ABERDEEN GROUP

SERVICE MANAGEMENT CAPABILITIES PROPEL THE BEST-IN-CLASS ADVANTAGE

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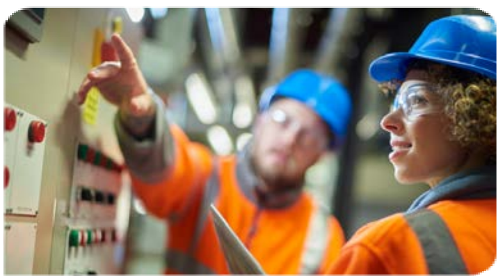
This report examines how the Best-in-Class are leveraging technology, when managing service processes, to achieve a real competitive advantage.



Not only do the Best-in-Class have a competitive edge, they are increasing their technology spend by three times the rate of All Other companies.

For the service industry, getting ahead of the competition is the number one pressure. To alleviate this pressure, the Best-in-Class are investing in and leveraging the right technology to provide them with a competitive edge.

In fact, the Best-in-Class (see page 2 sidebar for definition and performance advantage) are increasing their technology spend by three times the rate of All Other companies, as identified in our previous research.

Best-in-Class Service Management Capabilities: The Competitive Advantage

As shown in the sidebar on page 2, the Best-in-Class lead the pack in critical service metrics like fleet utilization, customer retention rates, service level compliance, and fuel cost management by wide margins in all categories. In addition to their performance advantage, their technology investment can also be seen in the greater adoption of service management solution capabilities. The Best-in-Class (at 74% adoption) are also more than twice as likely as the Industry Average, and over three times as likely as Laggards, to have control over their service workflows (Figure 1).

Best-in-Class Definition

Based on Performance Metrics

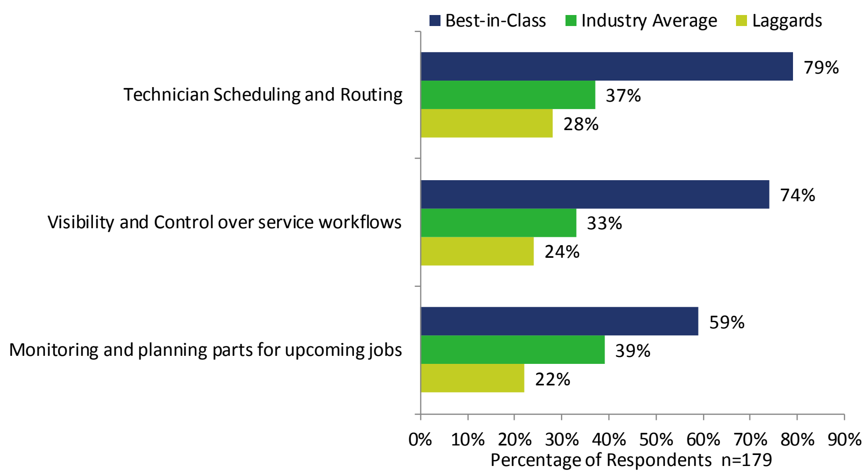
- **Best-in-Class**: Top 20%
- **Industry Average**: Middle 50%
- **Laggards**: Bottom 30%
- **All Others:** Sum of Industry Average and All Others: Bottom 80%

Best-in-Class Performance

- *Fleet Utilization*
  - Best-in-Class: 46%
  - All Others: 28%
- *Customer Retention Rates*
  - Best-in-Class: 80%
  - All Others: 51%
- *Service level agreement (SLA) compliance*
  - Best-in-Class: 65%
  - All Others: 41%
- *Fuel costs (as a % of total costs)*
  - Best-in-Class: 24%
  - All Others: 29%

Having such a high level of control over their service workflows strongly influences fleet utilization as well (64% higher for the Best-in-Class – sidebar on performance). The visibility and control these companies have apply to scheduling and routing technicians, which are also capabilities that the Best-in-Class are more than twice as likely to have in place as the Industry Average and Laggards.

Figure 1: Best-in-Class Excel in Service Management Capabilities



The first metric, technician scheduling and routing capabilities, has a direct, positive impact on service level compliance. This is achieved by enabling greater control over scheduling jobs as well as the quality of service rendered, by matching the right technician to the right job, wherever possible.

Any service appointment can be scrapped if the availability of parts is a problem, resulting in rescheduling, routing, and reassignment of technicians to different orders. The 51% greater likelihood of being able to monitor and plan parts for upcoming jobs is critical to making material shortages an exception rather than a recurring problem.

We refer to the suite of software components that enable these superior capabilities as *service management solutions*, which will

➔ Read the full report, *Use Best-In-Class Service Management to Drive Operational Efficiency*

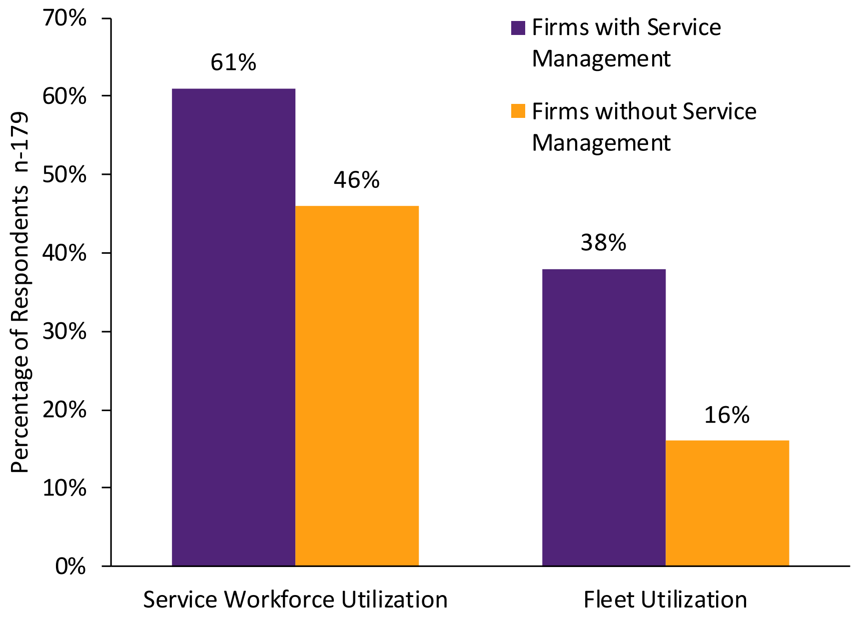
➔ Related Research: *Field Service Leaders: Are Heroes Born or Trained?*

certainly vary by provider, but refers to the core enablers behind the key capabilities in Figure 1.

Service Management Users Drive Efficiency and Growth

As you can tell by the Best-in-Class advantage across several key capabilities, a service management solution is a game-changer. Figure 2 shows the workforce and fleet utilization level for those companies, which are big contributors to overall Best-in-Class performance for service level and efficiency measures.

Figure 2: Service Management Drives Greater Utilization



Workforce utilization is critical for any business, but in the service industry, trained technicians are hard to come by and the competition is fierce, prompting further turnover for top talent who are always in demand. Companies using a service management solution have a 33% greater workforce utilization rate compared to companies that do not. This means that they get a third more work out of their technicians, a strong competitive advantage in a tight labor force that also leads to better service.

Fleet utilization itself, is a sign of operational efficiency, and companies using a service management solution see more than double the utilization rate compared to non-users. Fleet utilization, in addition to workforce utilization, also affects service costs and would certainly factor into maintaining a high service level. Overall, service management solution users are significantly more efficient in managing their people and assets for a more cost-effective operation.

Service Management Users Demonstrate Superior Results

The greater utilization of service management solutions translates into better performance across the board in key metrics, as shown in Table 1. This level of performance helps to improve a company's competitive advantage and grow the business.

Table 1: KPI's for Service Management Users

YoY Change in Performance	Firms Using Service Management	Firms Without Service Management
Increase in Service Revenue	5.10%	-4.90%
Decrease in Repair Time Per Job	4.60%	-0.30%
Increase in Service Workforce Productivity	5.70%	-3.20%
Increase in Service Contract Renewals	7.10%	5.70%

- Firms with service management solutions show a growth of 5.1%, vs. a decline of 4.9% for those without it, a 10% difference in growth rate.
- There is also an 8.9% differential in workforce productivity increase due to the better utilization and also improvements in actual repair time.
- The decrease in repair time per job is a 4.9% differential in favor of the companies using service management, indicating that these companies are

winning in all facets of their service operations. Less disruption due to part shortages and better scheduling and matching of technicians to the job are all important factors that make the difference here.

- In addition to the growth in their business, companies with service management have stronger renewals too, but the differential is smaller. Renewals also involve pricing considerations, and companies will usually respond to pricing demands in order to retain existing business.

Summary and Key Takeaways

The service industry is a highly competitive industry on all fronts. Demanding customers, labor force constraints, and competition coupled with increasing product complexity all create an extremely challenging environment where any competitive edge can make the difference.

Best-in-Class companies have invested in technology that has improved their service management capabilities. Specifically, in the management of service workflows for planning, routing, scheduling, and parts management that yield performance improvements in greater utilizations, costs, and growth for their business. Companies utilizing service management solutions also have a significant competitive edge in utilization and on-the-job performance, as well as a 10% greater yearly growth rate.

Following the Best-in-Class approach for technology investment and performance improvement can pay dividends for all service companies striving for an edge in a very competitive industry.

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