

View Point



Leveraging After-sales Service to Gain Competitive Advantage

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Abstract

A reliable and efficient after-sales service setup not only helps manufacturers create differentiation and generate customer loyalty, but it is also a sustainable source of profits. However, to transform the after-sales service business into a thriving profit center in today's environment, the manufacturer must overcome several challenges in areas such as proactive service management, analytics and knowledge management capabilities, field service management and service process outsourcing.

This paper describes how these challenges can be met with the enabling support of optimized processes and technology.



Introduction

Manufacturing organizations are facing intense competition and heightened customer expectations as they sharpen their focus on differentiation. In such a scenario, after-sales service is a significant area of opportunity - providing top-of-the-line service not only helps the manufacturing organization shore up the bottom line but it also helps gain and retain customers, thus helping sustain business.

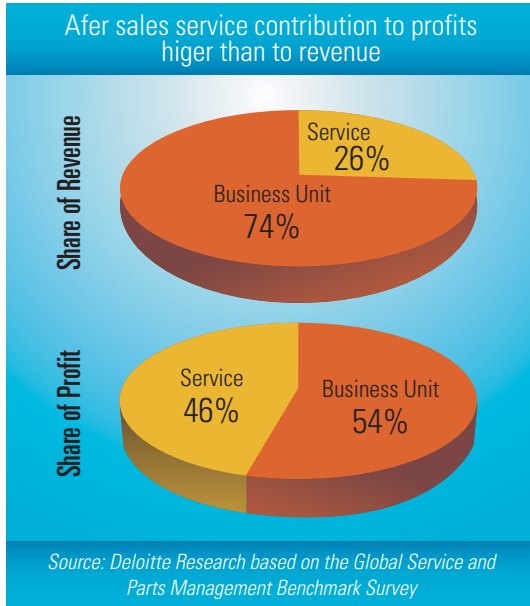
Historically, service-based revenues garnered by original equipment manufacturers (OEMs) have been minimal. However, after-sales service is now recognized as a high-profit business area for manufacturing companies as revenues gained from it gather momentum. This transformation brings with it a new set of challenges. Not only must the manufacturing organization be proactive in gauging customer expectations and understand product performance but it must also assimilate and leverage organizational learning and adapt to a next-generation business model.

This paper examines how these challenges can be addressed through better enablement of appropriate technology. It prescribes that OEMs can convert these challenges into opportunities that deliver growth and create differentiation by focusing on four areas - asset visibility, IT-enabled knowledge management, technology enablement of field service, and re-engineering the IT landscape.

Service-driven profit: The New Paradigm

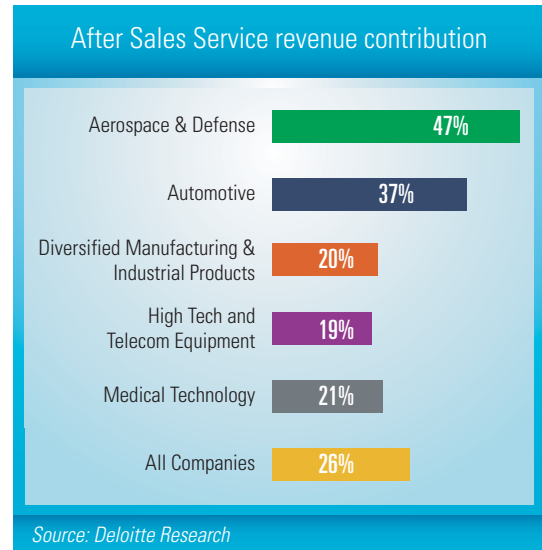
Manufacturers are increasingly realizing that exceptional after-sales service through the product's life cycle would help the organization connect better with customers and drive profits.

Fig 1: Share of after-sales service in revenue and profit¹



A survey of 80 manufacturers conducted by Deloitte Consulting revealed that while after-sales service contributed to about 26 percent of revenues; it held a 46 percent share in terms of profits, underlining the fact that the after-sales service business is highly profitable. Moreover, in high-tech industries like Aerospace & Defense (A&D), the revenue from after-sales service was as high as 47 percent.

Fig 2: Sector-wise aftersales revenue share²



OEMs understand that in the current market not only is a robust after-sales service program a profitable business, but it also acts as a strong competitive differentiator. With expectations from after-sales service rising and customers sharing their service experience with an active online community of consumers, manufacturers need to provide best-in-class after-sales service. This can help manufacturers forge long-term relationships with the discerning customer, helping them stand out from the crowd.

“ Predictive analytics enables manufacturers to take a proactive step in examining what is likely to happen, and to make more timely decisions and take incisive action to rectify potential business problems before they hurt the company's bottom line.

SPSS: an IBM Company³

“ ‘Best practice’ companies distinguish themselves in several categories, one of which is the business process behind their service management. One process that is specifically mentioned is the ability to update work orders and contracts and reconcile invoices in the field. Typically effective managing and delivery of service parts accounts for 20 to 30 percent of revenue.

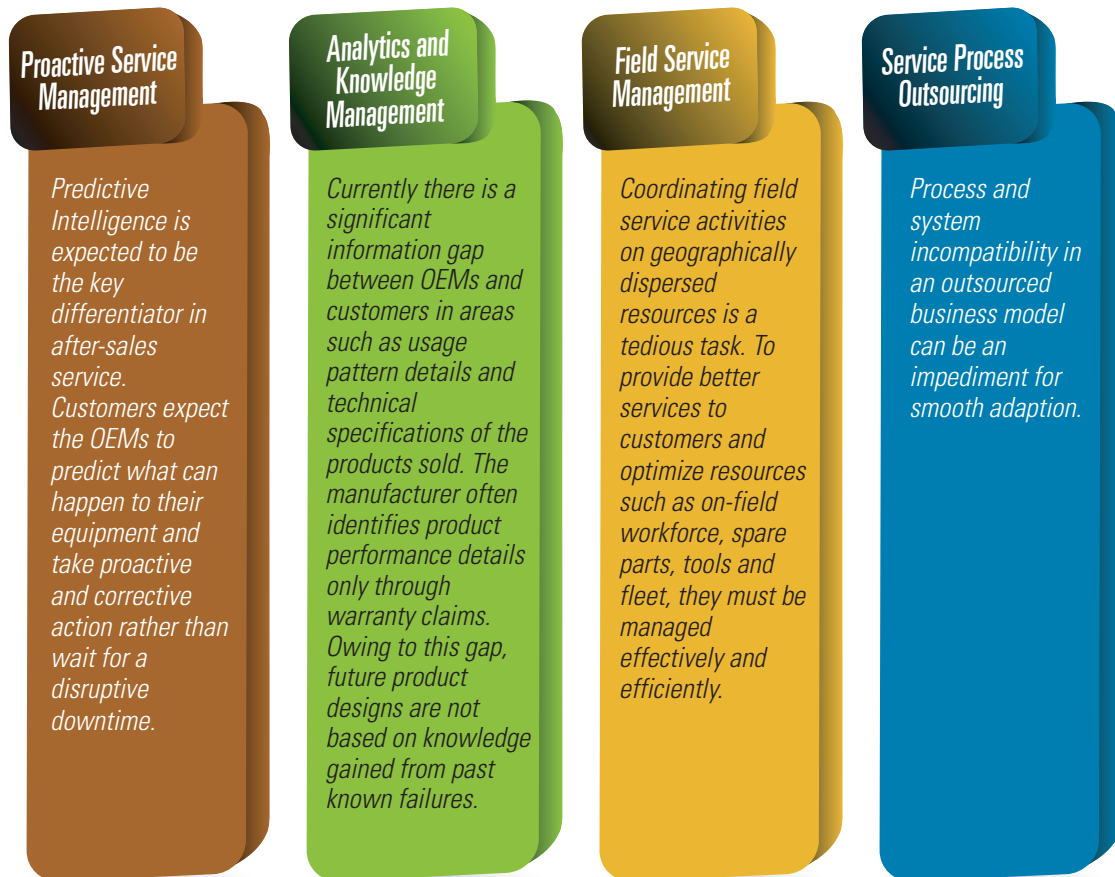
Aberdeen Group Report⁴

What are the analysts saying?

Challenges in after-sales service

While excellence in after-sales service is a source of sustainable competitive advantage, enabling such an after-sales framework can be a complex endeavor fraught with challenges.

Fig 3: Challenges in after-sales service



Next-generation After-sales Service - The Infosys Prescription

The challenges inherent to building a profitable after-sales service business can be overcome by streamlining processes and optimizing technology. Manufacturers need end-to-end visibility, superior analytics, and seamless field coordination to enable proactive decision-making and dynamic service support. Compatible systems between the service provider and the OEM are also essential.

Proactive Service Management

Manufacturers require a technology-enabled asset tracking mechanism right from the time the asset leaves their premises. This helps OEMs ensure real-time monitoring of equipment performance. A malfunction can trigger appropriate alerts, which, in turn, allows preventive maintenance, thus tackling a problem before it assumes disruptive dimensions.

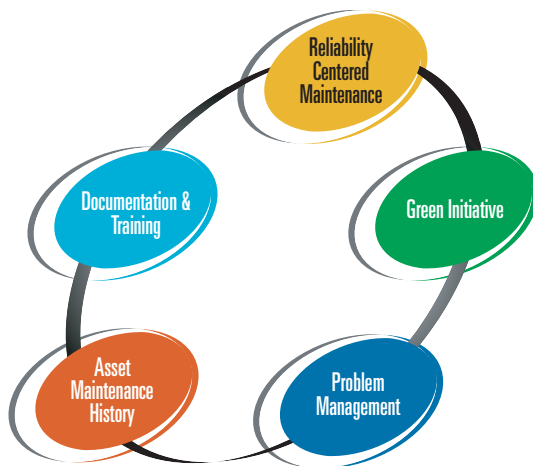
Fig 4: Proactive Service Management



Superior Analytics and Knowledge Management

As the saying goes, 'What cannot be measured cannot be improved'. In order to provide world-class after-sales service, the service provider or OEM needs to have a mechanism to collect relevant transactional data and a system to interpret the data. This data can extend across areas such as maintenance cost, energy utilization, failure patterns, and past corrective actions. Manufacturers also need an effective knowledge management system that accrues information as accessible and actionable insights, thus enabling agility in decision-making.

Fig 5: Knowledge Management



Seamless Field Service Management

The biggest challenge in field service management is to provide the best customer service. This requires proper planning, scheduling and coordination with people, processes and information so that the field technician has the information required to resolve the issue at the first instance.

Fig 6: Field Service Management



A technology-enabled field service management solution supported with mobility and GPS tracking can help achieve these goals. The solution can help:

- Provide effective and quick responses to customers' service-related issues
- Improve service quality by providing the latest updates to service technicians
- Intelligently schedule the service requests, and enable effective management of labor, spare parts and tools
- Seamlessly integrate field service management with the organization's back-end systems
- Ensure accuracy and timeliness of data for compliance reporting
- Leverage GPS/Mobility to help on-field technicians provide support to customer calls, log work completion details, report actuals in terms of labor and service parts used, and report expenses

In addition, field service personnel can provide warranty information to the customers based on technology-enabled warranty tracking.

Integrated Service Process Outsourcing

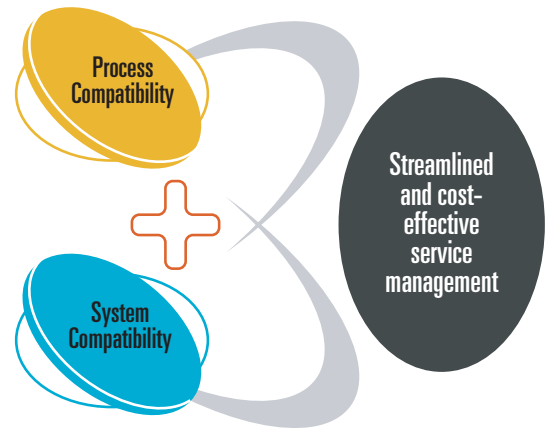
Outsourcing is an effective tool in containing costs and securing process efficacy. However, if improperly implemented, it can be a drain and not a benefit.

The service provider must have strong process and system compatibility with the OEM.

The business process and Standard Operating Procedures (SOP) followed by the service provider need to be compatible with those followed by the OEM. Moreover, the end-user experience needs to be the same irrespective of who actually provides the service. The role of contracts and the contract management process becomes significant in this context.

The provider's system and IT landscape must seamlessly communicate with the OEM's to avoid data redundancy and data integrity issues and their CRM systems must be integrated tightly.

Fig 7: Service Process Outsourcing



Conclusion

After-sales service is fast emerging as a competitive differentiating factor and a high profit driver. However, manufacturers must meet exceptional after-sales service levels if they are to capitalize on the opportunities offered.

This requires a focus on four themes - asset visibility, IT-enabled knowledge management, technology enablement of field service, and re-engineering the IT landscape to handle the new business model. Such an exercise can help manufacturers leverage their after-sales service setup to yield measurable returns in customer loyalty and profits.

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