



Service Management Report

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Ask the Expert

Ann Grackin, Chief Executive Officer, ChainLink Research.



Servigistics had the opportunity to discuss post-sale service with Ms. Grackin, a well-known speaker and respected writer on supply chain management best practices and technology. She is a graduate of the Harvard School of Executive Management and the Sloan School of Strategic Planning and, as a partner and cofounder of ChainLink Research, Ms. Grackin is responsible for leading the firm's Supply Chain strategy.

Q: What are some of the trends that you've observed in the post-sale service business?

Ann Grackin: I think service is a defined strategy; companies understand there's a total life cycle of a product, and they've really built in a major profit center through this long life cycle. Selling a product is a one time event with a one-time revenue and margin opportunity but servicing that product creates a revenue and margin opportunities over the life of the product which can be 10, or even 20 years.

So today, companies understand that post-sale service is a real business opportunity. In fact, for a lot of companies, the real margins come from the service business, not the product business. I think another trend in service today is the leveraging of technology and there's two components to that I think are really important.

The first one is the whole outbound, multi-echelon management. That is setting up a network to service customers. Understanding what the customer requirements are, and then building a network that you can make a profit at servicing, instead of just stockpiling parts everywhere.

The second part of the technology is the total life cycle management. There is tremendous data locked up in those customer interactions. There's also tremendous data locked up in the product itself, in terms of how it wears in the field, basically. So how do I capture that field information about customers, about product performance, and feed that back into the product development life cycle, so I can constantly make better products and create better business models to serve customers?

Q: Are you seeing any trends related to service workforce management?

Ann Grackin: The whole role of the worker has changed over the last few years.

Workforce management today is about connectivity to the workers in the field, not just giving them a work slip and saying, "You need to be at this appointment at this time, and when you get there, call us and tell us what parts you need." But it's this idea of the worker having an integrated platform, either a mobile device or whatever, that allows that person to connect to the corporation. Not just being a repair person, but they're there to upsell.

They have opportunities to assess the clients' needs. Are there other opportunities in the environment that I can sell to? So if you're the manager of that worker, you have some different things you have to do.



Ask the Expert (continued)

So one of them, of course, is understanding what the skill base is of your workers and where are you sending them. It's not just finding a hot body and shipping them out to a client, but actually making an intelligent assessment of here is this client, what is this client going require, what is the skill set? Then, making sure I have that match, and then deploying the worker.

That is a big difference, in terms of how I manage people because, a lot of people in this world are not punching clocks, right? They should be considered people who have performance bonuses tied up in how many customers they serve, how much new business they bring in.

Q: What is needed to optimize global service businesses?

Ann Grackin: We need a convergence of service people, service parts and technology. They all come together to solve a customer's problem. Obviously, the customer has a major role to play, in terms of self-service or self-diagnostic, but, the reality is, if this is going to be a cost affordable event for the provider of service. I want an effective event that's cost affordable and satisfying to the customer, and nobody wants the service repair guy coming back over and over again. They also want that job done immediately and have it done once.

Q: What are some of the environmental benefits from an optimized service business?

Ann Grackin: Excess parts are a huge issue for everybody. They take up a lot of room, they cost money. The customer doesn't want them. The vendor doesn't want them and they mess up our environment. What are we going do with them?

This is a huge issue not only for companies but for our society, and the same holds true for energy costs. So if I can save a deployment or I can short circuit the process in some way, or if I can combine routes, just better optimization of the network [will help].

I've seen really good work being done by a number of leading companies' green strategies in terms of improving their transportation in particular. They're going reduce their carbon emissions significantly, and I think that there's money in that. So I think it behooves companies who are service providers to think that way, and I think they can, increase margin and make the customers happier by doing that.

Q: What can service professionals do to garner board-level attention and communicate the value capture opportunities hidden in most service businesses?

Ann Grackin: Service professionals speak a different language than board members. CEO's think about shareholder value and brand management while service people think about stockpiling parts, lowering service call rates and making sure that the customer is well-served. They're dealing in a tactical environment; the frontline worker, so to speak. And so their metrics are different, their time clock or clock speed is different.



Ask the Expert (continued)

What could be different here is service executives need to elevate the service dialog and communicate in terms board members understand, which includes short and long term margin improvements. Talking to the board members about how they can contribute to the bottom line, not just in terms of short-term, what kind of revenue and margins I can bring, but long-term customer loyalty play.

The key message that a service person could bring to the boardroom is saying, "We need to think about our customers from a lifetime revenue value, and that revenue is in equipment and in service." And the service is the key piece to bring them back, not only from more equipment purchases, but in general, to increase the value of revenue per customer metric.

Q: The term strategic service management is increasingly used by business and service executives. How do you define this term?

Ann Grackin: I think strategic service management is thinking about a performance-based, customer-centric metric, and then what is the business model to serve that customer performance definition. Customers' performance definitions will vary from industry to industry. For example, in manufacturing, it could be I want my lineup, I want six sigma uptime. In the computer industry, probably still six sigma, but it's uptime in the computers. Airplanes, it's flying hours. So first determine that core metric, and then design a whole service set – a portfolio around that metric to serve the customer. I would define it is customer-centric service model.

Q: So when considering a post-sale service solution, what would you advise: best of breed suites or ERP?

Ann Grackin: Best of breed versus ERP. This is one of my favorite questions. I don't believe that customers who are buying technology should sacrifice functionality or architecture for the sake of a myth around integration, and I'll tell you what I mean by that.

The sales picture on ERP is buy it from us and it's all integrated. But the reality is the real integration happens between departments, people and nodes in a process.

Now, if you've outsourced your service, there goes that myth immediately of integration, because that's Company A and we're Company B, and we're going to communicate via XML or faxes or whatever. It really doesn't matter what software either one is running on. How do we optimize communication link? And there are a lot of great pieces of software out there that do middleware communication, and they come from a lot of companies. The ERP guys have developed some platforms and they do a pretty good job of that, but they're not really designed around multi-enterprise integration and communication. So that's issue number one.

So if I've outsourced, ERP doesn't really provide me anything. Now, if I'm a large, multinational [company] and I've got a financial ERP, I think the decisions become a little more complex, because, again, the myth of integration. However, if you consider any department really important and you want that department in your company to be best in class, something that you can be proud of, I think you should evaluate software that's appropriate to support your vision and if you're settling for inferior technology.



Ask the Expert (continued)

Now, I'm not saying ERP, per se, is inferior. I think this is a decision that people have to sit down and say, "What requirements do I have, and does Vendor A, B, C, whether they're ERP or best of breed, can this technology company support the vision I have for my business?" That's the question. And when people say, "I'll settle – I'm going to take ERP because it's integrated," it's such a small sliver of the total problem. I think that's the mistake. It's a myth that ERP is integrated because the reality is that all the business units are all far flung, whether in-sourced or out-sourced.

Q: Do you think Servigistics is poised well on the technology side of the service business?

Ann Grackin: Servigistics is poised very well to take advantage of this trend. They're doing very well. Obviously, they're executing from a sales perspective, and that becomes very important.

Something they're doing that I think is really important is they're putting more modules on to the platform, and this whole conversation we're having about what does it mean to run a service business or department, there's a lot to it. It isn't just outbound multi-echelon parts planning. There's the people, there's the financial models. There's understanding one or more elements that I need to put into my business to serve customers.

One of the things I see that's very encouraging about Servigistics is they're looking at what those elements are that need to be put in place for a service business, and what are the software modules that are needed to support that. They're growing nicely and, as they grow, they are acquiring these modules and putting them in the scheme.