



# Service Management Report

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## Sun Sheds Light on SSM

Steve Simpson, Senior Director of Supply Chain Management, Sun Microsystems.



**Q: Have you seen a big change in service over the last five years?**

**Steve Simpson:** I have. There's a renewed and growing focus on service as a growth market, especially for high-tech companies like Sun.

**Q: Why do you think service as a growth market is becoming so critical?**

**Steve Simpson:** In the high-tech industry, which Sun plays in, there's a commoditization of the hardware. As products become commoditized, where do you compete? It's in services. Customers look to services to help them make their purchase decisions. A good example is Sun offering what we call service performance packs, and these are essentially tied to our products. You can't buy a hardware product at Sun unless you get a service pack with it. The belief is that well-served customers become repeat customers; repeat customers create a continuous revenue stream for your company.

**Q: How would you describe strategic service management?**

**Steve Simpson:** I think strategic service management is a concept where you bring all of the pieces that delight customers, making sure their after-sales support experience is the best it can be. It's bringing people, parts, systems, technology, knowledge management together so that you can capture that customer and make them a repeat customer.

**Q: What do you think is the best way to manage service within an organization?**

**Steve Simpson:** I think it's very important to have one key executive inside your company that can run and manage globally the service business.

**Q: Are you seeing significant growth in the service side of business at Sun?**

**Steve Simpson:** Sun's service division used to be a cost center. As we got to, I would say, the billion-dollar-per-quarter level, it became obvious we needed to probably begin to comment and report externally our performance in our services business.

**Q: The service business was originally under manufacturing and then you spun it out as a separate group, right?**

**Steve Simpson:** Yeah. That was a long time ago. Services has been a separate entity inside Sun for the last 15 years.

**Q: From a growth perspective, aren't you the fastest growing division right now?**

**Steve Simpson:** Sun's services business is a high-growth business for Sun, the highest in the company. We've got year-over-year growth in the high single digits. The services business at Sun has grown double-digit percentages. We're now about a \$1 billion-per-quarter business inside Sun.

**Q: Where do you see service going in the next five or ten years?**

**Steve Simpson:** Business is about creating recurring revenue streams. Recurring revenue streams have things like subscriptions tied to them. Services is a perfect vehicle for subscription revenue. If you sign a customer up for a subscription service, you've got them. They're a repeat customer. It helps build a revenue stream. That's why I think in the next five years companies like Sun will become service companies, where everything we sell will be sold as a service.