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WHITE PAPER

Service Supply Chain Optimization Reduces Operational Costs, Increases Customer Loyalty and Generates Recurring Revenue

Success Requires Comprehensive, Integrated Approach Using the Proper People, Processes and Technology

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> "OnProcess is 'good on purpose'"
>
> **SVP**
> Major Broadband/Cable Client

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Executive Overview

A comprehensive, end-to-end approach to the service supply chain process is required to ensure optimal customer experiences and maximize profitability. In addition to generating improved margins—through reductions in operational and capital costs—optimizing the service supply chain also enables companies to differentiate versus their competitors on the basis of service quality rather than price. Service excellence increases customer loyalty, which leads to increased revenue streams through renewed service contracts and new-product sales.

The challenge lies in identifying and deploying the correct people, processes and technologies to create an effective, cross-functional solution instead of relying on isolated approaches. Many so-called 'point solutions' address individual areas, and many companies add head-count to try to address volume increases and eliminate gaps in their systems. But without integrated components and sufficient knowledge-sharing as well as reliable processes, such approaches fail or generate less-than-acceptable results.

This white paper examines the service supply chain optimization challenges faced by product OEMs, large consumer electronics retailers, product distributors and third-party support firms as well as their attempts at solving their various challenges. The paper also presents an integrated approach offered by OnProcess Technology that provides a systems-agnostic, cross-functional solution that combines people, process and technology to fully optimize the service supply chain—with real-world examples of how companies have succeeded in this endeavor.

Firms that deploy such a solution gain the ability to reduce capital and operational service costs, generate customer loyalty, and increase recurring revenue streams through renewed service contracts.

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Reducing Service Costs While Increasing Customer Satisfaction

For OEMs, large consumer electronics retailers, product distributors and third-party support firms, the challenge of providing best-in-class customer service has become expensive and complex—particularly when considering the many parts of a business that interact with the service supply chain. These businesses feel tremendous pressure to provide superior customer service, which is necessary to sustain customer loyalty, ensure future product purchases, and discourage defection.

From a cost standpoint, however, they also feel pressure to reduce the number of dispatches and on-site customer visits as well as the number of in-bound customer calls for service. Yes, there will always be some product failures and end-user product-interaction issues that require service intervention; but interventions caused by poor processes or the inability to provide support personnel and customers with the necessary information must be eliminated.

Ordering Sufficient Replacement Parts Without Going Overboard

Support organizations also face a major challenge managing spare part inventories, which may exist in multiple depots across large geographic areas or even across the globe. When insufficient information is available on the location of parts and which parts are required to remediate a customer issue, the tendency is to order several parts to cover all possibilities.

While this often eliminates the need for a follow-up site visit or customer interaction, it also adds unnecessary operating expense. Inventory may go unused in warehouses or be lost in the returns process. In some cases, if part packages have been opened, they may not be eligible for return to the manufacturer. Some inventory could even linger in the possession of field resources—without the option for deployment at another customer site or return to the manufacturer. In all of these cases, the unused inventory negatively impacts the bottom line.

Conversely, if an incorrect part is ordered or if a necessary part goes un-ordered, on-site technicians cannot close out incidents. This leads to more truck rolls, site visits, and inbound call traffic; all of which further add to the cost of customer service and detract from the customer experience.

Reducing Call Volumes and Call Durations

When it comes to handling inbound phone calls, customer support organizations face the dual challenge of reducing the number of overall calls as well as the duration of calls. If calls are not resolved quickly or require follow-up, phone traffic increases, which requires more staffing, takes more time, and generates higher telecommunications costs. In addition to the hard costs associated with increased call volume, each incremental call negatively impacts customer satisfaction and loyalty.

Without easy and immediate access to information that's presented clearly and precisely, customers and frontline personnel find it impossible to solve even simple issues on their own. This requires escalation to Level II and Level III support personnel—where the cost and duration of support increase sharply.

Aberdeen Group
A Harte-Hanks Company



Best-in-Class (the top 20%) performers had mean success ratios of 92% for meeting response or project completion deadlines, 88% for first-time fixes, and 83% for workforce utilization.[1]

1. Aberdeen, January 2012, Customer Experience Management, Using the Power of Analytics to Optimize Customer Delight

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Market Pressures Forcing System Optimization

> “Failing to retain customers due to poor service reduces the number of renewed service contracts, and therefore negatively impacts revenue generation.”

White Paper
Service Supply Chain Optimization Reduces Operational Costs, Increases Customer Loyalty and Generates Recurring Revenue

Multiple factors make it imperative for companies to differentiate themselves:

Factors to Differentiate



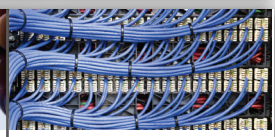
Globalization brings more competitors into already crowded markets



Commoditization of product offerings leads to price competition



Product margins in commoditized markets are thin



Hardware/product sales tend to be one- time events that do not create annuity revenue



The service supply chain provides an opportunity to rise above the competition. Differentiating on customer service enables higher margins due to less dependence on lower prices as well as higher customer retention, which gives companies higher average per-customer lifetime value. Superior customer service can also drive product sales.

When attempting to address service supply chain issues, many companies tend to adopt point solutions that reduce costs or address concerns within a particular functional or geographic area. In general, however, these tend not to address cross-functional or larger, system-wide concerns; they lack scalability and often don’t address overall customer satisfaction concerns. Failing to retain customers due to poor service reduces the number of renewed service contracts, and therefore negatively impacts revenue generation.

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Simply Adding People Fails in the Long Run

Service supply chain challenges have become more acute in recent years but are by no means new. Those in charge are well aware of the current situation, but at the same time, many are not sure what to do. They may also not be aware of just how big the problem is. According to the Aberdeen 2012 Field Service Report, 26 percent of service calls (over one in four) result in more than one dispatch.

Aberdeen Group
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Field service organizations with customer satisfaction ratings of 90% or higher successfully retained at least 90% of their customers; those with ratings of 50% or lower retained only 26%.[2]

2. Aberdeen, January 2012, Customer Experience Management, Using the Power of Analytics to Optimize Customer Delight



When considering fixes, many firms find that systems-related solutions are cost-prohibitive, requiring a tremendous amount of customization and IT/IS resource time. Rather than investing heavily in a solution, they often try to fix the problem by simply adding more people to existing processes.

In most cases, the extra resources only serve as a temporary patch. Things may appear to operate more efficiently at first with the extra people hustling to help customers. But over time, broken or flawed processes and the lack of an effective knowledge-management tool can't be fixed by this approach alone.

Customers may receive more personal attention, but if problems are not fixed expediently, they will not be swayed by sympathetic support reps. Adding extra resources to fix broken processes is also expensive and cannot be scaled efficiently as the company volumes and customer service activity grow.



Many support firms don't know how, or cannot muster the resources, to deploy and implement a system-wide knowledge-management tool. Even intelligent, well-trained support personnel cannot effectively sort through manuals and isolated databases manually. Human errors are inevitable, and when under pressure, even more errors occur. Paper-driven, tribal-knowledge efforts are not efficient and lead to mistakes.

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Holistic Approach Integrates People, Processes and Technology

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Almost 60% of organizations list "Improve Customer Satisfaction" as their primary objective for 2012.[3]

3. Aberdeen, January 2012, Customer Experience Management, Using the Power of Analytics to Optimize Customer Delight

To fully solve the challenges of optimizing the service supply chain and reducing service costs, a three-pronged, holistic approach consisting of the following components is required:

Trained resources inserted into service supply chain functions to properly handle triage, entitlement, low-level support, parts management, dispatch and incident management.

Designed by domain experts with the ability to identify and repair gaps so that customers in need of service are interacted with efficiently.



A knowledge-management platform integrated with any and all existing service supply chain input systems to provide personnel with accurate, up-to-date, and easy-to-interpret remediation guidance.

People resources

are an area sometimes overlooked by customer support firms in terms of inserting external resources into the customer service process to supplement and work with internal resources. In some cases, external resources can take the place of internal resources that might be more effective in other roles. For example if a team of Level III resources handles Level I and Level II incidents, it may make sense to replace them with external resources so they can focus only on escalated incidents.

Third-party resource providers who are specifically trained and specialize in functions such as entitlement, triage, parts ordering, and dispatch are of particular value in this context. By outsourcing in these areas, support firms can then focus their resources on high-level technical support and on-site support, both of which are likely to be core competencies of the in-house staff.

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OnProcess Technology develops true solutions to our clients' challenges using our combined strengths in People, Process & Technology as no other company can.

We start with deep subject matter expertise focused exclusively on the service supply chain. Supported by our proprietary technology platform, our strong data management and process methodology, optimal mix of proactive outreach technologies and media, and data-driven analytics and reporting, OnProcess Technology gives its clients unprecedented insights into their service supply chain operations and customer service experiences. With OnProcess, you'll be able to better plan your new product and service launches, make smarter and more efficient parts purchases and distributions, link all of your disparate systems, vendors and locations together to drive a fast, efficient and accurate service operation.

Service supply chain processes

designed by system experts are the next key component to optimizing customer service operations. This includes developing business rules for how to address customer issues from the moment they purchase a product until they stop using the product. Firms must evaluate the way in which their communication systems as well as their support personnel manage customer incidents as they progress through the phone system, e-mail, online portals, and in-person visits.



Firms must also evaluate the checklists and forms in use as well as the rules for how customers are handed off as incidents progress from entitlement to triage, technical support, parts ordering, dispatch, and finally to on-site service. System experts can evaluate every step, technological component, and process to identify gaps and recommend how to close those gaps. Without an airtight process, the best technology in the world will not eliminate the gaps.

Finally, the incorporation of sophisticated analytics can be a powerful tool—providing key insights as well as a cycle of continuous learning and bringing improvement to even the best processes.

Specialized knowledge management technology

creates the ability to provide customer support personnel with the information they need to efficiently solve customer product issues. In some cases, the technology can also make information available to customers to increase their capacity for self-service.

Leading systems have the ability to compile all available information on customers, products, incidents, parts, and service history into a single repository that can be easily mined when solving customer issues. The same repository can also store supporting documents such as white papers, engineering diagrams and tribal knowledge.

By sharing all historical information, each person in the customer support supply chain (including customers) can more easily resolve issues as they tap into the rich wealth of information generated by support personnel that previously faced the same situation. Each case can be quickly diagnosed against similar historical case-types and corrected with the proper remedy.

For incidents that customers cannot resolve on their own, personnel that handle triage, entitlement and Level I support can resolve many issues previously assigned to Level II and Level III personnel. This occurs simply because the knowledge management database allows them tap into past remedies applied by senior support personnel.

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The Benefits of Service Chain Optimization Through OnProcess

To take on the challenge of optimizing the service supply chain, many OEMs as well as large retailers, product distributors and third-party support firms have turned to OnProcess Technology—a solution provider that offers all three service supply chain optimization components: People, Process and Technology.



By bundling the people who offer specific service supply chain expertise with process proficiency and specialized knowledge-management technology, OnProcess provides a complete end-to-end solution. This combination gives businesses the ability to embrace customer service as a business unit that delivers several key benefits:

Key Benefits

- **Lower operational service costs and reduced number of service-related touch points**
- **Higher customer satisfaction, loyalty and service revenues**
- **Greater service-contract renewal rates and new product purchases**
- **Reduction of inventory capital cost and exposure**
- **Increased service delivery fill rates and incident resolution rates**

Hosted vs. On-Premise Enterprise Software

OnProcess further differentiates its service supply chain optimization solutions by offering hosted knowledge management applications that feature systems-agnostic technology. By adopting the hosted approach rather than deploying on-premise enterprise software, service organizations significantly decrease their upfront costs and the time it takes to bring their optimized service supply chain system to market. The hosted service also eliminates the need to hire IT resources to support the solution's hardware systems and streamlines the process to apply software updates as well as adapt to changes in vendors, systems, and service supply chain partners.

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How Do Your Service Supply Chain Operations Measure Up?

According to Aberdeen in its January 2012 report—Customer Experience Management, Using the Power of Analytics to Optimize Customer Delight—best-in-class businesses achieve these levels of success within their customer service supply chain operations:

- **82%** customer retention rate
- **34.7%** average year-over-year improvement in response to customer inquiries
- **21.4%** average year-over-year increase in customer lifetime value
- **19.8%** average year-over-year increase in customer satisfaction[4]

4. Aberdeen, January 2012, Customer Experience Management, Using the Power of Analytics to Optimize Customer Delight

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Real-World Service Supply Chain Optimization Case Studies

> "The client acquired OnProcess expertise—including best practices and customer knowledge—to ensure a smooth transition for the customer base."

Case Study
Seamlessly Combining Two Complex Service Operations

Following are two examples of manufacturers that turned to OnProcess Technology for its comprehensive, cross-functional approach that combines People, Process and Technology. Both companies addressed their challenges without huge up-front investments. They also avoided the inefficiencies of point solutions and utilizing scarce personnel resources.

CASE STUDY #1

Seamlessly Combining Two Complex Service Operations

The Challenge:

A leading carrier-class network equipment provider purchased a former competitor's fiber-optic network line of business. The company needed to integrate all products, services, support and systems (such as CRMs and operating systems) while maintaining high service levels for the combined global client bases.

The Solution—People, Process & Technology:

The client acquired OnProcess expertise—including best practices and customer knowledge—to ensure a smooth transition for the customer base. OnProcess subject-matter experts provided services to support the operation, including transitioning team members from the acquired company. Additional services included contracting, substituting parts, and vendor management. OnProcess stabilized information flows, incorporated optimization opportunities and best practices. This enabled in-depth reporting and analysis that provided real-time visibility into all aspects of the service operation, which in turn facilitated continuous improvement.

The Results:

OnProcess successfully and seamlessly transitioned support for the acquired product line while continuing to drive process improvements and effectiveness. The solution achieved service levels of 99.8% against the target SLA of 98%, and the total effort resulted in measurably higher customer satisfaction rates. The client was so impressed with the results that it presented OnProcess with its award for service innovation.

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> “The client “didn’t know what it didn’t know.” As experts in optimizing service supply chain operations, OnProcess utilized its best-practice knowledge to comprehensively analyze and revamp the client’s entire dispatch process.”

Case Study
Automating Information Flows from Disparate Systems to Improve Customer Service

CASE STUDY #2

Automating Information Flows from Disparate Systems to Improve Customer Service

The Challenge:

This client, a leading storage system manufacturer, was hampered by a service operation consisting of disparate, highly-manual, service-delivery processes. The company also had no visibility into missed service levels and operated under significant IT-related constraints. Existing resources were not prioritized on dispatch/logistics and as a result, the company did not meet its SLAs.

The Solution—People, Process & Technology:

The client “didn’t know what it didn’t know.” As experts in optimizing service supply chain operations, OnProcess utilized its best-practice knowledge to comprehensively analyze and revamp the client’s entire dispatch process. OnProcess also on-boarded new and existing staff, stabilized the operation, and subsequently optimized operations through improved processes and procedures. A core component of the optimization was the deployment of the OnProcess customized, cloud-based technology system—which automated diverse information flows. OnProcess also eliminated most swivel seating and manual touches, which allowed the staff to focus on escalations and exceptions.

The Results:

The changes significantly simplified information flows, reduced error rates, lowered transactional costs, and improved SLA compliance. Support personnel gained access to real-time data, enabling them to improve overall customer experiences.

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Nearly 40% of organizations did not meet their 2011 customer satisfaction and retention goals; nearly 50% did not meet their goals for field-service productivity, revenue, or cost.[5]

5. Aberdeen, January 2012, Customer Experience Management, Using the Power of Analytics to Optimize Customer Delight

Success Predicated on Integration of All Three Optimization Components

The OnProcess solution in both of these case studies included all three components of a successful service optimization process:

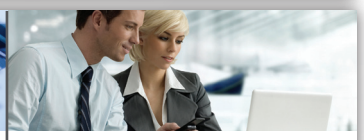
Successful Service Optimization Process



Introduction of dedicated service supply chain personnel from OnProcess to complement and supplement existing headcount.



Complete, cross-functional analysis and process solution from OnProcess subject-matter experts working closely with client-side functional management.



Customization and introduction of the OnProcess system-agnostic, hosted software platform—programmed to handle the wide variety of required information and communication flows, with a minimum of manual touches.

Optimize Service to Differentiate from Competition



Streamlining customer service operations—to both reduce operational costs and increase customer satisfaction—is now mandatory for OEMs, large consumer electronics retailers, distributors, third-party support providers and all other businesses with customer service operations. Doing so enables firms to maintain market share and surpass the level of service provided by competitors.

Without effective system management, costs will soar and profits will shrink. Today's customers have ever-higher expectations for service quality, and if superior customer service is not delivered, they will take their business elsewhere. Given today's global economy and fiercely competitive markets, businesses simply must meet the challenge.

Answering the challenge requires a comprehensive approach—addressing the People, the Processes, and the Technology to truly enable optimal customer service that lowers operational costs and raises customer satisfaction. Without all three integrated components, full optimization cannot be realized.

Companies that take this approach to their service delivery operations will enable recurring profits through renewed service contracts while also reducing the costs of service and parts. This in turn will increase customer loyalty and further differentiate these companies from the competition.

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> "As more OEM's narrow their focus on core products they need a solid partner like OnProcess to take over their aftermarket product and customer service functions with no dip in the customer experience. OnProcess is well positioned in this "sweet spot" as evidenced by their growing list of clients."
>
> **Dr. Bruce C. Arntzen,**
> Executive Director, MIT Supply Chain Management Program, MIT Center for Transportation & Logistics

For more information on how OnProcess can help optimize your service supply chain operations, contact our corporate sales team at 508.623.0810 or sales@onprocess.com, or visit www.onprocess.com.

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