The Service Network Optimization Benchmark Report

Effective Service Outsourcing and Channel Management Strategies

March 2006

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Executive Summary

As best-in-class OEMs continue to lean harder on their service organizations for profits, revenues, and competitive advantage, they are opportunistically seeking service chain performance spikes by outsourcing parts of their service operations. Although these firms’ rationales differ, they base their outsourcing initiatives on factors such as:

- Increasing need for wider geographic service coverage,
- Service profitability mandates from executive management,
- Escalating field service labor costs, and
- Increasing areas of low-density product installations.

But firms must be diligent in assembling these extended service networks to ensure performance gains are not negated by service provider relationships run amuck.

Key Business Value Findings

- Fully 78% of best-in-class companies reported that technology would be a critical enabler of better service network management.
- Almost one-third of surveyed companies said they planned to leverage third-party logistics providers (3PLs) in the near future for such activities as service parts management, reverse logistics, and depot management.
- Telecommunications and utilities companies Aberdeen surveyed lead all other industry sectors, with 83% reporting that they outsource some aspect of service.

Implications & Analysis

- 38% of outsourcing OEMs support asset uptimes of greater than 95%.
- ERP, service management, contract/warranty management, and call/order management systems are the technology solutions most commonly used by best-in-class companies for service network management.

Recommendations for Action

Tips for OEMs

1. Determine the optimal in-sourcing / outsourcing mix.
2. Select the right partners for the right tasks.
3. Provide adequate resources to service network partners.
4. Don’t lose sight of the end-customer.
5. Maintain channel mix and quality over time.
Tips for ISOs / Service Providers

1. Earn your spot in the service chain.
2. Re-evaluate your technology profile.
3. Consider partnerships with other ISOs to expand reach.
4. Understand OEMs’ goals and expectations up front.
5. Keep your spot in the service chain.
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Chapter One:
Issue at Hand

Key Takeaways

- 57% of companies Aberdeen surveyed indicated that they currently outsource or plan to outsource field-service labor, ranking first among all service functions.
- 29% of firms indicate that they plan to make use of third-party logistics providers (3PLs) to outsource some aspect of the service chain, while 32% already do.
- Best-in-class companies cite the need for greater geographic service coverage, profitability mandates from executives, and rising field service costs as the chief drivers of their service chain outsourcing activities.

Best-in-class original equipment manufacturers (OEMs) continue to forge ahead in transforming their post-sales service operations into profitable lines of business rather than simply a cost of selling product. In fact, 61% of companies polled in a recent Aberdeen study said field service is currently a strategic operation with revenue and profit goals in place, while another 17% said field service, while not currently a strategic operation, would be so in the future.

The reality for many manufacturers is that managing the service chain is not a core competency. So OEMs are facing numerous internal and external pressures to outsource aspects of their service operations — including slashing costs, improving service levels and responsiveness, and increasing overall efficiency.

These and other pressures are spurring service executives to seek help from specialized third-party organizations including third-party logistics providers (3PLs), contract field service outfits, contract manufacturers, distributor partners, value-added resellers (VARs), and even other OEMs that offer multi-vendor services. With more entities responsible for delivering on post-sales service commitments, service chains operate more as interwoven “networks” than as OEM-to-operator relationships.

Firms committed to outsourcing are proceeding with caution given that respondents indicate that only approximately 30% of their overall services functions would be outsourced over the course of the next 18 months. This wait-and-see attitude demonstrates the diligence with which OEMs approach outsourcing in the first place and the similar care they take when expanding the roster of service functions eligible for outsourcing in the foreseeable future.

Chief Service Officers beware, however, OEMs choosing a total or partial service outsourcing approach must be diligent in selecting the right partner mix, managing service network performance, and maintaining customer satisfaction. If not, any value that outsourcing service provides could be watered down or even negated by botched service calls, unreliable business partners or other perils inherent to extending your service network beyond native resources. In addition, points of failure in the service chain inevitably haunt the larger corporate entity with a tarnished image and disgruntled end-customers.
Pressures for Partnerships

In general, OEMs outsourcing post-sales service operations seek higher performance and better means to control costs. They clearly understand the value in retooling service into a line of business, and also see partner relationships as the best means to lower costs, maintain service levels, and increase revenues. Best-in-class companies Aberdeen surveyed cited the following factors as drivers for their outsourcing strategies (Figure 1):

1. **The demand for wider geographic service coverage**

OEMs with widely dispersed installed bases must cope with greater geographic areas that require technician labor and other resources to deliver product maintenance and service. Oftentimes, as companies penetrate new markets with their products, customer populations outside of greater metro regions can be few and far between. For instance, one U.S. start-up semiconductor company Aberdeen interviewed opportunistically chased business opportunities in Europe, and now is scrambling to cost-effectively deploy regional support personnel.

As illustrated by this example, OEMs that might have dense populations of customers in one region but sparse populations in others are often well-served by servicing far-flung customers via regional third-party service providers.

![Figure 1: Top Reasons OEMs Outsource Service](image)

**Figure 1: Top Reasons OEMs Outsource Service**

- Increased need for wider geographic service coverage: 67%
- Service profitability mandates from executive management: 56%
- Escalating field service labor costs: 44%
- Increasing areas of low-density product installations: 44%
- Service quality degradation using full-time resources: 22%
- Competitive pressures from other OEMs: 11%

Source: Aberdeen Group, March 2006

2. **Service managers receiving profitability mandates from higher-ups**

Product commoditization and stiffening competitive pressures are forcing OEMs to squeeze profits from all aspects of their business, including post-sales service. As such, Chief Service Officers are pressuring service team leaders to drive as much margin as possible from the service operation. Fully 65% of polled compa-
nies reported that a key objective for post-sales service is to increase overall profitability, which makes profitability their number-one objective for service.

Looking to build margin from both the top- and bottom-lines, service executives are complementing their full-time service resources with channel partnerships with independent service organizations (ISOs) that can take on complex, unique, or otherwise costly aspects of their service chains.

3. **Escalating field service costs**

Forty-four percent of best-in-class respondents cited rising field service costs as a motivating factor to outsource portions of service. It follows then, that field service currently is the most commonly outsourced service function (Figure 2). Most OEMs build their service margins from the bottom up, making sure they systematically leverage lowest-cost service channels, before developing or growing incremental revenue streams.

As such, ISOs provide an attractive bottom-line value proposition to OEMs that consistently incur sizable service costs for activities like expedited part shipments, emergency technician air travel, or technician training and education.

**Figure 2: Field Service Tops List of Outsourced Service Functions**

<table>
<thead>
<tr>
<th>Service Function</th>
<th>% Currently or Plan to Outsource</th>
<th>% No completed or planned outsourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Field service labor</td>
<td>57%</td>
<td>42%</td>
</tr>
<tr>
<td>Logistics network management</td>
<td>42%</td>
<td>51%</td>
</tr>
<tr>
<td>End-to-end service management processes</td>
<td>31%</td>
<td>69%</td>
</tr>
<tr>
<td>Service parts planning/forecasting</td>
<td>24%</td>
<td>75%</td>
</tr>
</tbody>
</table>

Source: AberdeenGroup, March 2006
Chapter Two:
Key Business Value Findings

Key Takeaways

- Fully 78% of best-in-class companies reported that technology would be a critical enabler of better service network management.
- Almost one-third of surveyed companies said they planned to leverage 3PLs in the near future for such activities as service parts management, reverse logistics, and depot management.
- Telecommunications and utilities companies Aberdeen surveyed lead all other industry sectors, with 83% reporting that they outsource some aspect of service.

Not surprisingly, the top three benefits of service outsourcing cited by survey respondents were 1) reduced service costs, 2) more flexibility in service offerings, and 3) increased service profitability.

In fact, 40% of OEMs that outsource some aspect of their service operations reported cost savings of more than 10%, and the rest reported savings of up to 10% (Figure 3).

Figure 3: Total Cost Savings from Service Outsourcing

<table>
<thead>
<tr>
<th>Cost Savings</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater than 50%</td>
<td>4%</td>
</tr>
<tr>
<td>21% to 50%</td>
<td>11%</td>
</tr>
<tr>
<td>11% to 20%</td>
<td>25%</td>
</tr>
<tr>
<td>3% to 10%</td>
<td>44%</td>
</tr>
<tr>
<td>Less than 3%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Source: AberdeenGroup, March 2006

While many OEMs have realized these and other tangible benefits by outsourcing service, significant uncertainties and hurdles remain (Figure 4). OEMs that choose to deliver post-sales service partially or wholly via third-parties must vigilantly track process and quality control throughout the service network.
Figure 4: Performance Management Tops Challenges of Outsourcing Service

<table>
<thead>
<tr>
<th>Challenge</th>
<th>% of all respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance mgt. of 3rd parties</td>
<td>63%</td>
</tr>
<tr>
<td>Maintaining service quality</td>
<td>51%</td>
</tr>
<tr>
<td>Process/workflow alignment with 3rd parties</td>
<td>37%</td>
</tr>
<tr>
<td>Assessing cost, benefit, and customer value impacts of outsourcing</td>
<td>32%</td>
</tr>
<tr>
<td>Maintaining line-of-sight to end-customer experience</td>
<td>28%</td>
</tr>
</tbody>
</table>

Source: Aberdeen Group, March 2006

Accountability and performance management presents an even greater challenge when multiple tiers of contractors and sub-contractors participate in service delivery. Case-in-point: a U.S.-based ISO in the information technology space that Aberdeen interviewed leverages a network of 8,000 sub-contractor field technicians in order to offer its OEM clients service coverage in every U.S. state. This ISO takes an active role in managing service network performance by keeping track of technician performance with a home-grown evaluation and performance scoring module within its service management system. In addition, the company uses a Web portal to provide “downstream” instructions and training to its technicians, as well as “upstream” data visibility and reporting to its OEM clients.

The bottom line is that if OEMs do not build mutually beneficial relationships with their ISO partners, they risk eroding any potential cost or profitability benefits of outsourcing, not to mention tarnishing their end-customer relationships.

**Service Outsourcing Strategies**

How are the best companies tackling some of these service outsourcing challenges? Best-in-class companies Aberdeen surveyed identified the following top three approaches:

1. **Restructure the service organization with higher-level oversight and accountability.**

   To chart and manage service network relationships and performance, 78% of best-in-class OEMs said they are assigning service oversight responsibilities to senior-level executives. In a related Aberdeen study, consumer-facing companies reported the highest percentage — 46% — of senior vice presidents or higher-level service executives. Perhaps a more telling take-away, however, is that 38%
of high-tech manufacturing companies said they have SVPs or higher overseeing service.

High-tech manufacturers have notoriously based their branding, sales, and marketing strategies on product functionality. Now, with these products under increasing commoditization pressure, the manufacturers are looking for ways to win customers based on service levels. Due to the highly dynamic nature of the high-tech supply chain, senior-level acumen will be required to successfully integrate service into corporate strategies for growth and profitability.

2. **Purchase and/or upgrade technology solutions to support better service chain automation.**

Fully 78% of best-in-class companies also reported that technology would be a critical enabler of better service network management. That being said, only 37% of all polled companies reported that their service order, inventory, and schedule management systems serve as a single point of truth for all full-time and outsourced stakeholders.

While a true single point of truth remains an aspiration for most service networks, some level of upstream and downstream visibility and accountability – such as in the ISO example mentioned above – can serve as a critical stepping stone to better service network automation and optimization.

3. **Survey existing customers on quality of service delivery and asset performance.**

Before embarking on a service outsourcing strategy, it is critical for OEMs to understand what the strengths and weaknesses of their current service operations are, from their customers’ perspectives. As 67% of best-in-class companies would agree, surveying existing customers on service quality and product performance can provide invaluable insight into opportunities to leverage service network partners for higher levels of service performance.

**Case-in-point:** At the conclusion of every service call, one mid-size data storage company Aberdeen interviewed sends a survey to the customer, signed by the vice president, inquiring about wait times, field technician performance, and other aspects of the service experience. The company collects, analyzes, and publishes this customer satisfaction data and features it prominently in sales calls. The company systematically completes this feedback loop for both its native and outsourced service resources. All told, the company has about 50 full-time field engineers to service its major U.S. accounts, and augments this with a team of about 400 contract engineers to service its mid-tier products. And third-party engineers handle nearly all of its non-U.S. accounts.

**Service Network Players**

With field service being the most commonly outsourced service function, it comes as no surprise that contract field technicians are tapped most frequently by OEMs looking for service network partners. But almost one-third of surveyed companies said they planned to leverage third-party logistics providers (3PLs) in the near future for such activities as service parts management, reverse logistics, and depot management (Figure 5).
As the German printing systems company Heidelberg discovered, including 3PLs in a service network management strategy can drive significant performance gains. The nearly $5 billion company used to manage its 2,500 daily outbound service parts shipments from its 45,000 square-foot internal distribution center (DC).

The company analyzed the geographic distribution of its customer base and decided to outsource the entire DC to an Indiana-based 3PL. As a result, it realized the following benefits:

- Converted hundreds of thousands of dollars in expedited air shipment charges to ground charges, due to the closer proximity of the outsourced DC to its customers.
- Removed the financial burden of operating the DC as a company-owned asset.
- Gained access to industry-leading technology solutions deployed at the 3PL site.
- Simplified Customs clearance processes by housing inventory assets in a foreign trade zone.

In a network service model like this, companies must guard against operational silos and ensure that external stakeholders are communicating and collaborating with internal stakeholders.

**Industry Matters; Size…Not So Much**

Heidelberg is among the 53% of industrial manufacturers that are currently outsourcing some aspect of their service operations (Figure 6). Telecommunications and utilities
companies Aberdeen surveyed lead all other industry sectors, with 83% reporting that they outsource some aspect of service.

**Figure 6: Telecom & Utilities Firms Lead Service Outsourcing Pack**

<table>
<thead>
<tr>
<th>Sector</th>
<th>% of respondents outsourcing some aspect of service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecom &amp; Utilities</td>
<td>83%</td>
</tr>
<tr>
<td>High-Tech Mfg.</td>
<td>56%</td>
</tr>
<tr>
<td>Aerospace &amp; Defense</td>
<td>55%</td>
</tr>
<tr>
<td>Industrial Mfg.</td>
<td>53%</td>
</tr>
<tr>
<td>Consumer-facing OEMs</td>
<td>40%</td>
</tr>
</tbody>
</table>

Source: AberdeenGroup, March 2006

One possible explanation for the prevalence of outsourcing in telecom and utilities is that the lion’s share of service demand in these sectors is comprised of break/fix work, which is widely considered a commodity versus a differentiator. As such, telecoms and utilities would be well served to focus their own resources on areas in which they can bring differentiated value to their customers.

While OEMs in certain industries seem to be more, or less, prone to outsourcing, a company’s size does not seem to have a substantive impact on its propensity to outsource service. Almost half of small OEMs and just more than half of mid-size OEMs Aberdeen surveyed are outsourcing some aspect of service, both of which are just slightly higher than the 44% of large companies that are outsourcing (Figure 7). This serves as an apt illustration of the fact that no matter how large an OEM might be, there is value to be gained from delegating non-core service activities to network partners.
Figure 7: SMBs Slightly Edge Large Companies in Outsourcing Service

- Large ($1 billion+): 44%
- Mid-Size ($50 million to $999 million): 55%
- Small (Less than $50 million): 47%

% of respondents outsourcing some aspect of service

Source: AberdeenGroup, March 2006
Chapter Three: Implications & Analysis

Key Takeaways

- 38% of those OEMs that are outsourcing some aspect of their service operations report asset uptimes of greater than 95%.
- ERP, service management, contract/warranty management, and call/order management systems are the technology solutions most commonly used by best-in-class companies for service network management.

Surveyed companies’ service network management capabilities fell into one of three maturity categories – Laggard, Industry Average, or Best in Class – based on a weighted assessment of their performance in three metrics: SLA compliance; serviceable asset uptime; and profitability of service operation, as a percentage of service revenues.

In five key categories – process, organizational structure, knowledge management, technology usage, and performance management – Aberdeen identified attributes and strategies that lead companies to achieve best-in-class performance (Table 1).

Table 1: Service Network Competitive Framework

<table>
<thead>
<tr>
<th></th>
<th>Laggards</th>
<th>Industry Average</th>
<th>Best in Class</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Process</strong></td>
<td>Utilize primarily full-time OR outsourced service resources, as a unilateral decision, without cost, benefit, or customer value assessments</td>
<td>Utilize mix of full-time and outsourced service resources, based on ad hoc or non-standard cost, benefit, and customer value assessments</td>
<td>Utilize mix of full-time and outsourced service resources, based on standardized cost, benefit, and customer value assessments</td>
</tr>
<tr>
<td><strong>Organization</strong></td>
<td>Service is viewed purely as cost, and there is no discrete management or P&amp;L for service operations</td>
<td>Director-level executive oversees cost-cutting and productivity targets for service operations</td>
<td>Vice president or higher-level executive oversees profit-and-loss (P&amp;L) for service operations</td>
</tr>
<tr>
<td><strong>Knowledge Management</strong></td>
<td>No stakeholders have access to service-related data</td>
<td>Most full-time and some outsourced stakeholders have access to service-related data</td>
<td>All full-time and outsourced stakeholders have access to service-related data</td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td>Limited to no order, inventory, and schedule management automation in place</td>
<td>Order, inventory, and schedule management systems govern full-time service resources, but do not extend to outsourced stakeholders</td>
<td>Order, inventory, and schedule management systems serve as single point of truth for all full-time and outsourced stakeholders</td>
</tr>
</tbody>
</table>
Laggards | Industry Average | Best in Class
--- | --- | ---
Performance Measurement | Limited or no measurement the impact of third-party resources on service chain productivity, profitability, and customer value | Ad hoc and episodic measurement the impact of third-party resources on service chain productivity, profitability, and customer value | Frequent and ongoing measurement the impact of third-party resources on service chain productivity, profitability, and customer value

Source: Aberdeen Group, March 2006

**Outsourcing Impacts Asset Availability**

It is critical for companies to adopt a customer-first mentality and weigh every decision regarding service technology, process, strategy, and performance against the backdrop of customer impact. One of the metrics end-customers care most about is asset uptime, defined as the percentage of time the product or machine is functioning at adequate or optimal levels. Nearly every service chain process is aimed at increasing asset availability at the lowest total cost.

About 38% of those OEMs that are outsourcing some aspect of their service operations reported asset uptimes of greater than 95%, while just 27% of those that are not outsourcing service reported this level of uptime (Figure 8).

**Figure 8: Service Outsourcers See Greater Asset Uptimes**

One potential interpretation of this disparity in uptime is that with more geographically balanced deployment of field service resources, outsourcing OEMs are able to deliver more regular preventative maintenance on their products, thereby increasing their health and performance over time.

Source: Aberdeen Group, March 2006
Network Enablers

To capture all the potential benefits of outsourcing service, best-in-class OEMs are leveraging a broad spectrum of enabling technologies. Fully 89% of leading companies reported that they currently use or plan to use ERP or service management systems, while 77% indicated that they use or plan to use warranty and contract management systems to manage their service networks (Figure 9).

In many cases, ISOs provide their own IT infrastructure and solutions to facilitate communication with OEMs and tier-2 sub-contractors, so the best service partnerships maximize the system strengths of all the network players.

Figure 9: Best-in-Class Companies Rely Most on ERP and SMS for Network Mgt.

Source: Aberdeen Group, March 2006
Chapter Four: Recommendations for Action

Key Takeaways

Tips for OEMs:
- Determine the optimal in-sourcing / outsourcing mix.
- Select the right partners for the right tasks.

Tips for ISOs:
- Earn your spot in the service chain.
- Re-evaluate your technology profile.

Bookended by the OEM and the end-customer, service networks can be comprised of multiple organizations like 3PLs, contract field service outfits, contract manufacturers, distributor partners, value-added resellers (VARs), and even other OEMs that offer multi-vendor services.

Based upon the findings from this study, the following are suggestions for both OEMs and ISOs to maximize the potential value from service network optimization.

Tips for OEMs

1. Determine the optimal in-sourcing / outsourcing mix.

For most OEMs, some service tasks are best kept in-house, and some are best handled by third parties. The ideal mix of in-house and outsourced service should result in the highest possible levels of customer satisfaction, without compromising operating efficiencies, revenue growth opportunities, or profitability.

Leading companies like Cisco Systems use two main criteria to evaluate whether to outsource a particular business function or process: criticality and competence. If a service task is mission critical and they have the skills and resources to optimally perform the task, then it is the lowest priority for outsourcing. If a service task is not mission critical, and they do not have the skills or resources to perform the task optimally, then it is the highest priority for outsourcing. Decisions to outsource tasks that fall somewhere in between these two extremes are handled on a case-by-case basis.

Even though just 44% of best-in-class companies Aberdeen surveyed model the profitability impact of outsourcing portions of their service operations before making outsourcing decisions, it is important to estimate as closely as possible the economic impacts of farming out service functions.

2. Select the right partners for the right tasks.

Fully 89% of best-in-class companies said they are looking for specialized field service expertise from their network partners. And 67% indicated that greater geographic service coverage is the reason why they outsource service. Whether or not these are your company’s critical drivers, it is imperative that service and supply...
chain executives set and agree upon requirements and goals for service outsourcing initiatives in advance.

When selecting service partners, OEMs must quantify as best they can the expected incremental economic and customer value coming from the channel, as well as the expected risk. Using this basic equation, OEMs can set their own thresholds for value expectation and risk tolerance, and they can eliminate prospective channel partners that are too low on the one hand or too high on the other.

3. **Provide adequate resources to service network partners.**

One of the most common log-jams in the service network is the inadequate flow of information and resources from the OEM to the ISO. Field service providers often need information on spare part specifications or availability, advance notice of new product introductions, or training on new service procedures. OEMs must provide their network partners with the tools they need to service their customers effectively.

4. **Don’t lose sight of the end-customer.**

OEMs and ISOs hotly debate the issue of customer ownership. Who owns the end-customer? Essentially, it comes down to which entity has the stronger relationship with the service decision-maker at the end-user organization. But regardless of the answer to this age-old question, OEMs must never lose track of how their customers are experiencing their products and attendant services over the entire lifecycle of the product. OEMs should establish systematic feedback loops either directly with the end-customer, or indirectly via key channel partners.

5. **Maintain channel mix and quality over time.**

OEMs that outsource portions of their service operations must systematically track the ongoing impact that each individual network partner is having on critical service chain performance metrics like SLA compliance, first-call resolution rate, mean time to repair, and asset uptime. The decision to outsource is not a set-it-and-forget-it decision. As OEMs change product mixes and penetrate new markets, they must consistently work with service network partners to upgrade and improve service chain performance, and in the process, OEMs must be willing to wean themselves from underperforming or obsolete partners.

**Tips for ISOs / Service Providers**

1. **Earn your spot in the service chain.**

All told, about half of OEMs are currently outsourcing some aspect of their service operations. To capture as much of this business opportunity as possible, ISOs must intimately understand and be able to articulate the value proposition of specialized field service engineers, wider geographic service and logistics coverage, or detailed performance reporting. Many OEMs have simply not considered outsourcing non-core service activities, so there is an opportunity for ISOs to play an educative role.

2. **Re-evaluate your technology profile.**

As requirements from OEMs for data, status, and performance visibility continue to deepen, ISOs must be sure their systems and automation solutions are up to date. It is common for OEMs to have differing requirements with regard to communication,
collaboration, and accountability, so ISOs must ensure that their systems are flexible enough to accommodate this diversity, but also scalable enough to quickly take on new business.

3. **Consider partnerships with other ISOs to expand reach.**

The opportunities for many ISOs to become major service network partners are limited by the fact that they are regionally focused. As was the case with the IT services provider mentioned previously, national or multi-national ISOs often leverage multiple tiers of sub-contractors and other ISOs to fill out such a broad geographic footprint.

4. **Understand OEMs’ goals and expectations up front.**

As revealed in this study, OEMs’ reasons for outsourcing can vary. Many are focused on cost reduction, while some are focused on incremental revenue growth. At the outset of a relationship, make sure that your organization is capable of delivering on the OEM’s expectations for performance and contribution to customer value. It is best practice to establish and document terms for intellectual property ownership, rules of engagement, ethics, and the like.

5. **Keep your spot in the service chain.**

Always be prepared to quantify your value to the OEM and to the end-customer. Best-in-class OEMs will constantly be changing their product mixes and service requirements, so be proactive in maintaining current skill sets among your field force. Invest in performance reporting tools and systems that provide full upstream and downstream visibility. Go beyond basic break/fix offerings, and pursue areas such as remote asset diagnostics and professional services to further demonstrate and differentiate your value in the service network.
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ServicePower capabilities include:

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- Schedule and route optimization
- Wireless dispatch, status update and GPS based location tracking
- Third party service network management and recruitment
- Warranty claims processing

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With more than a decade of success in aftermarket support, Kuehne + Nagel offers a robust, flexible Critical Service Logistics suite with modular components designed to fit each customer’s unique requirements in the service parts supply chain. Kuehne + Nagel provides service logistics solutions to some of the world’s largest, most respected companies, including Sun Microsystems, Xerox, Fujifilm, Johnson Controls, BMW and others.

Kuehne + Nagel’s Critical Service Logistics (CSL) technology optimizes customers’ forward-positioned inventory, while providing real-time visibility to product. Our support of field service organizations drives costs down and reduces inventory movement, while our field management team increases inventory accuracy and service levels.
Nokia

Nokia’s strategic intent is to deliver true value to enterprises by offering an exceptional range of business mobile phones that integrate voice, messaging, and common applications. In addition, Nokia provides a range of connectivity and network security offerings to ensure that each worker is granted the appropriate level of access and has a secure connection from their mobile devices with email protection, whether it is a Nokia phone or another mobile device, to the enterprise network.

Indus International, Inc.

Indus is a leading Service Delivery Management (SDM) solution provider, helping clients in a broad array of industries transform the management of their customers, assets, workforce, spare parts inventory, tools and documentation in order to optimize performance and customer satisfaction while achieving significant cost savings. As a result, clients improve profitability, reduce costs, increase capacity and competitiveness, improve customer service, and ensure regulatory compliance. Indus solutions have been purchased by more than 400 companies in 40 countries, representing diverse industries — including manufacturing, utilities, telecommunications, transportation, consumer packaged goods, managed services, and more.
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Mark Vigoroso spearheads primary market research in field service management and assesses software and services that automate and streamline these and other value chain processes.

Vigoroso’s current efforts include quantifying Global 5000 executives’ strategies, experiences, and deployment plans in the area of field service optimization.

He has published research in the areas of strategic sourcing, supplier performance measurement, enterprise spending analysis, total cost management, global trade management, and asset management.

Vigoroso has spent years covering electronic procurement, supply chain, and logistics management trends as a journalist, editor, speaker, and columnist for various industry publications. Specializing in e-business applications and strategies, he was an editor at Purchasing magazine and Manufacturing Marketplace. He has also been a columnist and feature writer for The E-Commerce Times, ZDNet TechUpdate, and Workz.com.

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As Research Analyst, Service Chain Management Research, Mike Tavilla focuses on strategy for leveraging technology solutions and best practices to improve service chain efficiency and performance, specifically service network optimization and mobile field service solutions.

Most recently, Mike was the Research Director at the Association for Competitive Technology (ACT), a 3,000 member global IT trade association working on behalf of IT and e-commerce firms such as Microsoft, Oracle, AOL, Yahoo!, and eBay as well as on behalf of numerous ISVs. He led ACT’s work in research, analysis, and writing regarding the impact of public policy on the IT industry and emerging technologies.

Mike’s career in research began as the Senior Research Associate on the Internet Policy & Regulation Research Team at Forrester Research. As a founding member of the research team, Michael co-authored and edited market and industry research reports for Global 3500 clients on high-tech policy issues. Report topics included e-Government services, eCommerce sales tax, IT security, online privacy protection, and global e-Commerce regulation and compliance.
Michael earned his Bachelor of Arts degree in Political Science from The George Washington University, studied abroad at Boston University’s London Campus, and did his graduate study at American University.
Appendix A: Research Methodology

This research effort aimed to identify the best strategies in choosing a total or partial service outsourcing approach and insights into selecting the right partner mix, managing service network performance, and maintaining customer satisfaction. Responding customer service, operations, sales & marketing, manufacturing, and logistics executives completed an online survey that included questions designed to determine the following:

- Critical success factors for outsourcing part or all of post-sales service processes.
- The most important evaluation criteria best-in-class companies are using to select service outsourcing partners.
- How technology solutions can be leveraged throughout the service network to provide optimum visibility and control to OEMs and their end customers.

Responding enterprises included the following:

- **Job function**: The research sample included respondents with the following job functions: customer service (24%); IT (24%); field service operations (22%); marketing (8%); sales (7%); finance (5%); logistics/supply chain (4%); manufacturing (4%); procurement (2%).

- **Industry**: The research sample included respondents from the following industries: High-tech manufacturing (26%); Industrial manufacturing (18%); consumer-facing industries (12%); Aerospace/defense (12%); Telecom/utilities (10%); Transportation/distribution (7%); public sector (7%); and Business services (5%). Three percent of respondents did not provide industry data.

- **Geography**: Survey respondents from North America (US & Canada) represented 75% of the survey sample; from Europe, 15%; from Asia-Pacific, 5%; from Latin America, 2%; and from the Middle East, 2%. One percent of respondents did not provide geographic data.

- **Company size**: About 24% of respondents were from large enterprises (annual revenues above US $1 billion); 26% were from midsize enterprises (between $50 million and $1 billion); and 49% of respondents were from small businesses ($50 million or less).

Solution providers recognized as sponsors of this report were solicited after the fact and had no substantive influence on the direction of the Service Network Optimization Benchmark Report. Their sponsorship has made it possible for AberdeenGroup to make these findings available to readers at no charge.
Appendix B: Related Aberdeen Research & Tools

Related Aberdeen research that forms a companion or reference to this report includes:

- *The Convergence of People and Parts in the Service Chain* (March 2006)
- *Industry Traction of Strategic Service Management* (December 2005)
- *The Mobile Field Service Solution Selection Report* (December 2005)
- *Mobilizing the Data-Driven Service Chain* (November 2005)
- *The Emergence of the ‘Chief Service Officer’* (September 2005)
- *Service Parts Management Solution Selection Report* (September 2005)

Information on these and any other Aberdeen publications can be found at www.aberdeen.com/channel/svc.asp, or you can inquire by e-mail at memberservices@aberdeen.com.
About Aberdeen Group

Our Mission
To be the trusted advisor and business value research destination of choice for the Global Business Executive.

Our Approach
Aberdeen delivers unbiased, primary research that helps enterprises derive tangible business value from technology-enabled solutions. Through continuous benchmarking and analysis of value chain practices, Aberdeen offers a unique mix of research, tools, and services to help Global Business Executives accomplish the following:

- IMPROVE the financial and competitive position of their business now
- PRIORITIZE operational improvement areas to drive immediate, tangible value to their business
- LEVERAGE information technology for tangible business value.

Aberdeen also offers selected solution providers fact-based tools and services to empower and equip them to accomplish the following:

- CREATE DEMAND, by reaching the right level of executives in companies where their solutions can deliver differentiated results
- ACCELERATE SALES, by accessing executive decision-makers who need a solution and arming the sales team with fact-based differentiation around business impact
- EXPAND CUSTOMERS, by fortifying their value proposition with independent fact-based research and demonstrating installed base proof points

Our History of Integrity
Aberdeen was founded in 1988 to conduct fact-based, unbiased research that delivers tangible value to executives trying to advance their businesses with technology-enabled solutions.

Aberdeen's integrity has always been and always will be beyond reproach. We provide independent research and analysis of the dynamics underlying specific technology-enabled business strategies, market trends, and technology solutions. While some reports or portions of reports may be underwritten by corporate sponsors, Aberdeen's research findings are never influenced by any of these sponsors.