



Five Steps SMBs Can Take to Improve Performance Efficiencies throughout their Service Operation



For small to mid-sized growth-driven service organizations, balancing customer satisfaction with cost-effectiveness is a lot like teetering on a tightrope over a mile-deep gorge and raging river. On one bank, thousands of customers wait, shouting out a jumble of questions, complaints and requests. On the other bank, there's a stack of dollars bills, fluttering away with each gust of wind, one by one.

On average, SMBs derive 21.5% of their overall corporate profit from their service operations.

66% of Best-in-Class organizations have a senior executive who is accountable for the performance of the service operation and reviews service metrics at least daily.

Below? Alligators threaten a less-than desirable demise-- much the way lost work orders, missing parts, and ill-prepared field technicians spell out potential doom. Decisions aren't easy.

When the revenue of an organization falls within the \$10 million to \$250 million range (SMB classification) the company is at a pivotal point in its growth. The operational level is often where the ups and downs, pros and cons and ROIs of fateful decisions are played out. What ROI is realistic to expect? And, at what risk to customer satisfaction should the emphasis on profitability prevail?

Fortunately, when studying the tactics used by Best-in-Class SMBs, it is apparent that they share many of the same processes and common strategies which have helped them successfully reach their productivity, efficiency and profitability goals.

Best-in-Class service organizations achieved:

81% current first-time fix rate

28% current service profitability (as a percent of service revenue)

89% current customer retention

17% improvement in workforce productivity over the last year

"Service Management for SMBs" Aberdeen, 2009

Five Steps to Greater Operational Efficiencies... Modeled after Successful Tactics Used by Best-in-Class Service Organizations

1. Track Metrics.

Develop the Infrastructure for Tracking and Reporting Metrics on Financials, Operational Productivity and Customer Satisfaction.

Accurate metrics play an essential role in increasing customer loyalty while also attaining a high ROI. Increasing accuracy, enabling the contact center to provide answers to questions and reducing mean-time-to-repair (MTTR) rates are only the beginning. Metrics make data relevant, putting the near endless amount of ratios into a logical context which points to appropriate actions and permits informed, confident decision-making.

76% of Best-in-Class SMBs find that tracking and reporting financial, operational and customer facing metrics is integral to their success.

Set Goals.
Monitor Progress.

First, metrics help the organization set realistic goals, then allow the organization to monitor progress as it develops and implements new initiatives to reach those goals. To be effective, a system for capturing and analyzing metrics--or KPIs--must be consistent and ongoing--forcing the company into a routine which clearly places an emphasis on cutting expenses and improving profits. The metrics make it possible for senior executives to forecast, budget and rely on the service operation for its contribution to the bottom line.

"Service Management for SMBs" Aberdeen, 2009



2. Conserve Resources

Change business processes to align with customer needs while containing costs.

When customer expectations are clearly defined, the SMB can work at aligning business processes appropriately. Each step in the service cycle includes some opportunity for reducing expenses, conserving resources, increasing efficiency or taking a preemptive step toward preventing a problem before it arises.

On a national average, each truck roll costs approximately \$263

Be Efficient. Speed Response.

Processes involved in field service are particularly important to refine. This is the area where the balance between pleasing demanding customers and reducing costs is most apparent. For most SMBs, the answer lies in providing field technicians with mobile devices so they can retain access to the central database and vital information concerning unit and service history, inventory status, maintenance agreements and account status, often in real-time. In addition to providing field technicians with data, mobile devices also speed the call-to-cash cycle, by simplifying the tracking of resources used at the jobsite and automating the flow of data to the billing department.

Best-in-Class service organizations which provided mobile devices to field service technicians reported:

*Overtime costs dropped 13%
Inventory carrying costs dropped 19%
Call center support costs dropped 17%
Total service costs dropped 16%
Service profitability increased 17%*

*"Trends in Mobile Field Service"
Aberdeen, 2009*



Mobile devices and GPS tracking provide one of the most effective methods of maintaining field technician productivity, efficient use of the fleet and cost effective schedule/dispatch based on proximity to jobsites.

3. Extend Services.

Offer Tiered Service Level Agreements and Contracts.

When the organization expands its offerings to customers it also expands its opportunities for add-on, up-sell or cross-sell revenues. The extra revenue generated from tiered SLAs and contracts is well worth the additional tracking time involved, as 59% of Best-in-Class companies will attest. Tiered service levels give customers the options they need—and expect. However, to track and manage a tiered system requires a robust service management

59% of Best-in-Class service organizations offer tiered service level agreements.

Up-Sell. Cross-Sell.

software solution. This resource commitment—of personnel and software—that is required to create a reliable tiered infrastructure can be the value-add that distinguishes a company from its competitors and propels it further into its growth path.

Customers purchasing high-value assets expect one-stop service with minimal risk of costly repairs or downtime. Multi-level service contracts, therefore, are an easy add-on sale with high profits. Best-in-Class companies report up to 33% profit margin per contract.

*"Service Management for SMBs"
Aberdeen, 2009*



4. Streamline Service.

Purchase/Upgrade Post-Sales Service Management Solutions.

An effective service management software solution with advanced functionality enables a smooth flow of information and streamlines processes throughout the service organization, including the contact center, parts inventory, schedule/dispatch, depot repair, field service, service agreements, warranty contracts and invoicing.



67% of customers expect service response within 12 hours.

Access Data. Respond Quickly.

Convenient access to information helps personnel make informed decisions, respond quickly and accurately to customer questions and take proactive steps to keep small issues from escalating into costly ones. Personnel in each department can play a role in monitoring KPIs and increasing productivity. The ability to track and analyze data gives the organization the information it needs to continue to improve processes.

With the right service management solution, employees, no matter the role, can utilize a customized WorkBench to answer the questions: "How am I doing?, What do I need to do?, Where do I start?"

Convenient access to real-time data is essential for streamlining service functions and empowering personnel--from contact center to field service--enabling them to make informed decisions and balance customer satisfaction with cost effective use of resources.



Service-Tailored Software Maximizes Opportunities

What to Look for in a Service Management Solution

Contact Center and Customer Support

Every contact with the customer offers a chance to build relationships as well as sell/upsell services, warranties and service contracts.

Mobile Connectivity

Mobile devices allow remote users to maintain access to data and enhance productivity, whether on a job site, sales call or at a branch office.

Parts Inventory

Accurate data on upcoming scheduled maintenance calls makes it possible to have the necessary inventory of service parts, avoiding overstocking or "no parts" calls.

Warranty and Service Contracts

Multi-level service contracts and extended warranties enhance revenue and increase customer satisfaction.

Depot Repair

Nothing is perfect. Products are returned for service, repair or replacement. Tracking issues and associated costs helps analyze and identify possible areas for improvement.

Scheduling, Dispatch

Having the right technician at the right place and time with the right tools and parts requires integration of multiple steps, each relying on accurate, current data.

Asset Management

Unscheduled downtime due to equipment malfunctions is costly and avoidable if a maintenance and service plan is enacted to protect assets.

Field Service

Field service technicians require access to data--such as service history, unit status, and availability of parts--to make informed decisions on best service options.

Analysis and Performance Management

Accurate, system-wide, real-time data enables tracking and monitoring Key Performance Indicators (KPIs).

Spotlight on Best-in-Class Organization

Viking Yacht Company, a manufacturer of luxury fishing yachts, costing \$800,000 to \$4,000,000, has obtained Best-in-Class status by deploying Single Source Systems, Inc.'s Service Management-Plus, a software solution which streamlines and supports service management, captures service history and optimizes field service scheduling and execution. As a result, Viking is proficient at tracking and recording in-warranty repairs and has increased profitability by systematically reviewing metrics in regular cross-functional meetings.



"Because of our improved approach to the product service cycle, made possible by SM-Plus, we've reduced our warranty expense by about 40%--plus improved our engineering and installation process."

– John Kasinski
Vice President, Viking Yachts



5. Survey Customers.

Document Customer Needs, Feedback and Expectations.

Of course, customer satisfaction is at the center of the service operation's success and key to repeat sales and continued cash flow. Efficient performance is meaningless if it is not in alignment with customer expectations. Customer satisfaction can lead to repeat sales, add-on sales and referrals for new sales. All business processes, therefore, need to ultimately lead to a positive customer experience.

Every contact with the customer provides an opportunity to monitor customer satisfaction levels. Tactics can be an informal discussion, a rating system, Q/A or systematic surveys measuring responsiveness on several levels.

Understand Needs. Fulfill Expectations.

Unfortunately, understanding the customer's true needs and expectations isn't always obvious, especially as market conditions change, the target market's demographics evolve and the competition's offerings change. Continuously soliciting customer feedback, therefore, is an important step for small to mid-sized businesses to take, a step which will help them continue to evaluate performance improvements and continue to enhance profits, without sacrificing customer satisfaction.



Implementing Five Steps Promises to Improve Efficiencies and Productivity

Implementing the five steps outlined, a few at a time or as a collective group, will most certainly take the SMB service organization further in its goal to reach Best-in-Class status. Or, an aggressive concentration on increasing revenue from the service operation may even be enough to hoist the organization beyond the SMB status, reaching the milestone of \$1 billion in sales. The precedents are there. The Best-in-Class service organizations are reaping the benefit: Reduced costs of service, without risking customer satisfaction.

Finding a new customer costs seven times as much as keeping an existing one.



The importance of ongoing service, reliable service history and preventive maintenance escalates as the complexity, asset value and mission critical application of the equipment or product increases.



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Editor's note: All statistics referenced in this document, unless otherwise indicated, are based on information reported in Aberdeen Group's "Service Management for SMBs: Employing a Strategic Approach", January 2009, authors, Zack Westenhofer and Sumair Dutta.