

# SERVICE PARTS MANAGEMENT: THE AFTERMARKET CAN'T BE AN AFTERTHOUGHT

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## Report Highlights

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**Customer demands for improved service are leading companies to prioritize improvements in spare parts management.**

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**Nearly three quarters of the Best-in-Class have implemented a strategy to increase collaboration between service and other functions in regard to parts visibility.**

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**The Best-in-Class are 76% more likely than All Others to make a centralized database of service parts information accessible to all relevant stakeholders.**

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**The Best-in-Class are 59% more likely than All Others to have a process in place to alert service management to “out of stock” situations and / or to set automatic reorder thresholds.**

This report will explore the impact efficient spare parts management has on the entire service organization and how it helps the Best-in-Class deliver on their promise of customer value.

## 2

**There is a place for the front lines of the service team to not only interact with the customer, but also drive differentiated value to the customer experience.**

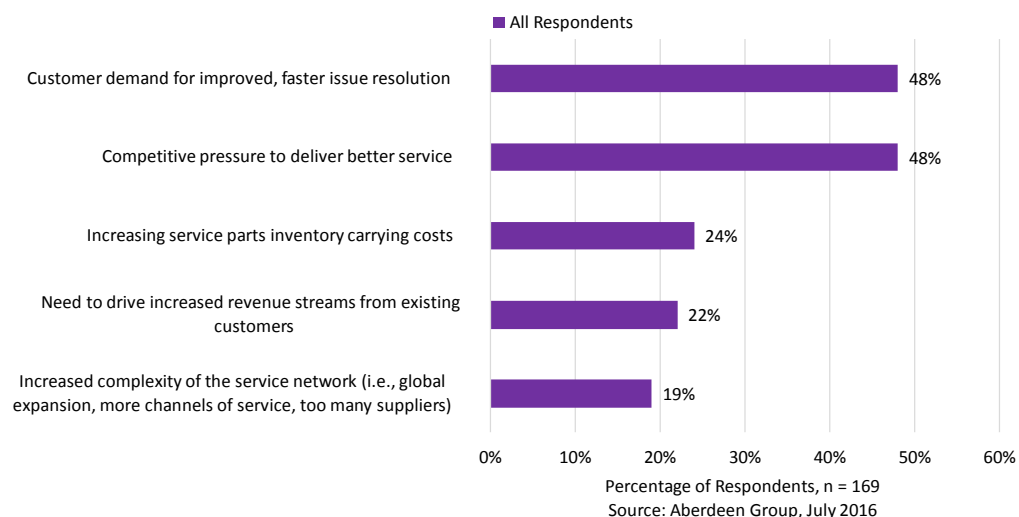
→ [Read the full report, “State of Service Management 2016: Empower the Data-Driven CSO”](#)

The perceived value delivered by service has been a moving target over the past decade plus. Historically, service was expected to show up and fix assets or equipment. This model focused on the schedule and operational productivity, but failed to prioritize the customer. This approach is no longer valid for many organizations. As seen in Aberdeen Group’s *State of Service Management 2016: Empower the Data-Driven CSO* (March 2016), the top goal for service in 2016 is to improve customer loyalty and customer retention. But how can service actually influence customer loyalty? Isn’t the customer owned by marketing and new titles like the CXO? As it turns out, there is a valuable role for the front-line service team when it comes to interacting with customers and adding real value to the customer experience.

#### What Part Does Service Play?

What do customers care about? In 2016, customers want higher quality, faster resolution, and value at the right cost. The challenge for service organizations is delivering more while remaining profitable.

**Figure 1: Look to Parts to Mitigate Pressures Facing Service**



## 3

As seen in Figure 1, a myriad of pressures has made it imperative that service teams re-evaluate functions, like parts management, in order to better understand how this function can impact the customer, deliver value, and drive profitable growth. Historically, when service leaders and front-line managers thought about spare parts, they often times focused on the cost of storing, shipping, and replacing them. But the impact of carrying costs is no longer what keeps service up at night. It's the customer and competition. **How can parts help service deliver what the customer most values?**

As seen in Aberdeen Group's *Field Service 2016: Strengthen the Team, Bond with Your Customers* (June 2016), the top reason service visits fail is that the technician does not have the right part when they get on site to resolve the customer's issue. This not only has an impact on cost, as the service organization has to roll another truck, but it also has a negative impact on the customer's productivity, satisfaction, and experience. A failed visit is more than just a nuisance; it can ruin a customer relationship.

### Service Parts Connect the Technician to Resolution

In order to connect parts management with improving customer experience, Best-in-Class service organizations have adopted a number of activities to ensure that they can meet service needs and exceed customer expectations (Table 1).

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## The Service Parts Management Best-in-Class Defined

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In our 2016 *Service Parts Management* study, Aberdeen used three KPIs to distinguish the Best-in-Class (top 20% of aggregate performers) from the Industry Average (middle 50%) and Laggards (bottom 30%), with the mean performance amongst the Best-in-Class as follows:

- 88% performance in spare parts fill-rate
- 92% performance in asset uptime
- 1% annual improvement in spare parts inventory costs

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Table 1: Top Actions for the Best-in-Class

Top Strategic Actions	Best-in-Class	All Others
<b>Increase collaboration among functions (i.e., logistics, operations, sales, engineering) and service</b>	72%	54%
<b>Automate service parts management processes (i.e., parts planning, demand planning, parts forecasting)</b>	56%	37%
<b>Provide more timely and / or accurate visibility into the parts return lifecycle for stakeholders</b>	44%	32%

Source: Aberdeen Group, July 2016

→ [Related Research](#)  
 "Field Service 2016:  
 Strengthen the Team  
 and Bond with your  
 Customers"

These top performing service organizations understand the connection between visibility into parts management and successful field engagements. Knowing what is needed, where parts are within the service chain, and how combined knowledge will lead to excellence is imperative for the success of service. In order to excel, service organizations must collaborate with other teams, automate spare parts processes, and act on the insights gleaned from the field:

- **Collaborate.** Service is a team sport, not a siloed endeavor for parts managers or field technicians. All too often, however, parts data resides in systems that do not support collaboration (e.g., homegrown systems). The entire team can benefit from knowing which parts are in a technician's truck, which parts were used to solve what customer issue, which parts are defective, or which parts have re-sale value to customers. As long as parts are an afterthought or simply considered a cost to the business, organizations will continue to lag behind in delivering service value. Bottom line: Parts are imperative in solving customer issues the first time.
- **Automate.** More than half of the Best-in-Class have identified automation of their spare parts process as a

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path to success. This should come as no shock. Antiquated, paper-based systems of record lead to bloated parts supply chains, technicians who hoard parts, and inflated costs associated with expediting orders to keep up with poor forecasts of future service demand.

- **Act.** Service must move at the speed of customer expectations. Without visibility into where parts are within the service network or which parts will be needed to solve customer problems, service organizations will remain in the dark ages. Having the right information in real-time helps the Best-in-Class move resources to the right people to close the gap between a scheduled technician, an unhappy customer, an unproductive asset, and the right part.

### Know What You Need Before the Failure

Technology alone will not win the spare parts battle. Granted, technology can help, but it needs to support the organization in the right way. The Best-in-Class invest in technology which empowers and enables better visibility into the current state of the field organization AND the future of service demand (Figure 2).

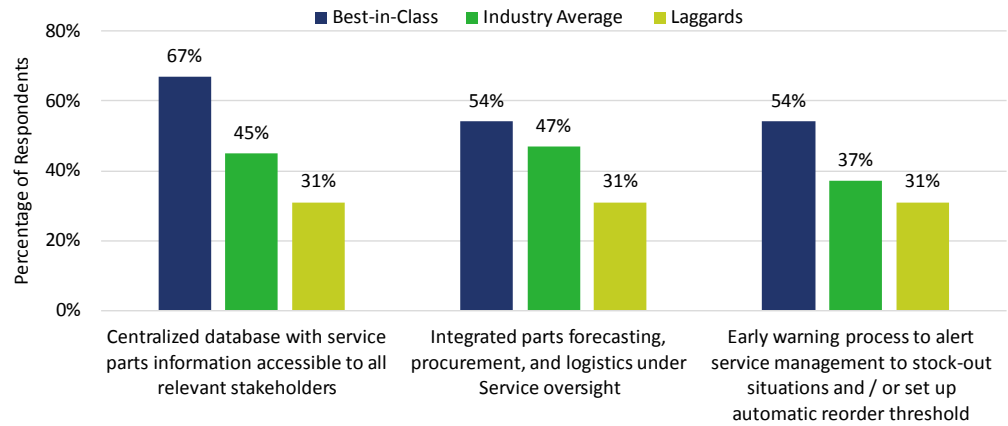
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## Research Finding

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Top challenges in regard to achieving accurate service parts forecasts (NOTE: respondents could choose more than one option) –

- Forecasts solely based on historical data – 65%
- Demand fluctuates widely with little or no pattern – 50%
- Inability to capture quality data on customers, products and / or parts – 39%

**Figure 2: Plan for Future Service Parts Demand**

n = 169

Source: Aberdeen Group, July 2016

Going by gut feel has no place in the fast-paced, data-driven service world. Decisions have to be made quickly, but they also have to be right. Once again, customers won't give you a second chance. The service organization must be prepared now for future service issues, have the right parts and technicians in place to solve the problem, and actually ensure the problem was resolved. This proactive and predictive model requires early warning systems to trigger resource allocation, integration between forecasting and management to plan for service needs, and a knowledgebase which can house the wealth of insights gleaned from parts usage.

### Key Takeaways

Service spare parts is no longer something to be thought of as incidental to service excellence. It may not be the cool topic of the day, but parts management has a direct impact on customer relations and the service organization's ability to deliver a high level of service.

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- Automate parts management. Service execution demands fast-moving, predictive decisions which leverage data and facts, not gut feel. Investing in technology to automate parts planning, forecasting, and demand planning ensures that service resources are in the right place when needed.
- Spare parts management is strategic, not tactical, and needs to be led from the top. Senior leadership has a stake in the customer's success and needs to view spare parts as a strategic aspect of delivering exceptional service to the customer. The front line has to focus on the day-to-day, but senior leadership has to see the whole picture and incentivize and reward the right behaviors. Customers demand better service, resolution depends on technicians having the right parts, and service leaders need to strategically ensure the service supply chain is visible, efficient, and ready to act in real-time. When service parts are considered a cost of the business and not a piece of the value proposition, the service organization will be reactionary and unable to derive value from interactions with customers.
- Ensure marketing, sales, and engineering has insight into spare parts. Revenue opportunities, risk assessments, and customized offerings depend on tapping into service insights. The spare part tells a story which is often overlooked, but, if listened to, can transform the organization.

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For more information on this or other research topics, please visit [www.aberdeen.com](http://www.aberdeen.com).

### Related Research

[\*Field Service 2016: Strengthen the Team and Bond with Your Customers\*](#); June 2016

[\*State of Service Management in 2016: Empower the Data-Driven CSO\*](#); March 2016

[\*Innovation in Service: Take a Leap Towards Value\*](#); March 2016

[\*Field Service Knowledge Management: The Link Between Service Excellence and Efficiency\*](#); February 2016

[\*Service Revenue: Unearth an Untapped Stream of Dollars\*](#); May 2015

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#### About Aberdeen Group

Since 1988, Aberdeen Group has published research that helps businesses worldwide improve their performance. Our analysts derive fact-based, vendor-agnostic insights from a proprietary analytical framework, which identifies Best-in-Class organizations from primary research conducted with industry practitioners. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision-making and improve business strategy. Aberdeen Group is headquartered in Waltham, MA.

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