Third-Party Field Service Teams:
A Look at the Workforce of the Future
A TSC Research Summary

The service journey to customer excellence is a balancing act which requires manufacturers develop the optimal mix of internal service resources and external partners. As customers demand faster service, as technology enables greater depth of insights, as workforces evolve, and as service organizations and manufacturers struggle to develop the workforce needed to meet customer needs the balancing act has become more imperative. Some very important questions are beginning to have very different answers and these new answers have an impact on the future of service delivery.

Who owns the service experience? Does the OEM or service organization deliver service directly? Do customers care who completes a work order? How can we keep up with wild fluctuations is service demand?

We see partners and their relationship with manufacturers and service organizations as a bond which continues to evolve. This partnership isn't just for overflow work or unwanted jobs, organizations are beginning to rely on partners to deliver a level of service quality and performance akin to their internal standards. To truly maximize the value of a partner relationship, we will lay out a few best practices which have helped organizations succeed in this changing service world:

- Partner Identification
- Partner Performance Management
- Shared Goal Attainment
- Collaboration
- Technology Infrastructure Strategy

This document will not only explore the growing reliance on and affinity to partners, but also provide a look into what is needed for these relationships to be successful in regard to service delivery, shared profitability, and end customer satisfaction.

Key Data Points (From TSC Respondents):

1. **76%** of service organizations rely on third-parties (dealers, distributors, contractors, etc.) for the completion of service work.
2. **70%** of service organizations state the supply of workers will continue to be a challenge over the next 5 – 10 years.
3. **32%** of field service work is completed by partners, annually.

About the Research:
In June and July of 2016, The Service Council (www.servicecouncil.com) conducted a research project which explored the impact of third-parties on field service work for manufacturers and service organizations and had 80 organizations participate.

Respondent Statistics:
Size (Annual Revenue in Represented Organizations):

1- Less than $50M – 26%
2- $50M - $500M – 35%
3- More than $500M – 39%

Top Industries:

1- Medical Devices / Services
2- Industrial Equipment Manufacturing
3- Industrial Products Manufacturing

TRENDS – OUTSOURCING IS BECOMING MORE RELEVANT

Service is a key focus area for businesses. Historically, the margins gained from service were not depended on to boost balance sheets, the value to the customer relationship was often overlooked, and leadership focused resources on new product development. But in this current age of service as the differentiator, manufacturers and service organizations are looking to service to be the driver of profitability, growth, and sustained success.

This importance given to service demands that service teams deliver a high quality of excellence to customers on just about every work order. Failure to resolve issues or meet appointment windows can corrode the relationship with the customer and more importantly put in jeopardy a contract renewal or referral.

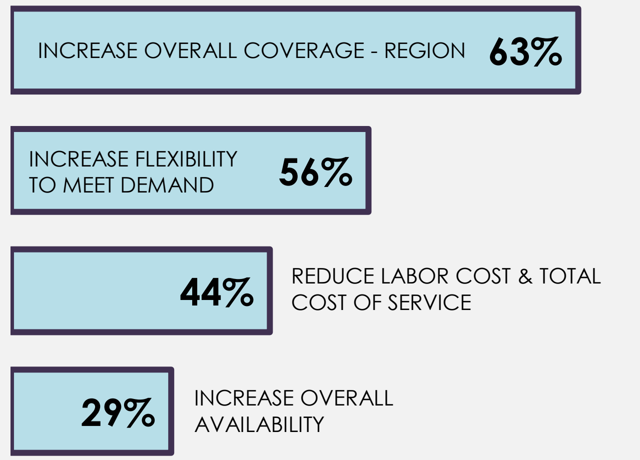
According to The Service Council's research on Service Ambassadors, satisfied customers result in continued and increased spend, new customers, and a positive promotion of the brand. With this new-found importance comes the responsibility that can be difficult to meet with internal W2 employees alone. But before one can look to drum up new business, it's important to focus on existing demand first and then net new demand. As service delivers value to customers in new ways, customers are more willing to reach out or refer their network, in turn more requests come in, more products are sold, and so goes the cycle.

This growth in demand doesn't even begin to account for the fluctuations which result from seasonality or supply chain effects (i.e., recalls) which demands a flexibility in service resources not often found with an internal team. The flexibility needed to respond with or predict service resource needs stretches the rubber band that is service to the breaking point. Identifying candidates, hiring, on-boarding, and training a team in real-time is not feasible in a service environment that demands execution at the drop of a dime.

Finding the Right Teammates – Partner Selection

Below, find the primary reasons organizations have chosen to leverage third-parties for some or all service work.

Chart 1: Primary Reasons to Outsource



Percentage of Respondents. TSC Data 2016

Historically, we have seen that organizations identified partners based on how much they could lower the cost of service or stretch their coverage into new markets. But now as seen below, we are seeing more interest paid to performance metrics and the quality of service being delivered to determine the right fit with a partner.

Ranking: Most Vital Characteristics when Selecting a Partner

1- Presence within a particular geographic area
2- Ability to complete type of work - workforce skill set
3- Performance in key metrics
4- Customer feedback regarding service work
5- Level of certification
6- Partner acceptance of technology requirements

Source. TSC Data 2016

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Service demand and the supply of service resources have an impact on the way we think about strategy.
1- organizations have new service demand sources and seasonality
2- the workforce at their disposal is varied

This fluctuating equation has led organizations to think about not only more established partnerships with third-parties but also the use of contingent labor which can support a fluid set of needs. As noted by the Department of Labor and economists Alan Krueger from Princeton and Larry Katz from Harvard, 80 – 100% of net employment growth since 2005 is from alternative work arrangements. Contingent labor or the "gig-economy" has provided a buffer for business while also bringing with it some challenges.

However, as service organizations and manufacturers reap the rewards of leveraging a flexible workforce they in turn are looking to expand into new markets and add new services, thus increasing service demand. This growth is causing a strain on service resources. This new capacity in service resources continues to stretch the team's capabilities. This is the reason organizations need to view partners strategically. Without a clear vision and strategy, these partnerships will erode into handoffs with minimal oversight and accountability.

Create Value with the Right Mix

This collaboration or investment in a third-party service workforce should be viewed from the lens of additional value creation. Leveraging third parties to deliver service and support should enable:

- Enhanced speed of issue resolution
- The ability to meet increased service demand
- The bolstering of service margins
- An increased service footprint

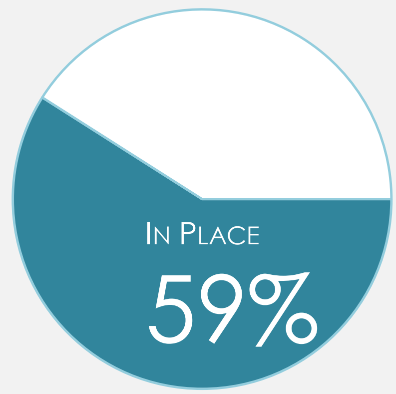
There are risks associated with no longer owning the service being delivered to customers. The risks need to be managed by the service organization. In some instances, partners are good for just overflow work, in others a deeper integration is needed. Creating a clear strategy around these relationships is needed to maximize the rewards while lessoning the risks.

Measure the Partnership with the Correct Scale

"The service experience is a major part of our brand and competitive advantage. Leveraging third party service workers for much of our service needs demands a combination of training, operational excellence, consistency, and trust."

- **Senior Manager Customer Care, Global Manufacturer**

Chart 2: Do you have metrics to measure partner performance?



Percentage of Respondents. TSC Data 2016

Just over a half of all organizations measure the performance of partners. This number seems low considering the reliance of partners in such a critical aspect of the business.

Chart 3: Metrics Used to Track Partner Performance

Metrics	Percentage of Respondents
SLA Compliance / Achievement	79%
Response Time	44%
Customer Feedback Score	40%
First-time Fix	35%
Resolution Time	35%

Percentage of Respondents. TSC Data 2016

The future of these relationships will depend on partners being judged on the same variety of metrics which take into account operational efficiencies, customer-facing KPI, and profitability impacts.

CHALLENGES – PITFALLS TO AVOID

Service organizations look to third parties to supplement service resources, as noted earlier, often to enter new markets or to support changes in demand (i.e., seasonality of work). These new resources established in new markets or regions must not be viewed as outsourced labor but as an extension of the service organization. They are the only brand advocates of the OEM or service organization the customer may see.

Surprisingly, four out of ten organizations that leverage a third party to deliver service don't have metrics in place to track performance. What is further troubling, of organizations that do have metrics, only about 13% measure jobs completed and only 18% track Net Promoter Score (NPS) for the work done by partners. This data highlights an environment where many organizations throw service work to their partners but don't know if quality is being delivered. The list of "don'ts" when engaging in a partnership with a third party are many, but here are a few that come to mind:

- Don't have separate metrics for success
- Don't work on different systems
- Don't excuse poor performance
- Don't view the third-party as a different company

The result of taking missteps in a partnership with a third-party to deliver service can be dire for the business. Customers rarely give second chances. And as we continue in a connected world where one customer has a network, a failed service visit even if it is by an outsource partner can damage the service brand irreparably.

The customer doesn't want the service organization to go out of business, but they are primarily concerned with their own business continuing to run optimally. A third-party partner therefore needs to be of additional value not just a lower cost provider of service. Quality should be the #1 metric, not an afterthought. It is not worth the investment to have a third party meet increased service demand if they deliver a subpar experience.

Stay in Control of Quality

"Our best successes come when we are truly viewed as a partner and not a vendor with our clients. Shared goals, transparency, collaboration are all key."

- **Service Operations Leader, Third-Party Services Company**

Meeting an appointment window, though important, is table stakes and no longer a measure of excellence. Customers resolution and quality service. The importance of delivering a quality service product to customers and the fear that a third-party won't have the same priorities has led to concerns for the service organization as seen in the Chart below:

Chart 4: Why Not Outsource all or parts of Service?

Why Not Outsource	Percentage of Respondents
Lack of control over service quality	64%
Prefer to do things in-house	56%
Training time and cost	30%
Poor performance of partners	26%
Technology integration challenges	26%

Percentage of Respondents. TSC Data 2016

Only a quarter of organizations stated poor performance of partners as a deterrent. This seems counter the argument that quality of service is so integral. But organizations aren't skeptical of partners because of a lack of proven performance, it is more so related to the perceived notion that a lack of control /oversight will inevitably lead to less than. Perception is reality.

Own the Service Experience Even with a Hybrid Workforce

The increased reliance on third parties in field service highlights the need of manufacturers to support rising expectations from customers while also managing the margin challenges of the business. The benefits of a quality, qualified, and scalable resource are clear, but manufacturers and service organizations must enter into the partnership with the same scrutiny as with any other investment or implementation. This specialized workforce needs to be held to the same if not higher standards of performance. Top performing organizations ensure partnerships are not viewed as a hand-off but as an extension of the service organization. The absence of this alignment will lead to a failure of quality, ultimately resulting in distrust and unmet expectations.

Organizations that outperform their peers are more likely than not to have a worked with partners to build an integrated relationship which not only connects the people, but also process, technology, and data. These top performing organizations leverage integrated technology systems which allow them to schedule the third party to support the right work. Two-thirds of top performers have this capability which enables them to use third parties as if they are their own W2 workers, and more importantly ensure the customer gets the technician that best supports their needs. Furthermore, those organizations that excel at working closely with partners to deliver high levels of service also use performance metrics to determine how much work goes to partners and if relationships will be renewed. This use of data is integral to ensuring the right relationships continue and the wrong ones end. The best organizations understand continuous improvement is not only something for the manufacturing floor but it also pertains to partner relationships.

To be successful, and reap the benefits of this additional resource and service workforce, organizations should follow a few steps on this path to service excellence delivered with partners:

RECOMMENDATIONS –

1. **Listen to customers about what they value –** Not all customers want service at all costs. Some customers would prefer to interact with the same technician or engineer during each engagement as opposed to the one that can get there the fastest. Sending the closest technician or a third-party who hasn't built a relationship with a customer may be the wrong decision at times. But without asking customers, the service organization will never know. The value of third-party workforces is in the ability to scale while delivering the level of quality support the customer desires and the service organization needs to meet. But service organizations need to understand what and who the customer wants to deliver that service.
2. **Develop a partner strategy / focus based on customer needs and growth objectives –** Once customer expectations are understood and documented, the service

organization can build a strategy around those guidelines. Again, a partnership should be integrated with the broader service strategy of the organization and not separately. But organizations must also be mindful to incorporate these partnerships in their long-term growth plans as well. Strategic partners need to be able to grow with you and not just support the business as of today. Flexibility and scalability are integral to ensure seamless delivery of service regardless of the current support needs or customer footprint.

3. **Select partners based on customer needs and growth objectives –** It would be naive to think the reduction of costs from the bottom line is not a factor in the use of third parties for service. But this factor should not cloud what ought to be the outcome of creating this partnership – improved service levels and quality for the customer. As more organizations identify the need to diversify their service resources to meet fluctuations in service demand, the right partnerships will become more integral. TSC data highlights that nearly half of organizations sampled expect an increased reliance on third parties in the next 12 months with only 7% stating a decrease. And over the next five years, that reliance increases to nearly six out of ten sampled organizations. As manufacturers and service organizations identify and forge relationships with third-parties they need to ensure the partnership delivers the right value for customers, can help focus resources, and extends the service brand.
4. **Share information with partners –** Continuous learning will continue to become more important in the service world. Technology advancements and customer needs evolve at a rapid pace. Therefore, information flows and knowledge sharing must be in real-time and accessible to the right people. And these right people include partners. Connecting partners with customer, product, and equipment data is one step. Partners also need to have the ability to cull training and tribal knowledge as if they were W2 employees.
5. **Establish systems and metrics to measure performance –** The same metrics that define success for the manufacturer need to be used to manage and measure the performance of a third-party field workforce. When asked the top reason not to outsource, TSC found that loss of control of the quality of service delivered was listed as the top concern. Successful organizations were more likely to use performance metrics to not only determine whether or not to renew contracts with a partner but also which partners got more work. This is the divide between good enough and excellence. Organizations are beginning to rely more on partners in order to meet demand and be more flexible, but without shared goals and standards the partnership will fail deliver the right results.
6. **Evaluate partner relationships on performance metrics –** Partnerships must be win-win-win arrangements. They have to be right for the manufacturer, for the partner, and for the end customer. If any one of these stakeholders is not receiving the benefits of this shared relationship, then the partnership needs to be re-evaluated or severed. And as a manufacturer you don't want your customers to reach this conclusion first. So, manufacturers must evaluate their partners based on the metrics that equate to customer value and ensure standards of quality service are exceeded.

SERVICE TEAMS OF THE FUTURE

Workforces in the age of Uber, the "gig economy", and contingent labor will continue to evolve rapidly. Customers are not the only stakeholder with the power to end a contract. Service leaders need to understand this changing environment and maximize the value of having a flexible workforce at their fingertips while also working to strengthen the bonds with these partners. Strategic partnerships which show an integrated service experience to customers will be the way to win in an ever more competitive landscape. The wins will come because these savvy organizations will be able to efficiently meet changes in customer needs while profitably growing their service footprint. The customer shouldn't ever see a hand-off, and with the right partnerships service organizations will be able to leverage a diverse service team to deliver one version of service excellence to all of their customers.

SUMMARY – QUALITY SERVICE NO MATTER THE TECH

Seventy-six percent (76%) of the service organizations polled by TSC rely on third-parties for the completion of some service work. But as with work being done by W2 employees, the expectation is no longer about just doing a job – it is about delivering a quality of service expected by the end customer. Partnerships are becoming more and more necessary as global markets expose the differences of expectations, supply chains, and networks. To navigate a changing world, there needs to be a change in strategy to take advantage of specialized labor and economies of scale, which can be found with third-parties. As the propensity of and reliance on third-party field service workers increases, or at least continues, those that excel will be those organizations that strategically partner with third-parties and not those that just send work out. Service organizations and manufacturers need to lose the approach that they can own the customer experience.

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