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What is Strategic Service Management

A New Way of Thinking



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Until recently, nearly all executives considered the service delivered after the initial sale of a product as a low-level transactional function with little strategic value. Company leaders gave topics such as “the customer experience” and “customer loyalty” plenty of lip service, yet remained almost exclusively focused on healing the ills of their product-based businesses, thereby allocating 85 to 90 percent of the IT budget to this side of the business.

However, forward thinking manufacturers are waking up to the fact that service margins can be 30 to 200 percent greater than product margins. As a result, for both product-based business and consumers, the service dialogue is moving from the warehouse to the boardroom across industries. In fact, service is becoming a growth engine and key source of competitive differentiation for product-based companies.

This service-led growth requires effective collaboration across functions, new decision-making capabilities, and the underlying integrated technology infrastructure to support those processes – an approach the market is now referring to as “Strategic Service Management.”

Results That Speak for Themselves

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. For instance, Avaya reduced service parts inventory from \$250 million to \$160 million, Sun Microsystems saved \$40 million and Dell - nosing out Hewlett-Packard for the top spot in the U.S. hardware support market - grew its service business unit by more than 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. It can also shield companies caught in industry downturns from financial distress or ruin.

Strategic Service Management is not about better tactical execution or service firefighting. Consider companies like [Dell](#), [Avaya](#), [Sun](#), Case New Holland, and Volvo, and it becomes clear that Strategic Service Management can lead an overall business strategy. It can create a significant competitive differentiation that is much harder to replicate than an item sold on the product side of the business. In fact, one could argue that in certain industries, Strategic Service Management is not just a business strategy and philosophy, it is the business strategy and philosophy that leaders practice and followers fail to understand.

The challenge of Strategic Service Management for many is that it is not about better tactical execution or service firefighting. It represents a new way of thinking, a way of taking a fully integrated approach to post-sale service. Leading companies increasingly understand that a fully integrated approach to service can be achieved only through a Strategic Service Management solution — one that enables the integration, optimization, and efficient management of their core service business processes. These include: service resource management, customer commitment management, service partner management and service price management.