaced are frequently under warranty from a supplier. In order to recover the expense of replacing a part at a customer site, supplier warranty information must be readily accessible and easy to understand. If not, the work required to submit for reimbursement may push the cost into revenue leakage because it is viewed as unclear or too difficult. In addition, visibility and automation can prevent “missing the window” by keeping it at the repair depot too long. While the cost of tracking down each individual opportunity is too expensive, a systematic approach can provide significant benefit by recouping out of pocket expense and lost revenues by providing visibility and eliminating guess work.

Enhance the Customer Relationship

In order to serve customers profitably, revenue opportunities must be identified and acted on, and costs must be kept in check. But the key word still is “service.” As Mr. Canova of Tech Electronics pointed out earlier, success comes from developing long-term relationships with customers. Customer satisfaction is extremely important to building long term relationships. It is also good business, because it leads to greater profitability through customer retention and repeat business. Service Lifecycle Management provides opportunities to increase the value of the service company in the view of the customer, moving from a “break/fix” relationship to one of trusted advisor and value-added service provider.

One of the key opportunity areas for enhancing the customer relationship is to move towards handling problems proactively, ideally fixing the problem before the customer realizes there is one. To move from “break/fix” a company does more in the way of preventive maintenance, remote equipment monitoring, failure analysis for retrofit and future design improvements. In this way, the customer is receiving something that they value more than a fast repair call: continuous availability. If the customer relationship can be enhanced, the service company has the opportunity to be the first company, if not the only company, in line when product replacements or upgrades are required.

Grow Revenue by Restarting the Service Lifecycle

In order to maintain and grow profitable revenue, begin the service lifecycle again. As products near the end of their useful life, they become ready for replacement, overhaul, or upgrade. Through enhanced customer relationships, as mentioned earlier, the service company is very well positioned to influence the replacement purchase or the purchase of complementary products. The first step in selling additional products is identifying the opportunities. By mining the information already captured on customers and their equipment, effective marketing campaigns can be developed to target customers for additional products based on accurate, detailed information.

A key step in the campaign is to contact and educate the customers on the value of the new or replacement products. If the campaign is designed properly, the customer will see it as an added service that educates them on new features, enhancements, applications or complementary products. Because the campaign is targeted based on real customer knowledge, it can be very focused on real, specific needs of the customer. After the customer has been educated, the sales process takes over and the service lifecycle can begin again. For both marketing and sales, automation plays a key role in ensuring that opportunities are correctly identified and properly followed through.

Turn to Proactive Management

A commonly reported benefit of a Service Lifecycle Management initiative is that the company gains greater visibility into the service side of the business. Through increased visibility, companies can gain better control, find bottlenecks and make better management decisions. With better information and tools, they can switch to proactive management through alerts and real-time information, as opposed to reactive management from reports that show history after the fact. Better management results in higher revenue and reduced costs, improving profitability from both income and expense directions.

Driving SLM Changes into the Business

Services Can't Remain a Stepchild

AMR Research provided the following analysis of manufacturing companies (*Service Lifecycle Management Part 1: The Approaches and Technologies To Build Sustainable Competitive Advantages for Services*, by Judy Bijesse, Lindsey Higgs, Marc McCluskey, AMR Research, August, 2002): “Service divisions typically generate about 25% of revenue, represent 40 to 50% of profits, yet only receive 20% of corporate IT investment... This spending gap originates from the widely held but outdated perception that the service business is just a cash cow... leading companies are... moving away from the break/fix and spare parts mentality and becoming value-added service providers responsible for improving customer profitability and creating loyalty... To maximize revenue, companies should look at the service opportunity as a lifecycle [that] starts with the initial product sale and continues through adoption of new products.”

According to Lubodar Olesnycky, Micros Retail Systems started their project to improve service management by looking at the lifecycle of a customer. “We discovered that there were thirteen different customer databases that served different needs and different departments, and it was very labor intensive to attempt to synchronize data from one to the other. We would enter the customer information separately for leads, proposals, contracts, accounting and service before we even delivered anything to the customer. Then we finally delivered the product and – hopefully – invoiced correctly.” Now, Mr. Lubodar says, their goal is to enter the customer number one time. This holistic view of the customer is not just about efficiency and cost reduction. Without integrated visibility to the customer, revenue opportunities were being lost.

Micros Retail Systems was not alone. Gartner Group summarized the benefits available from better management of the service lifecycle processes (*Customer Service and Support Strategy Key Issues*, by Michael Maoz, Gartner Group, July, 2002). “[For] businesses that sell or service capital equipment... margins can be improved by 20 to 60% through improvements to field service operations and field logistics. [T]echnologies will drive service costs down... and increase agent and channel productivity (current research is showing gains of 30%).”

Make the Move to SLM – Change the Business Processes

Now is the time for service to be seen as the profit center that it can be, and focus attention on improving Service Lifecycle Management processes to improve company profitability. After a previous failed implementation, Mr. Canova of Tech Electronics said, “This time it was not about providing greater technology for our company, we needed better processes. We needed a better way to run things through the business and get information back to our employees and our customers. We needed to provide the right information to the right people at the right time.”

Change is not easy. Service Lifecycle Management will require new business processes and some level of cultural change. But help is available. Look for help from a company that has deep experience in managing field service and service processes for equipment centric businesses. A partner with domain expertise can offer ideas and best practices developed through experience.

And don’t forget about executive support and incentives. Without strong executive-level support, the company will not successfully adopt the new business processes. Compensation plans and incentives should also be reviewed to ensure that they promote the change. Experience has shown that employees will work to maximize their compensation plans, so make sure the compensation metrics are aligned with the strategy.

Enable the Change with Technology

New business processes are most effectively put in place alongside enabling technology. Leading companies are increasingly turning to software applications to drive changes to the way they do business. Many companies looking to improve revenue and customer service have turned to Customer Relationship Management (CRM) software applications. Unfortunately, CRM as a concept is very broad, and many companies have failed with large CRM implementations. CRM is too big to do at once, too much to bite off.

SLM, on the other hand, is a manageable approach for people that sell and service assets. SLM focuses on helping equipment-centric and service-centric companies improve their profitability through better service sales, marketing, call center and field service. Pragmatic companies have been turning to more focused projects with tangible returns. AMR Research (*The Top 10 Sales and Customer Service Investments for Manufacturers*, by Rod Johnson, Marc McCluskey, et al, AMR Research, May, 2003) wrote that, “One of the biggest myths about deploying a CRM strategy is that it needs to be structured and managed as a major, integrated project like ERP. In reality, it is quite the opposite; it needs to be managed as a series of discrete projects deployed incrementally. The major failures in the industry result from megaprojects and inability to manage the massive change driven by cross-functional or enterprise CRM. The successes have developed a long-term CRM roadmap that is governed by a consistent vision and strategy, but executed through a series of smaller, focused, business-led projects that create the capabilities required to support the strategy.”

Get the Right Software

Business change can be enabled by software technology, but the software must fit with the new business processes. To support the SLM initiative, the software must have a strong, service-centric approach. Software that fits the business works better, is easier to implement and will be more readily adopted by the business. Look for key solution features that are specific to servicing equipment such as aggregate meter billings, compliance with service reporting standards and remote monitoring and diagnostic capabilities. Another key area to review is the support for the contact center. Service-centric applications are not just field service add-ons to generic CRM software. Make sure the service-centricity expands to the call center and that service operations are well integrated into the call center as well as sales and marketing applications.

Kurt Canova of Tech Electronics describes his company’s rationale for choosing their software solution, Astea International’s Alliance Suite, to help improve their business. “We chose Astea because of their experience and reputation in the service industry. Astea understood equipment-centric processes and understood that for companies like ours that provide equipment, the customer relationship is based on how well they service the equipment. Astea’s software allows us to tie in the services around the equipment for the customer.”



Another consideration is that the services industry is increasingly adopting customer self-service and deploying mobile devices to their technicians. As these concepts are adopted, the systems move out of the back office and into the field. As customers and field service personnel become more involved with the systems, the software needs to better reflect the way that they do their jobs. While it's not ideal, back office employees can be taught software "workarounds." They use the system frequently enough that they will learn how to get the job done, even if it requires additional work outside of the system. Training "casual" system users such as customers and technicians on workarounds is typically impractical and counterproductive. Software that fits the services industry will be much more user friendly and allow for rapid adoption by both regular users and casual users.

Get the Right Partner

Just as important as choosing the right technology — and some would argue more important — is choosing the right partner. The right partner to implement the SLM initiative not only understands the technology, but also understands the service industry. A company with experience in improving service-centric processes will know the business, know the language and introduce best practices instead of simply automating current processes that continue to provide lower profitability.

Lubodar Olesnycky of Micros Retail Systems describes the value that he saw in his software partner, Astea International: "We chose Astea as our partner because of their long history supporting the services industry. They understand our business and speak the same services language that we do." By partnering with a specialist in services, Micros Retail Systems is enjoying the benefits of Service Lifecycle Management.



Summary and Additional Information

Summary

Service Lifecycle Management can help service-oriented companies grow revenue, reduce cost and improve customer service. Throughout the service lifecycle of products in the aftermarket, there are opportunities to improve business processes that will lead to these valuable benefits. Implementing these changes does not require the purchase and implementation of an entire suite of CRM enterprise applications, but it does require strong application support that meets the needs of service-centric businesses.

The benefits of SLM are compelling and attainable. Leading service-oriented companies will evaluate where SLM concepts will provide the most value and begin implementing SLM concepts. Companies that lag behind will suffer from reduced profitability and increased competition from service-oriented companies that embrace SLM concepts in their business.

About the Author

Jim Brown, president of Tech-Clarity Associates, has over 15 years of experience in management consulting and application software focused on the manufacturing industries. Jim is a recognized expert in software solutions for manufacturing and has broad experience in applying enterprise applications such as Product Lifecycle Management, CRM, Supply Chain Management and ERP to improve business performance. Jim started his consulting firm, Tech-Clarity Associates, to help make the value of technology clear to business. Jim can be reached at jim.brown@tech-clarity.com.