



Strategic Service Management FAQs

Where did Strategic Service Management come from?

Is Strategic Service Management focused on tactical service execution?

Is Strategic Service Management delivering value?

What is driving the evolution of Strategic Service Management?

Q: Where did Strategic Service Management come from?

A: Strategic Service Management (SSM) grew from the strong need for manufacturers to move beyond the traditional break/fix, firefighting approach to managing post-sales service and optimize a business that, for a growing number of durable goods manufacturers, has become a consistent driver of profitability, market performance and customer loyalty.

Across manufacturing sectors, manufacturers today are experiencing steadily declining product margins. The focused efforts over the last decade to optimize production and distribution through initiatives such as ERP, Supply Chain Management, and offshore sourcing and manufacturing are leaving companies with few remaining options for squeezing profit margin out of finished goods.

At the same time, executives in these highly competitive industries are realizing that upwards of 25 percent of their total revenues and 40 percent of their operating margins are coming from the service delivered after the sale of the product, making aftermarket service a consistent driver of profitability, market performance and customer loyalty.

Q: Is Strategic Service Management focused on tactical service execution?

A: No, Strategic Service Management is not about better tactical execution or service firefighting. If we look at companies like Dell, Avaya, Sun, Case New Holland, Volvo and others, it becomes clear that Strategic Service Management can lead an overall business strategy. It can create significant competitive differentiation that is much harder to replicate than a product that is sold on the product side of the business. In fact, one could argue that in certain industries, Strategic Service Management is not a business strategy and philosophy, it is the business strategy and philosophy that leaders practice and followers fail to understand.

Q: Is Strategic Service Management delivering value?

A: Manufacturers across durable goods industries have documented massive, quantifiable benefits as a result of elevating service to a strategic level and adopting a Strategic Service Management approach. For these leading companies, the benefits have included:

- Dramatic increases in profitability and cash
- Positive impact on revenue growth
- Large improvements in customer loyalty

The results of Strategic Service Management speak for themselves. A recent *BusinessWeek* article highlighted some of the quick, yet significant results recognized by companies deploying Strategic Service Management solutions, which included Avaya reducing service parts inventory from \$250 million to \$160 million, Sun Microsystems saving \$40 million, and Dell - trumping Hewlett-Packard Co. for the top spot in the U.S. hardware support market - growing its service business unit 20 percent. Strategic Service Management can help leaders break the rules of competition in rising markets, shaping entirely new playing fields on competitive high ground. SSM can also shield companies caught in industry downturns from financial ruin or distress.



Strategic Service Management FAQs *(continued)*

Q: What is driving the evolution of Strategic Service Management?

A: Innovators and leaders have transformed their markets by adopting a Strategic Service Management mindset. But most companies today are now employing a Strategic Service Management initiative for more pragmatic reasons: they need to improve profitability and competitive position. To do so, they realize that they must move beyond the traditional service firefighting philosophy.

Three key trends are converging, building critical mass for OEMs across all industries and sectors to embrace the Strategic Service Management paradigm. These trends are:

- The prioritization of bottom-line results in the boardroom: More than ever, best-in-class companies are focusing on improving business performance beyond the current quarter. As such, these organizations are prioritizing SSM and successfully getting board-level buy-in.
- Few remaining options for improving margins in the manufacturing business: In most sectors, it is getting increasingly difficult to improve business performance by focusing on R&D or squeezing costs out of the supply chain. That means bottom-line improvements have to come from other sources like post-sale service.
- A maturing Strategic Service Management technology environment: Technologies that enable Strategic Service Management have received broader acceptance over the last few years. Early adopters have proven the value of enabling systems, paving the way for pragmatists to deploy these solutions with lower risk and lower total cost of ownership. However, manufacturers should note that point solutions and service modules developed by ERP vendors can only move them forward in their quest to improved service performance to a certain extent. These systems simply cannot provide the full, integrated view into service-centric business process necessary for a shift to a Strategic Service Management model.