

STATE OF SERVICE MANAGEMENT 2015: CONNECT TO YOUR CUSTOMERS

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Report Highlights

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Customer satisfaction is, by far, the top metric used to measure the success of the service organization, above profitability or operational goals.

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The top challenge hindering the growth of service is a product-focused company culture.

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The Best-in-Class are 44% more likely to hold annual or more frequent customer forums, as compared to peers.

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The Best-in-Class are 56% more likely to proactively capture customer feedback regarding product and equipment performance, as compared to peers.

The end customer is no longer an afterthought in regard to achieving service excellence – buying power, social networks, and competition have changed the relationship. This report will explore the evolution of service as it progresses beyond solely responding to a problem to become more proactive with value-added services.

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Customers expect more from manufacturers and service organizations as they are no longer silent bystanders in the service lifecycle.

Definition:

Service lifecycle management refers to the combined support processes which consist of activities related to service: spare parts management, field service workforce management, mobile devices, reverse logistics, warranty and contract management, performance management, fleet management, and partner management. The importance of managing the transfer of data and information throughout each touch point to ensure that not only resolution is achieved but also efficiencies gained and the product / service are continuously improved.

Service excellence continues to evolve. No longer is cost cutting or meeting an appointment window the sole measure of success for senior service leaders or front-line managers. As seen in Aberdeen's *State of Service Management: Roadmap to a Profitable 2014* (March 2014), nine out of ten Best-in-Class organizations managed their service operations as a profit center, with strategic goals in place, and a mindset to drive at both top and bottom line improvements. Furthermore, the top goal of service executives in 2014 was to improve customer satisfaction, not cost reductions or even operational efficiency gains. Customers expect more from manufacturers and service organizations as they are no longer silent bystanders in the service lifecycle. Customers have a loud voice, a willingness to explore their options, and the ability to leave when a competitor makes a better offer of improved service or price. These forces are making service, and more importantly, value-added interactions, more impactful than ever before.

The Service Target Keeps Moving Forward

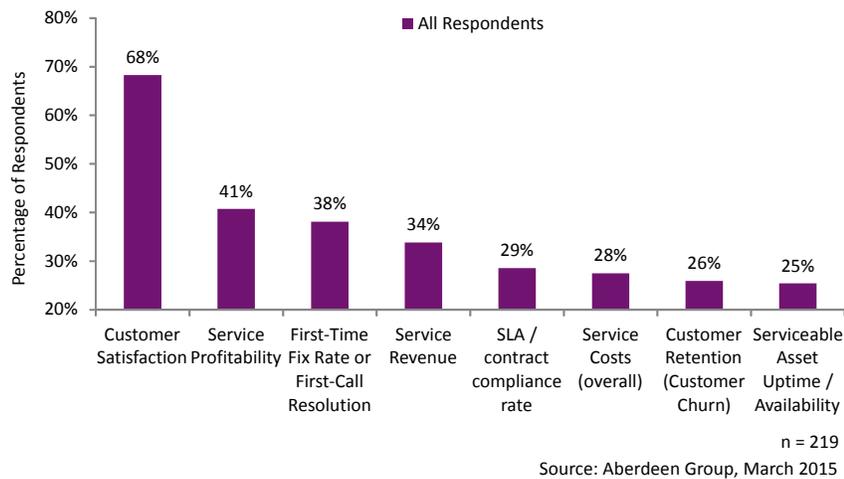
As the target which signals success continues to move for service, by no means should organizations just look to one metric or group of metrics at the detriment of others. However, what is important in this changing world is that the customer remains the priority for the service organization. Field service, parts management, extended warranties, and service contracts have an impact on the customer relationship which goes beyond a reaction to a product or equipment purchase.

Neglecting customers in order to cut corners on service will lead to some negative outcomes. Customer satisfaction scores are lagging indicators to success. But Figure 1 below displays that the ultimate judge of your success should be how happy your customers are at every stage of service interactions within the

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lifecycle. The ability for customers to buy additional products and services, refer new customers, and extend recurring revenues for the service organization make their influence more important than ever.

Figure I: KPI Which Define Success in Service



Unfortunately, too often doing business with a service organization is made too difficult for customers. Whether fixing a down asset or processing a warranty claim, service has an impact on the lives of the customer. Customer loss in productivity or revenue due to an underperforming piece of equipment or machine will result in not only lower customer satisfaction, but also a potentially lost customer. The service organization cannot operate in a vacuum, assuming that customers will buy whatever is sold or offered. Sales, marketing, engineering, and service all need to understand the precise expectations of the customer and be ready to meet them both reactively and proactively.

Establish a Service Value Statement

Excellence in service and delivering value to customers has become imperative for organizations because of the confluence

→ [Read the full report, “State of Service Management: Roadmap to a Profitable 2014”](#)

The State of Service Management Best-in-Class Defined

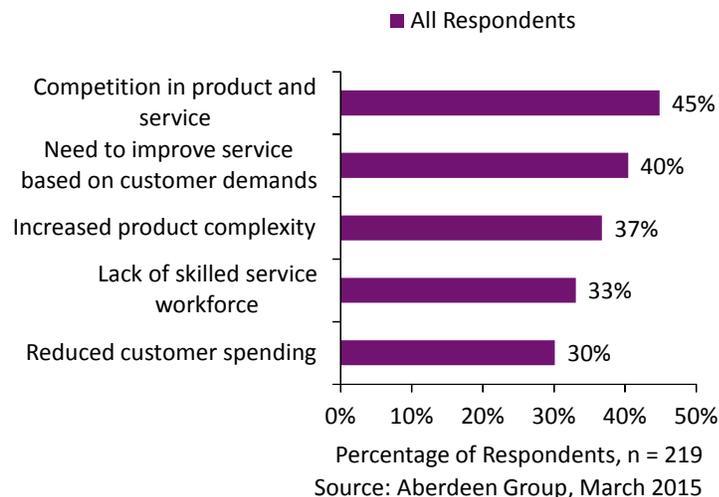
In January and February 2015, Aberdeen surveyed 219 end-user service and manufacturing organizations to understand the key trends in the service market. The performance metrics used to define the Best-in-Class (top 20%), Industry Average (middle 50%), and Laggards (bottom 30%) among these organizations are:

- 88% Customer satisfaction rate, vs. 83% among Industry Average and 76% for Laggard firms
- 68% Service contract attach rate, vs. 54% for Industry Average and 22% for Laggard firms
- 9.1% average year-over-year improvement in service revenue, vs. 4.9% among Industry Average and 4.5% for Laggards

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of pressures facing the business (Figure 2). Competition in both products and service has made the importance of a differentiated offering even more vital, and a visible shortcoming for those organizations that have fallen into the black hole of becoming a commodity. Because of this competition, service organizations are being challenged to continuously improve. Customers demand more than just a standard product or break / fix services; the ability to offer predictive and proactive service (i.e., preventive maintenance) adds value to the partnership.

Figure 2: Continuous Improvement is a Must



→ [Related Research](#)
"Service Lifecycle: How Maintenance Drives Product and Service Design Excellence"

Furthermore, products are getting more complex and the amount of data being captured from these products provides the opportunity for the manufacturer to own the service relationship, but this must be taken advantage of as seen in Aberdeen's [Service Lifecycle: How Maintenance Drives Product and Service Design Excellence](#) (December 2014). Unfortunately, too many organizations find that they aren't able to find the talent necessary to over-service the customer; leading to lost wallet share. Are technicians able to make suggestions which improve a customer's operation and equipment performance? Does the service team proactively visit customers to check in? Do

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technicians fix problems on competitive equipment in advance of an additional contract being signed? All of these challenges may all seem like a losing battle, but with service technology and resource investment, a clear strategy, and accountability, value-add services can be the solution to the problem of creating an on-going customer partnership.

Customer Interaction Opportunities with Added Value

Topping the list of ways organizations are being smarter at interacting with customers is understanding how customers want to interact with the service organization. We live in a multi-channel world where end users can interact with the service team over the phone, on email, or the web (You can read more research on multi-channel, omni-channel, and CEM best practices [here](#)). Historically, organizations tried to steer customers to the most cost effective options to ensure operational efficiency through cost reduction. That strategy is a way of the past. Customers have too many options, too much influence, and are too savvy as discussed in detail in Aberdeen's [Voice of the Customer: Big Data as a Strategic Advantage](#) report (April 2014). Organizations must interact with their customers on their customers' terms and not their own (Figure 3).

Research Findings:

Top challenges hindering the growth of service within the business organizations (percentage of respondents):

- Company culture is product-focused - 40%
- Current technology infrastructure is insufficient - 40%
- Lack of visibility into value of service (i.e., sales gives away for free, Marketing not promoting service) - 35%
- Insufficient capacity in service workforce to support goals - 34%
- Lack of collaboration across the enterprise - 34%

➔ [Read the full report, "Voice of the Customer: Big Data as a Strategic Advantage"](#)

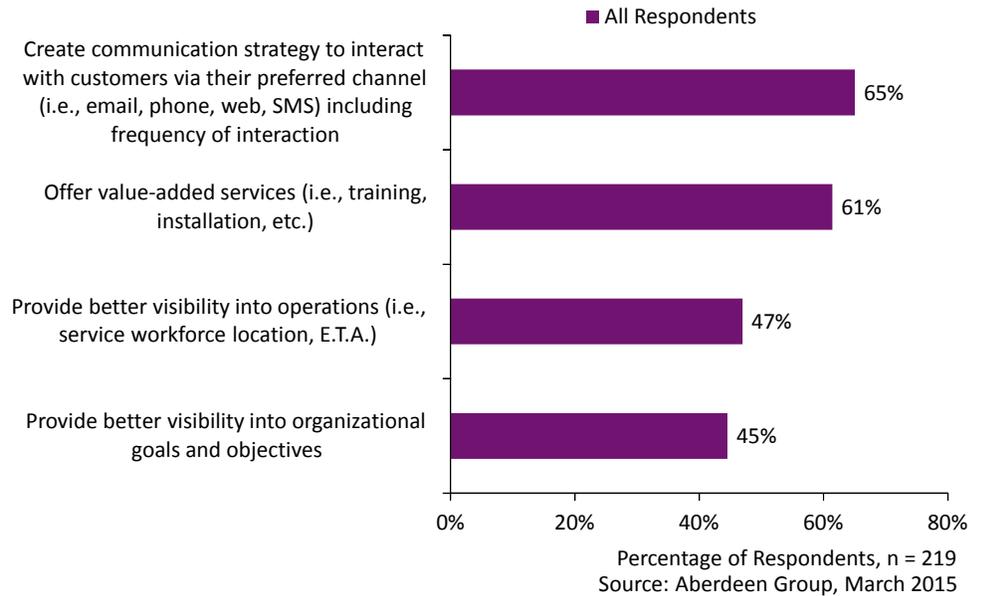
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Analyst Note:

Some metrics were not used to determine the Best-in-Class, but these KPIs further highlight the differentiation between the top performers and their peers:

- 90% SLA compliance rate, vs. 80% among Industry Average and 63% for Laggard firms
- 48% Service margin (service profit / total service revenue), vs. 41% for Industry Average and 37% for Laggard firms
- 14.4% average year-over-year improvement in service workforce productivity, vs. 4.1% among Industry Average and 2.6% for Laggards
- 7.2% average year-over-year improvement in service contract renewals, vs. 4.1% among Industry Average and 0.1% for Laggards

Figure 3: Improve Interactions with the Customer



Furthermore, the establishment of new services which help create on-going partnerships with customers is key to engagement. Dropping off a piece of equipment and hoping customers will know how to maximize its productivity is a way to miss an opportunity to serve. Installation, training, and consultative services are a lucrative way to interact with customers and prove the value of the relationship. Also, value-add services have the opportunity to recur beyond the often one-time sell of the equipment. Two other ways organizations are looking to improve their relationships with customers are to provide them with better visibility into the status of service requests, and to clearly express the goals of the organization (i.e., a text message or a call ahead detailing service status). Better awareness into the goals and status of service work orders empowers customers to better prepare for future service interactions while also letting them know that the organization has mutual success in mind, not just its own profits.

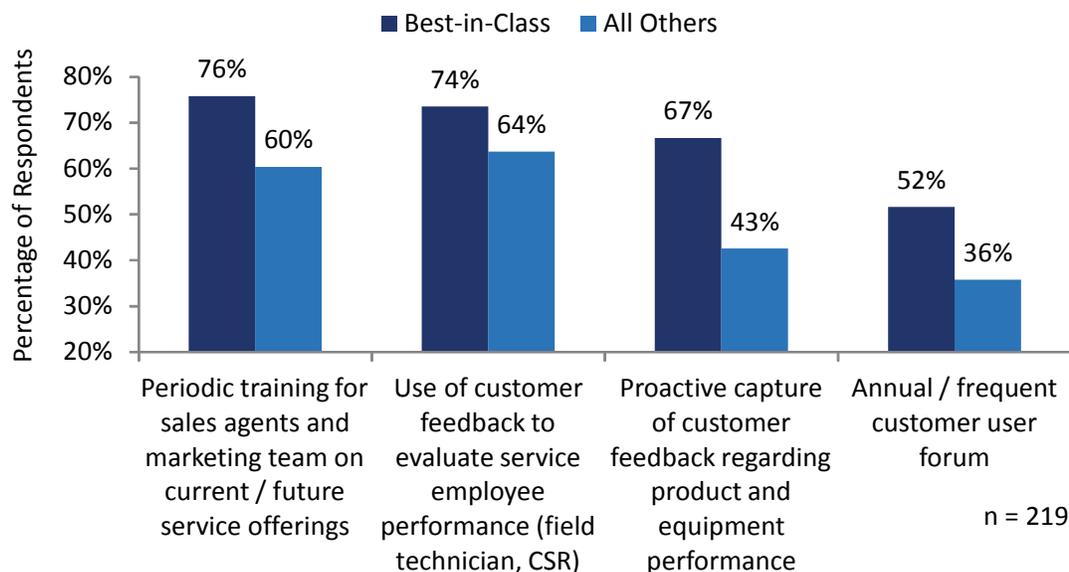
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Beyond Excellence, Spark Continuous Improvement in Service

Top performing firms (see sidebar for Best-in-Class) excel at not only fulfilling contractual requirements with customers as seen by a 90% service level compliance rate, they also ensure they are able to turn satisfied customers into returning customers through exceptional service (see sidebar on page 6). Proactive and predictive service, enabled through advanced performance analytics and remote monitoring data, has helped the Best-in-Class improve service resolution while better understanding the unmet needs of customers. Improved capture of service performance insight has enabled organizations with the ability to better market to, sell to, and service customers as gaps and improvement opportunities could be identified, as seen by improvements in revenue and profitability. The Best-in-Class have focused on better alignment, evolution, and innovation to transform the role of service in the minds of customers and the rest of the organization (Figure 4).

Sales agents and marketing promotions have the ability to tout the value of service, providing future customers with the knowledge that service is not just another commodity which only arrives when there is a problem.

Figure 4: Connect With the Right Customers to Drive Success



Source: Aberdeen Group, March 2015

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- **Service alignment.** Three-fourths of the Best-in-Class (76%) make sure their sales and marketing teams are bought into selling service offerings. Sales agents and marketing promotions have that ability to tout the value of service, providing future customers with the knowledge that service is not just another commodity which only arrives when there is a problem. As stated earlier, a major challenge to the growth of service was a product-centric focus of the organization. This will persist unless teams are trained on the service offerings available, the value of those offerings in a potential deal, and what enhancements are on the horizon. Marketing campaigns are often planned quarters in advance of changes being made, thus periodic check-ins with the marketing team are necessary to keep materials and promotions up to date. Service excellence in 2015 depends on maximizing the value customers receive through service interactions.
- **Service evolution.** As discussed earlier, the voice of the customer is no longer something to be muted in regard to service. The role of the customer is beyond the threat of a negative review or tweet (although those are absolutely powerful). The Best-in-Class tap into feedback of their customers to better understand gaps and opportunities in service offerings, employee performance, and products. More than half of the Best-in-Class have established customer user forums to listen to their needs and to foster best practice sharing. Service margins have outpaced those of products for some time now (see Aberdeen's *State of Service Management: Outlook for 2013*, January 2013), but without a view into what types of services customers want and need, dollars will be left on the table.

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→ **Service innovation.** Capturing feedback from customers is a starting point. The Best-in-Class turn this insight into improved products and service. They are 56% more likely than their peers to proactively capture customer feedback on the performance of not only service, but also the equipment, and take this feedback to better align the offering. Continuous improvement historically is a best practice relegated to manufacturing and operations. However, service insight should –and does– play a big role in the innovations created. Service is often the front-line of the organization, interacting with customers, products, and equipment on a daily basis. Without service input and insight, innovation will be pegged to the creativity of engineering. This isn't to say that engineering and design teams aren't smart and equipped to solve problems. But why not leverage the insights captured from the field and service teams to link the future of products and equipment with the needs uncovered on the front lines?

Capturing feedback from customers is a starting point. The Best-in-Class turn this insight into improved products and service.

Key Takeaways as Customers Help Service Evolve in 2015

Too often in service focused functions like parts management and field service, the customer is the forgotten stakeholder. Instead equipment, machines, parts, and technicians take the focus. Though integral to service execution, these aspects of service are just one part of the whole equation. As organizations look to bridge this past divide and move into the service future, a few takeaways should be explored:

→ **Service can no longer focus solely on the reactive, they must be both reactive and proactive.**

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- **Companies, even B2B service and manufacturing firms, must add more voice of customer (VoC) capabilities to help assess the performance of field service activities.**
- **Focus on service efficiency should not be ignored, but can help supplement value-added service excellence.**

Customers and their influence are beginning to drive the success and failures of service and manufacturing organizations in 2015. The Best-in-Class have taken a leap forward to ensure the customer is at the heart of service and not a reactive onlooker anymore.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

[Deliver a Seamless Customer Experience in the Field](#); March 2015

[Better Data and Smarter Analytics Propels Next-Generation Service Leadership](#); February 2015

[Service Performance Management: Smarter Data, Better Decisions](#); January 2015

[Emerging Workforce in the Field: Tech-Savvy to Technician](#); December 2014

[Service Lifecycle Excellence: Resolution at the Heart of Service](#); July 2014

[Voice of the Customer: Big Data as a Strategic Advantage](#); April 2014

[State of Service Management: Roadmap to a Profitable 2014](#); March 2014

[Integrated Service Management: Connecting the Contact Center with Field Service for Improved Resolution](#); February 2014

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