Service Excellence Study 2014

Executive Report

European **S**ervice **I**nstitute

December 2014

Key Insights 1/2

Study findings

I. New technologies and software are seen as big possibilities in services

Over 50% of the companies have established projects in terms of service innovations. Nevertheless the reinvestment in new services is less than in new products.

II. Service sales

The study shows that the investment in service sales and the increase of the service contract penetration is well worth.

III. First-level support in office-based service

The first fix rate in the service area fluctuates strongly. A case that can be solved immediately in the office-based service and does not require multiple processing is on average ten times cheaper than a case that can not be solved during the first contact. In addition, the customer satisfaction is higher if help can be provided immediately.

Key Insights 2/2

Study findings

IV. Shift towards remote service

If a service case is being solved by the office-based service staff, considerable costs can be saved. A well-positioned remote service reduces the costs and enables a quicker remedy of the disturbance.

V. Self service

In self service cases the customers are being enabled to help themselves; these cases are the most favourable ones, cost-wise and result in high customer satisfaction. Companies with a thought-out self service strategy achieve very high service margins.

VI. Service contract

Companies offer discounts for service contract renewals too quickly. These discounts burden the total margin. 60% of the companies base the discount of their service contracts on the product price and not on the customers' willingness to pay. Thereby market potential and added value is given away.

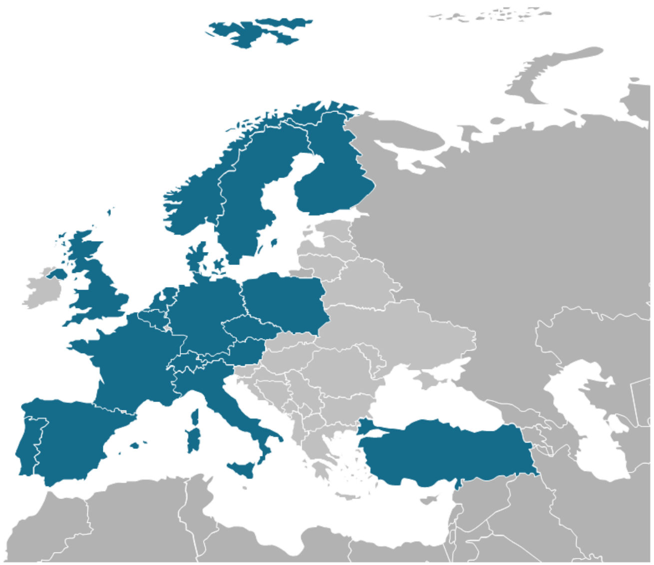
Location of the Service Units of the Participating Companies

Various nations are represented in this study.

Country	Participants
Germany	62%
Spain	38%
France	27%
Sweden	24%
Switzerland	24%
UK	24%
Netherlands	22%
Italy	19%
Austria	19%
Belgium	17%

Country	Participants
Poland	14%
Czech Republic	14%
Finland	14%
Turkey	13%
Denmark	11%
Portugal	10%
Norway	10%
USA	9%
Other	22%

= Asia, Australia, VAE, other European country, worldwide (5)

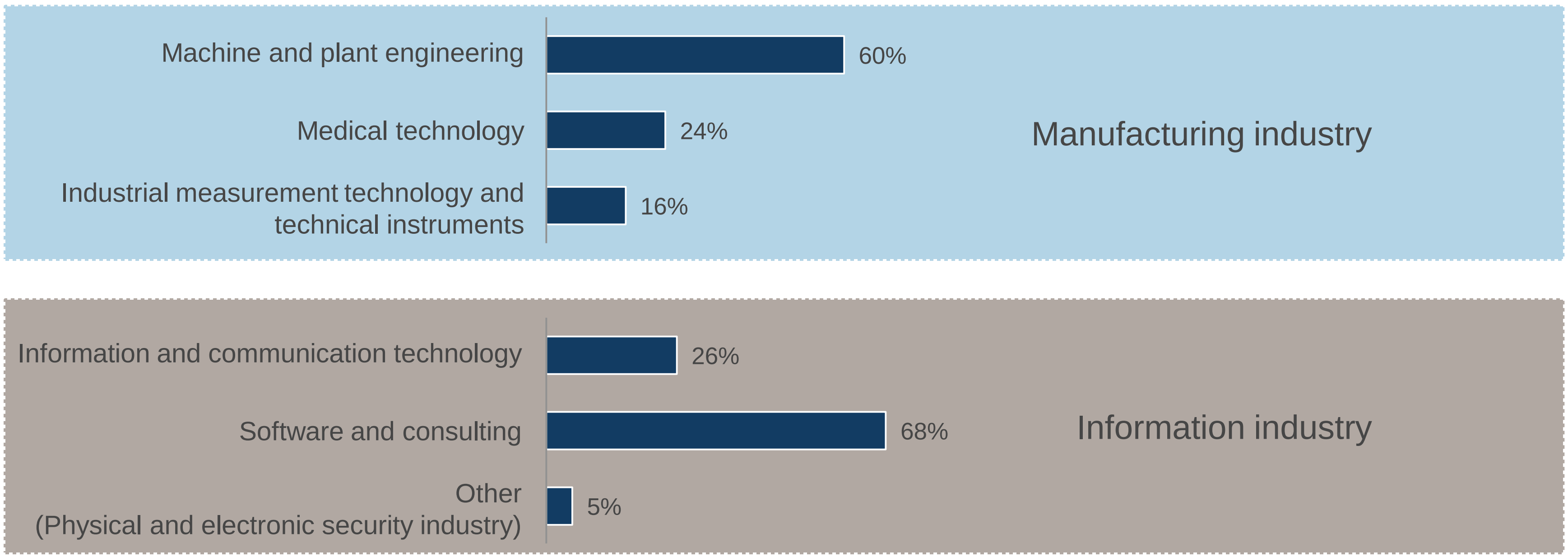


(Multiple responses)

The majority of the service units of the participating companies is located in Germany.

Industry Sectors of the Participating Companies

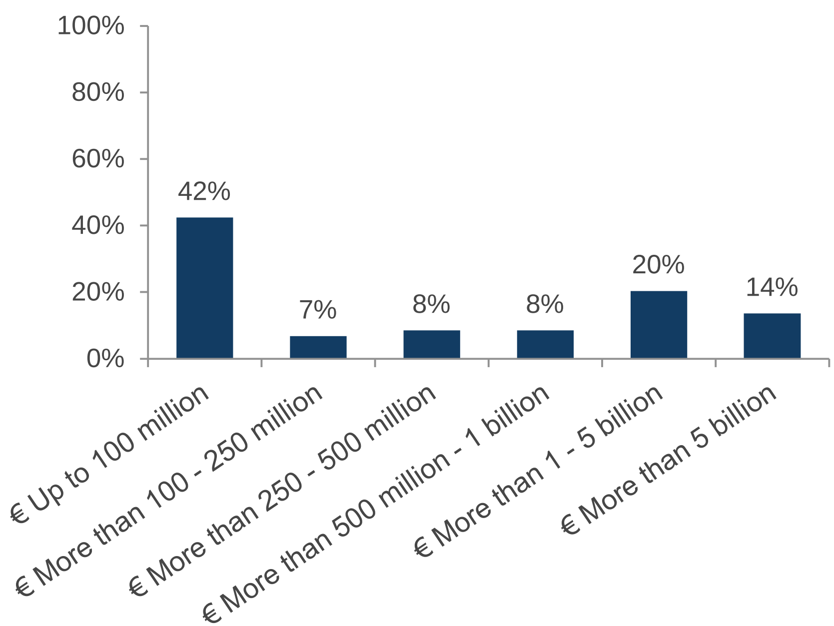
Various industries are represented in this study.



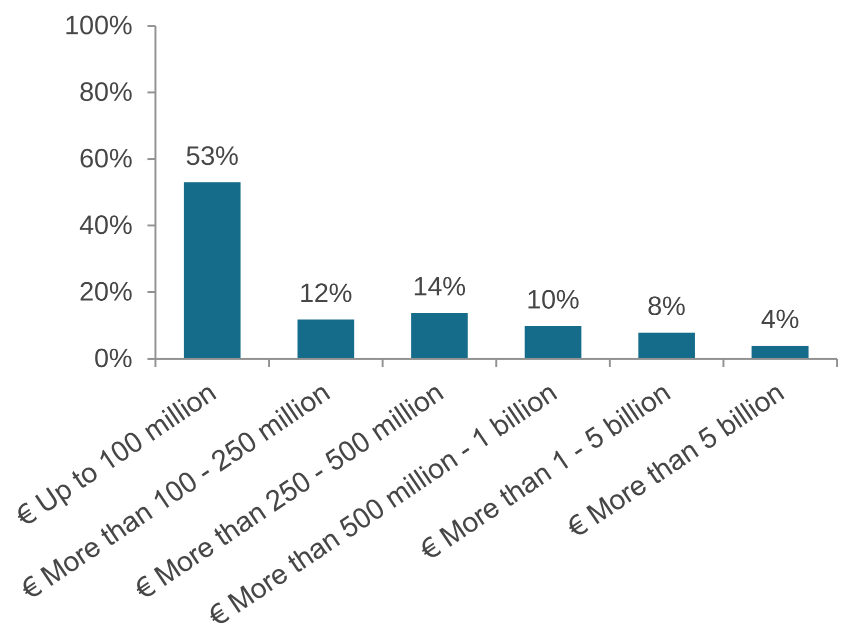
Annual Revenue of the Company and Business Unit

Companies with varying amounts of revenues are represented in this study.

Revenue of company



Revenue of business unit

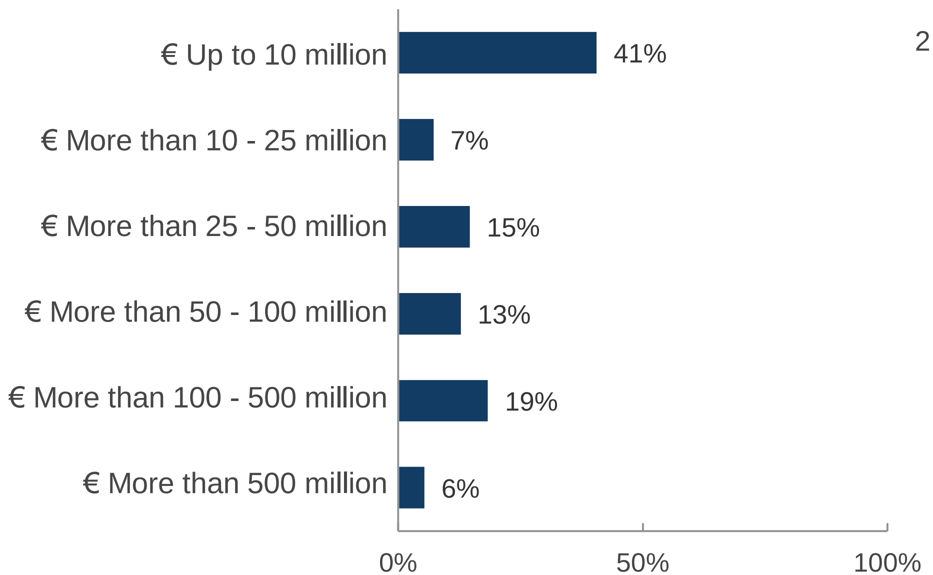


The majority of the participating companies are small medium enterprises and earn an annual revenue of up to 100 million Euro.

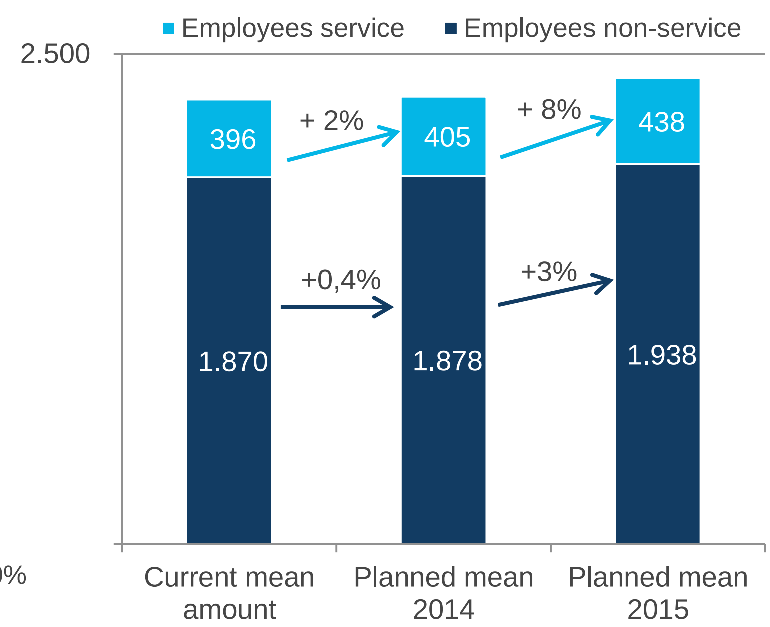
Annual Revenue of the Service Unit and Employees

Companies with varying amounts of service revenues are represented in this study.

Revenue of service



Employees

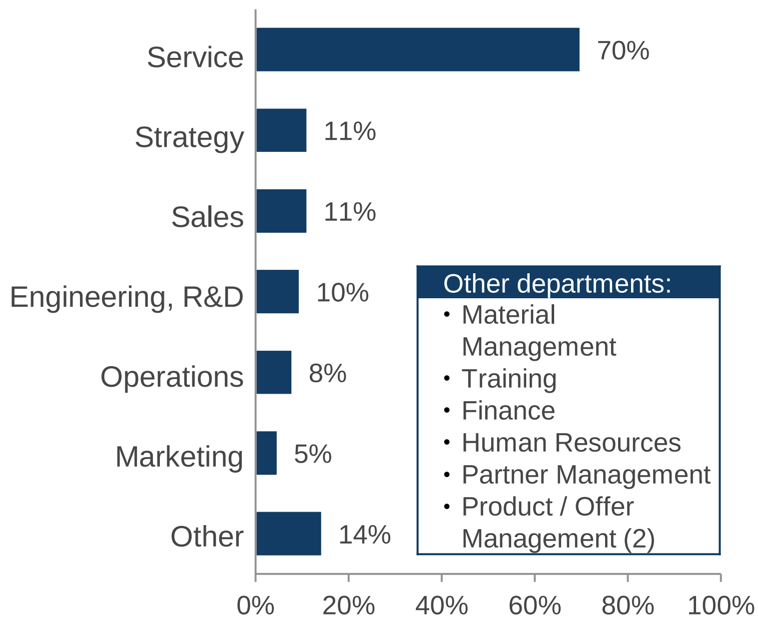


The service organizations will grow by 8% by end of the year 2015. The overall company staff will grow by 3%.

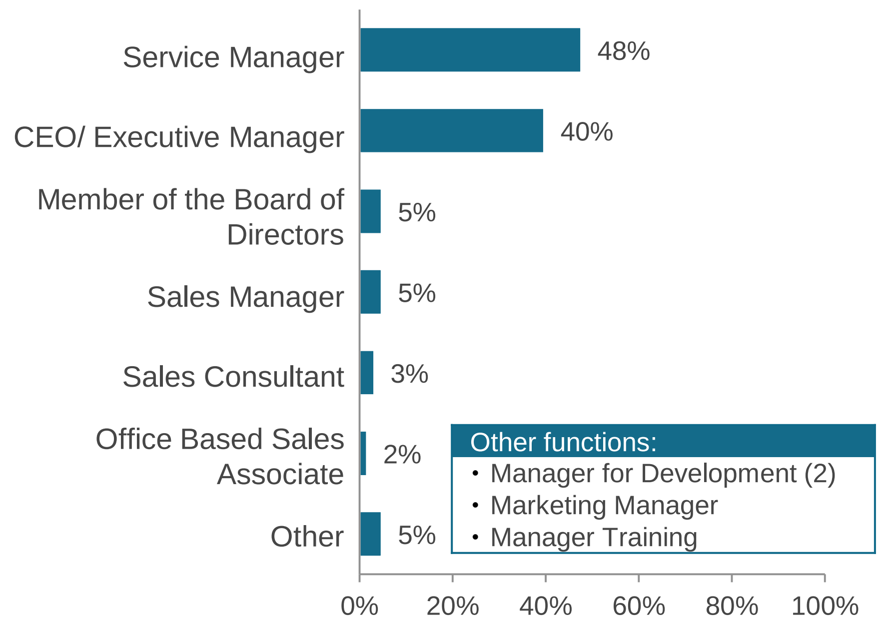
Department and Function of the Interviewee

Various department types and job functions are represented in this study.

Department



Function

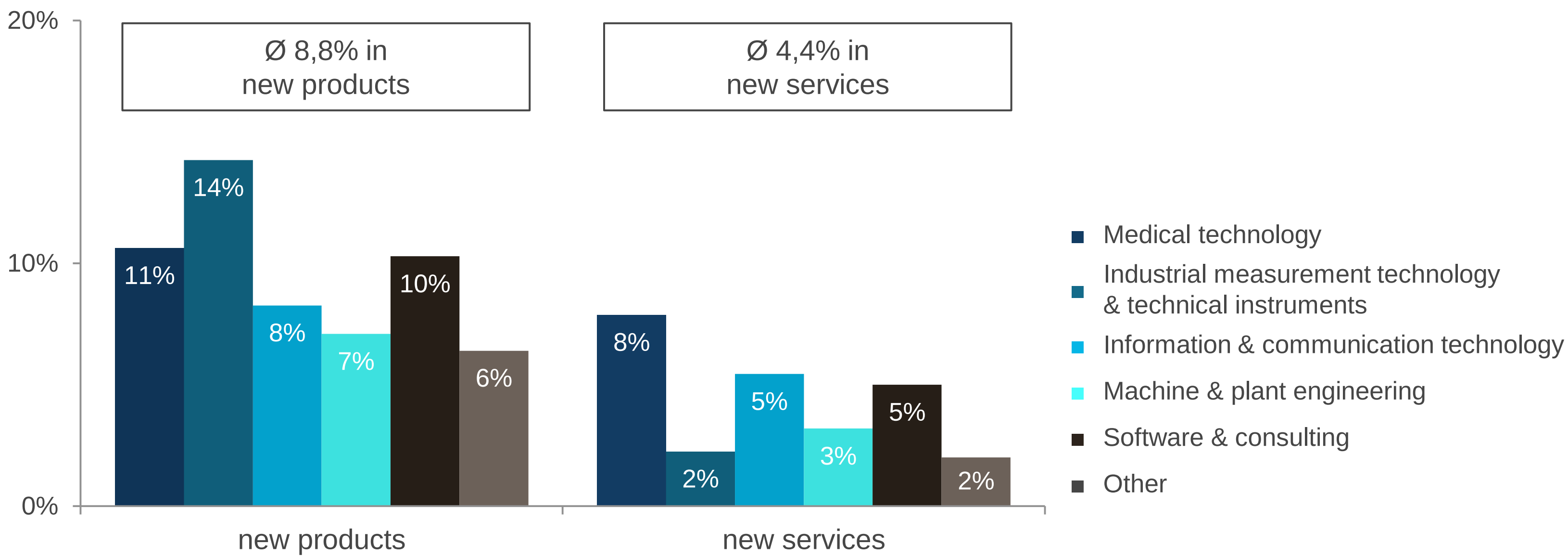


The main participants are working in the service and executive management.

Annual Investment of Revenue in New Services and Products

In all industries companies invest about 3-5% less into new services than into new products. Only in industrial measurement technology and technical instruments is a huge gap (14% products / 2% services).

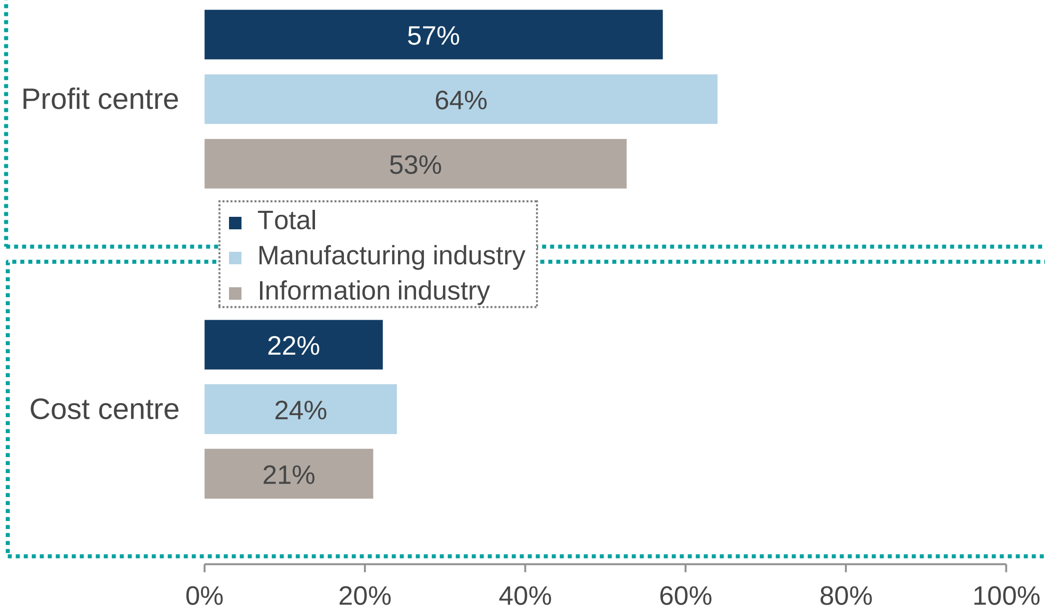
Invest into new products and services



While the service business is 2,5x more profitable than the product business, investment in new services is half as high.

Organisation of Service Departments

Most service departments are organized as profit centres. The ratio between manufacturing and information industries does not differ significantly.



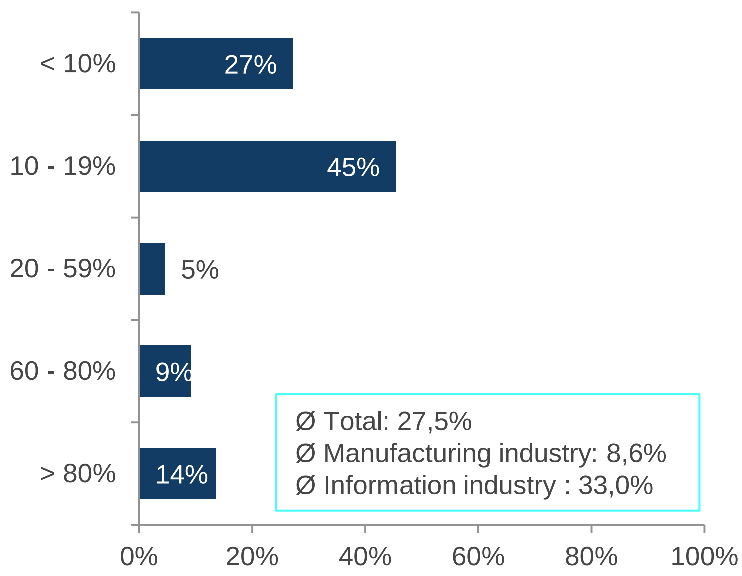
Profit centre organization	n=
• Independent/ stand alone business unit within the company	13
• Pure service company	4
• No specific description	3

Cost centre organization	n=
• Covered by service contracts	2
• No separate profit charge	2
• Costs for installation and warranty	2
• No specific description	2

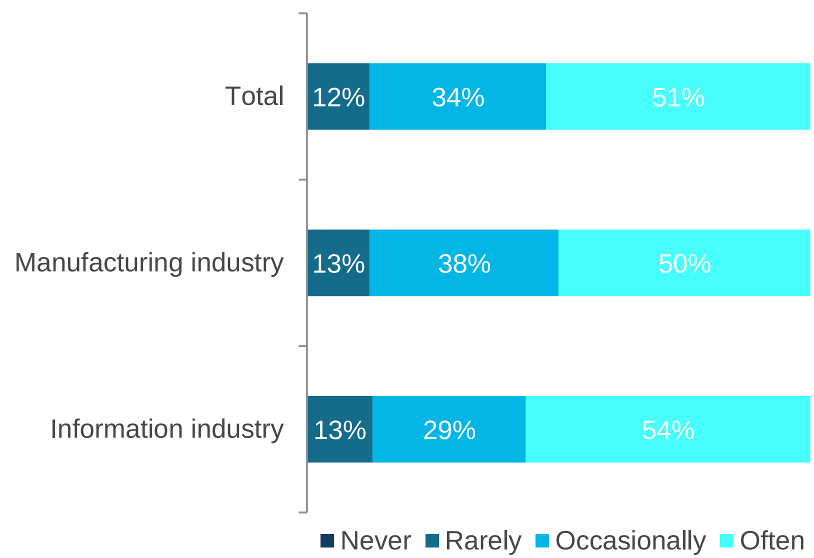
Service Cases for Non-Original Products & Incidents

One in three requests in the information industry is related to non-original products. Both industries perform half of their services for non-original incidents.

Share of requests for non-original products



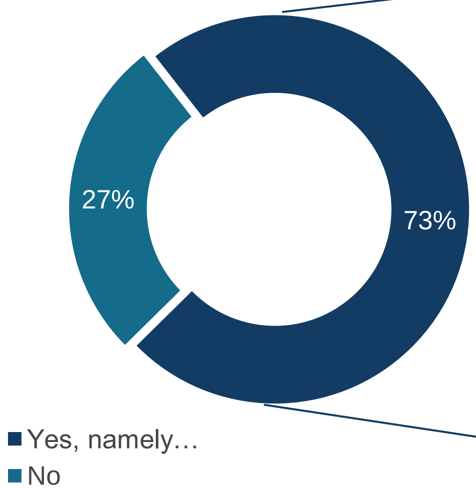
Occurance of non-original incidents



Standardized Core Process

Almost 3/4 of all participating companies have standardized core processes.

Percentage of companies who implemented a standardized core process

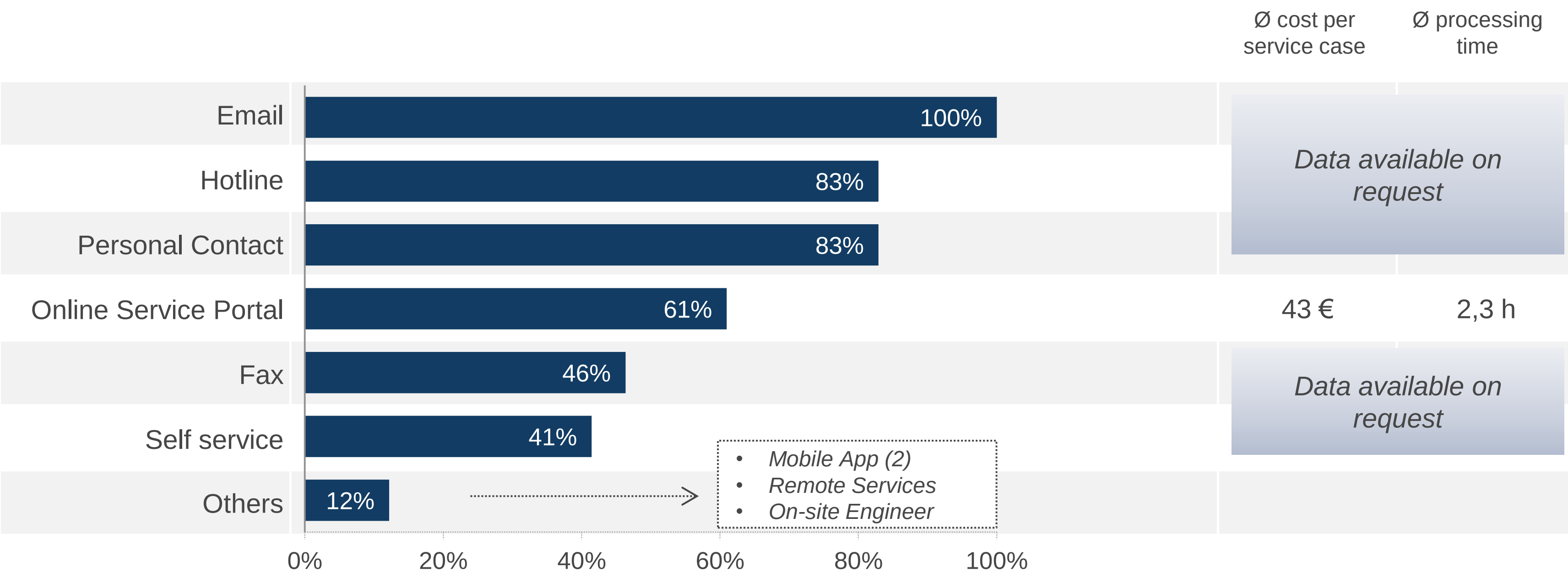


Core Process	n=
• Internal defined standard process	16
• ISO certified	4
• Process dependant from respective product	2
• Process L1-L2-L3	2
• ITIL	2
• On-site	1
• DTS Technical Service Documents	1
• Service Level Agreement	1
• Support Enquiry SOP	1

Service Touch Points

Only few offer a self service or an online service portal, although those channels would involve comparatively less costs than hotlines or personal contact.

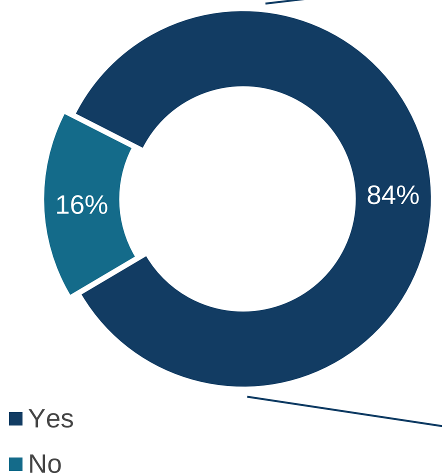
Provided communication channels



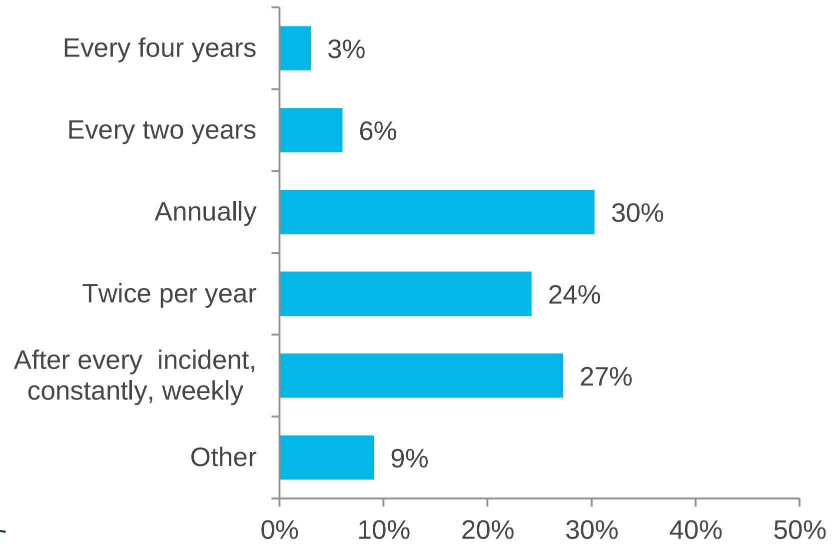
Customer Satisfaction Measurement and Management

The vast majority regularly conducts customer satisfaction surveys, more than 50% at least once a year.

Percentage of regularly conducted customer satisfaction surveys



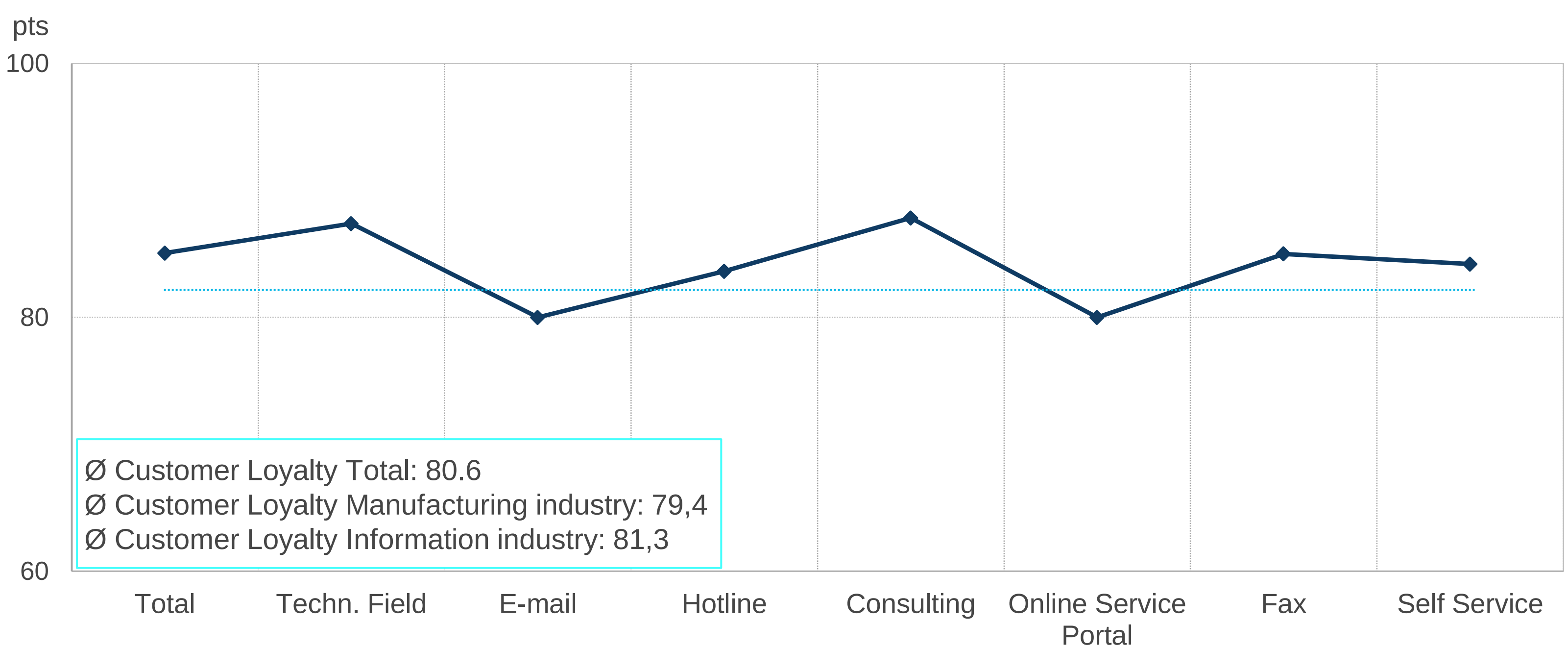
Frequency of surveys



Customer Satisfaction Measurement and Management

Customer satisfaction rates lie between 80 (E-mail) and 88 (Consulting) points on an overall high level.

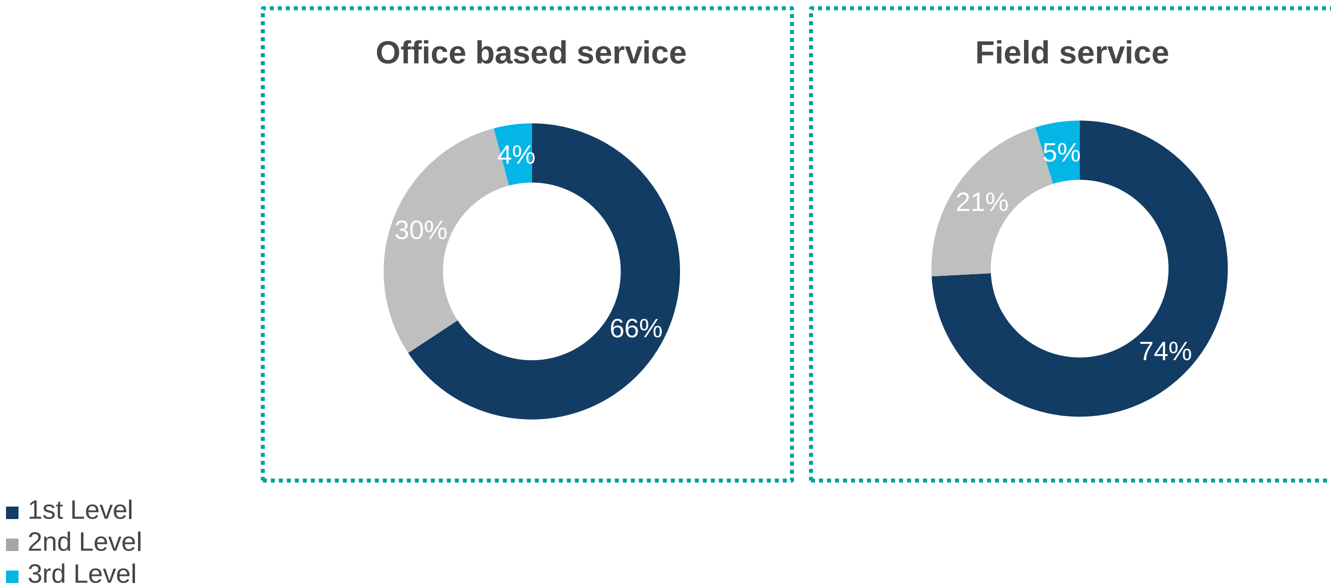
Customer satisfaction and customer loyalty



Percentage of Service Cases by Support Level and Area

1st level support constitutes 2/3 to 3/4 of the service cases in all areas.

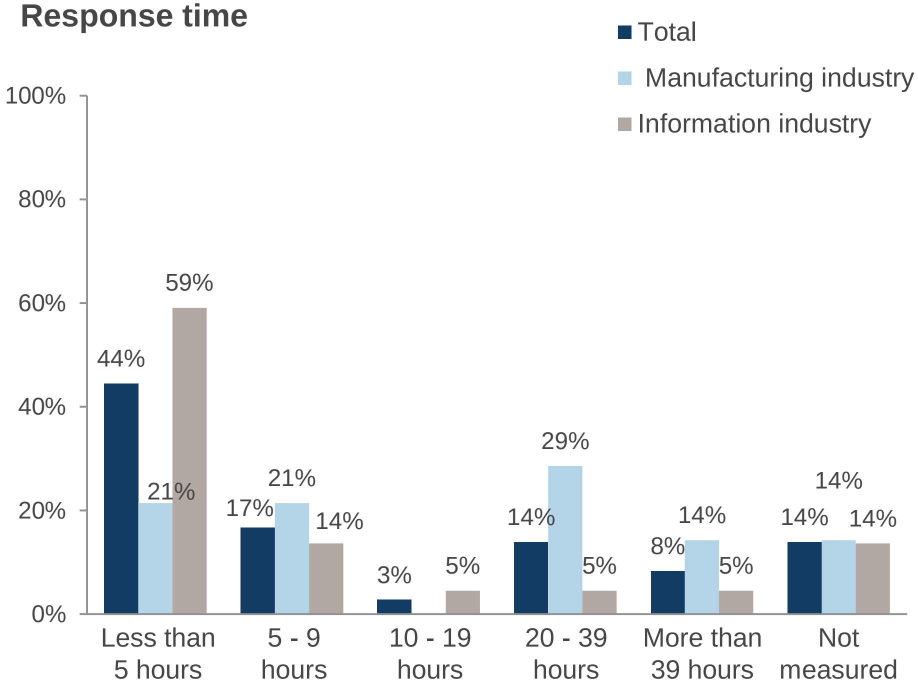
Service cases per support level



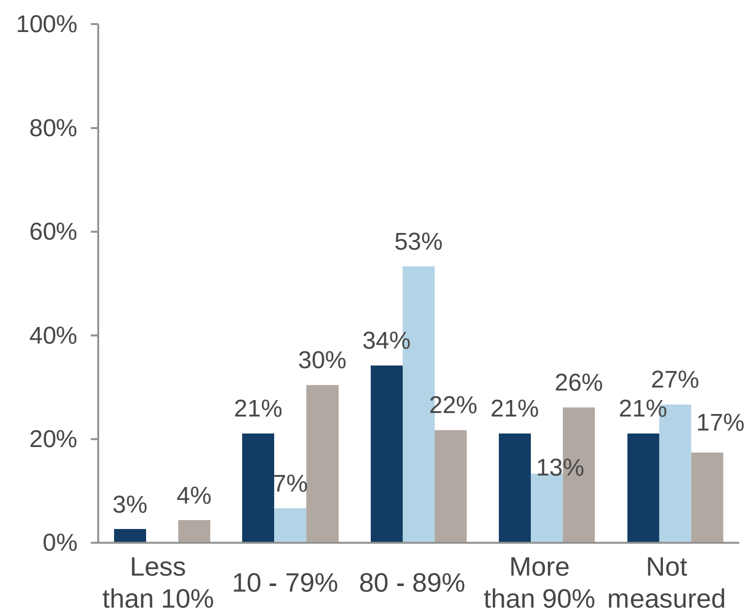
Technical Field Service

It takes the field service in manufacturing industry remarkably longer to be on site than in information industry. In both industries a relatively high first fix done rate can be achieved.

Response time



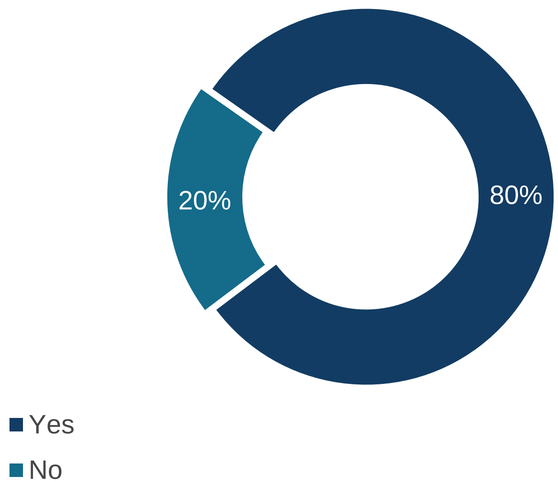
First fix done rate



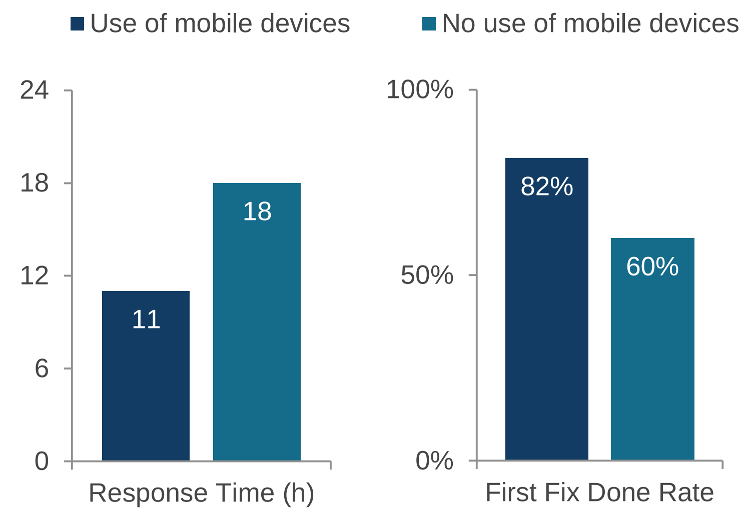
Technical Field Service

80% of technical field service is equipped with mobile devices.

Percentage of technical field service equipped with mobile devices



Average response time & first fix done rate in context with usage of mobile devices

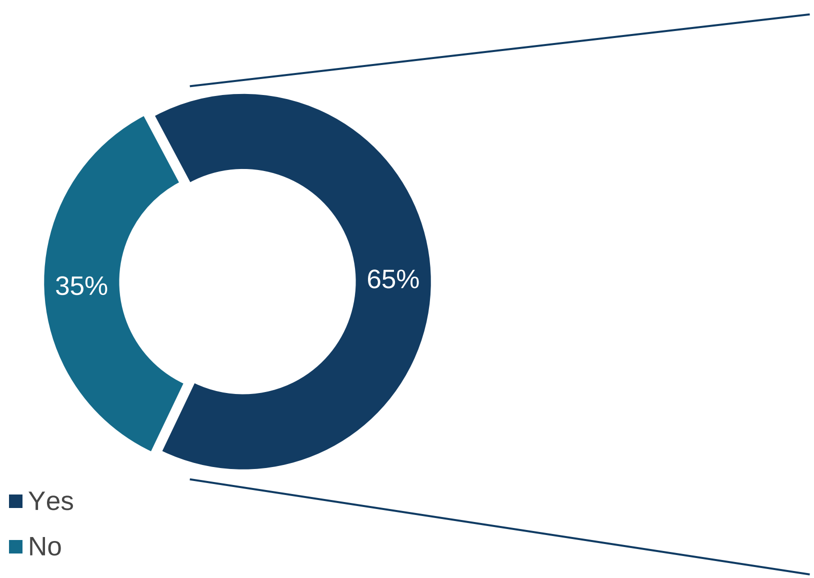


Mobile devices help the technical field service on-site to be faster and to resolve the service case better.

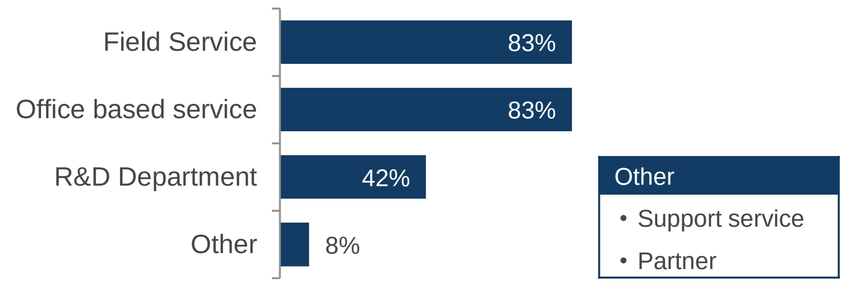
Knowledge Management

2/3 use a knowledge management system in their company. Content is mostly generated by field and office based employees. Few provide incentives for system entries.

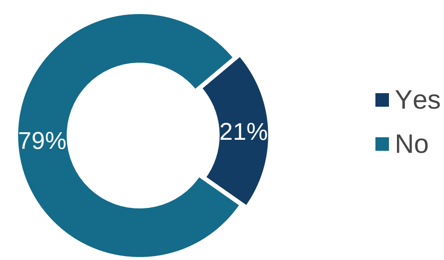
Percentage of knowledge management systems



Employees generating content



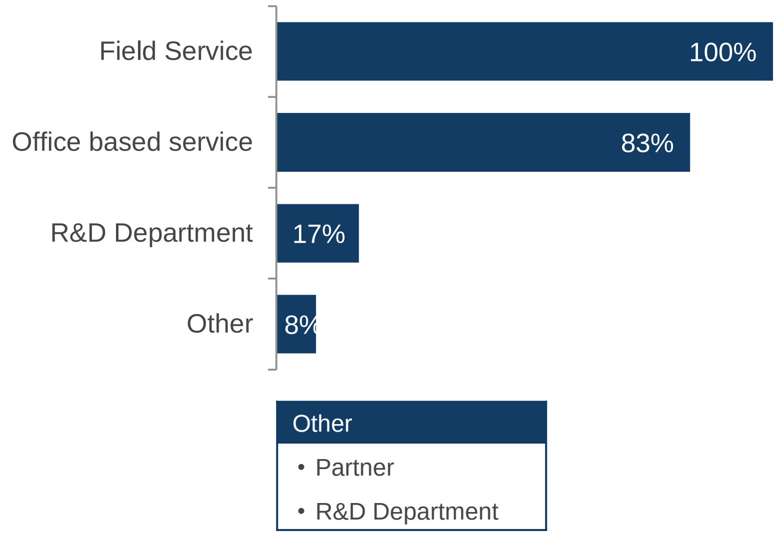
Percentage of provided incentives



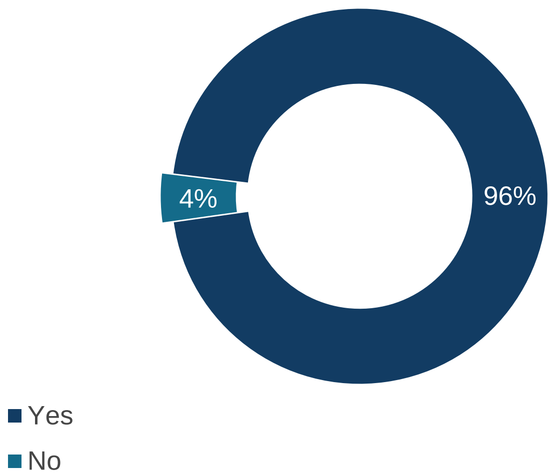
Knowledge Management

All field service employees have access to the knowledge management systems. Almost all via remote service.

Employees with access to knowledge management system



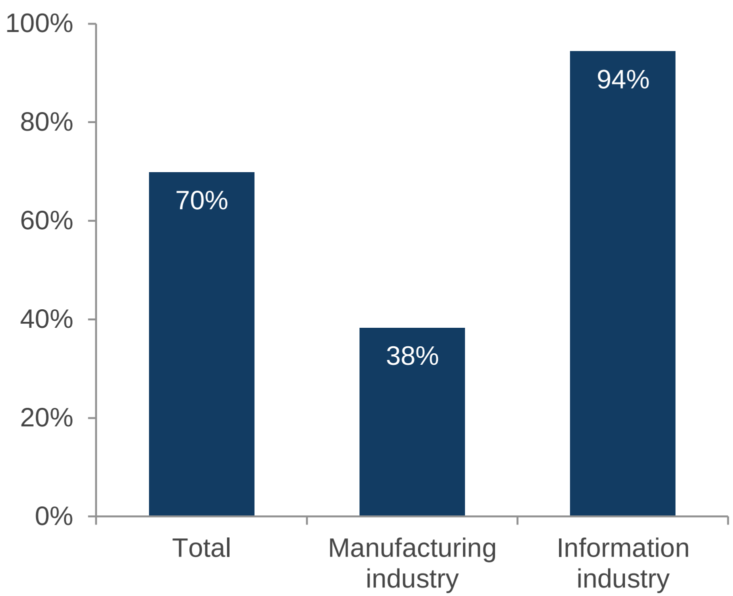
Percentage of field service employees equipped with remote access



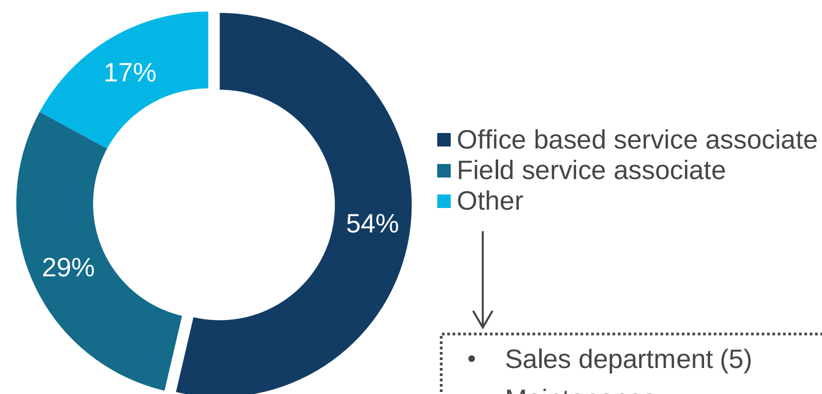
Service Contract Penetration

The ratio regarding contract penetration between closed service contracts and sold products is on average approximately 5 to 8.

Average contract penetration in new business
(closed service contracts compared to sold products)



Responsibility for contract extensions



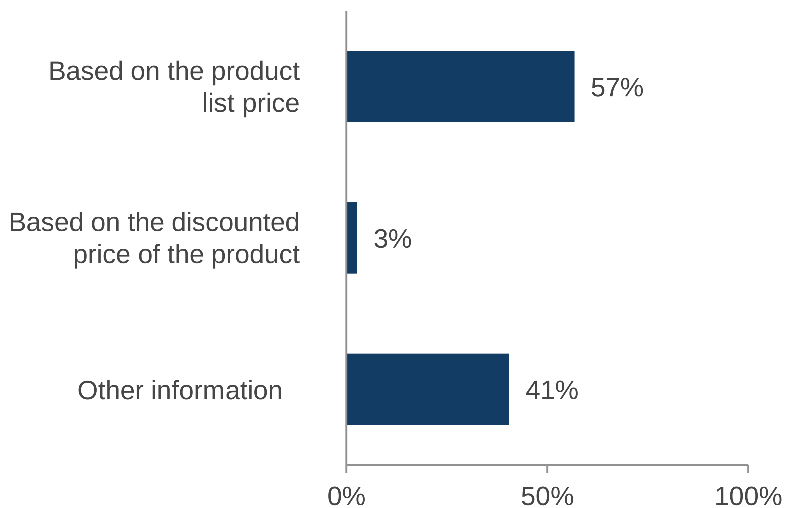
- Sales department (5)
- Maintenance, Renewal department (2)
- Different in each country (1)
- No contracts (1)

Office based service associates are mostly the responsibles for contract extensions. 31% of the companies do not measure the average contract penetration.

Prices for Service Contracts

Product list price is most times used to determine service contract prices.

Price determination for service contracts



- The average discount for a service contract is approximately at 7,6 %
  (Range is between 0% - 30 %).
- 10 participants do not measure the average discount

Other information for price determination	n=
• Costs	4
• Calculation from SLA	3
• Service margin	2
• Timespan	2
• Performance related	1
• Failure rate	1

Definition Industry 4.0

Federal government´s high-tech strategy to achieve the smart factory

The term **"Industry 4.0"** notes a **future project** in the **federal government's high tech strategy** which intends to advance the degree by which **classic industries,** such as production technology, are **becoming information-based**.

The goal is the **Smart Factory** which is distinguished by **alterability, resource efficiency** and **ergonomics**, as well as by the **integration of customers** and **business partners** in business and added-value processes.

- Service as a interface between Industry 4.0 and customer
- Industry 4.0 developed the „smart"- areas:
    - Smart Service
    - Smart Factory
    - Smart Products
- Development of service to „smart" service

Source: http://www.gtai.de/GTAI/Content/EN/Invest/_SharedDocs/Downloads/GTAI/Brochures/Industries/industrie4.0-smart-manufacturing-for-the-future-en.pdf

Definition Smart Service

What makes the service „smart“?

- Smart services as technical systems which are implemented in products und services
- Most important components:
  - Interpretation from data sent by the product
  - Independent communication / connection between products and machine
  - Ability based on the information to operate autonomously
- Characteristics:
  - Connection from product and technical service infrastructure

Definition Industry 4.0

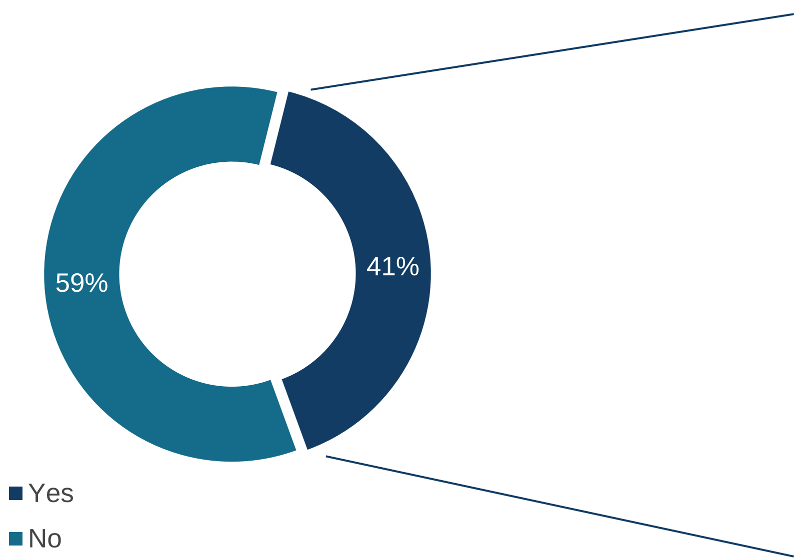
Requirements and challenges due to Industry 4.0: company view

What comes to your mind spontaneously when thinking of Industry 4.0? “Providing integrated services with the help of the internet of things.“; „The future. Profitability. Efficiency.“ “Industry 4.0 will revolutionize entire industries and radically change the way customers make business, create and generate value to their customers.“	**What does the service portfolio of the future […] include for your company?** “A wider value added service to improve the customer business productivity and profitability”; “Monitoring software, remote support.” “Optimization services. Asset Management with predictive maintenance. Cloud-based monitoring solutions based on connected services.”
Which requirements regarding Industry 4.0 are mentioned to you by your customers? „Speed of reaction, Value-Add-Services, Service-efficiency.“ „Increase efficiency and improve business process based on information-centric solutions and services. Provide managed and optimization services based on predictive maintenance and business analytics.”	**Where do you at […] see the biggest challenges for the service with regards to implementing Industry 4.0?** “Cultural change, focusing, speed of implementation, shift of value chain.“ „In understanding the customer business requirements”; „Business models, sales approach and consulting competence.”

State of Knowledge on Industry 4.0

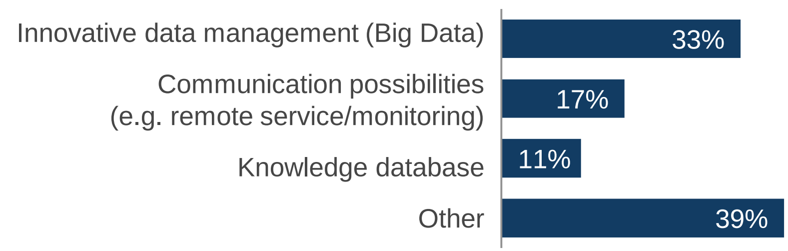
Almost 60% have not dealt with Industry 4.0 yet. The rest mostly associates Industry 4.0 with innovative data management.

Experience with Industry 4.0



Spontaneous thoughts

"Industry 4.0 will revolutionize entire industries and radically change the way customers make business, create and generate value to their customers."



Other

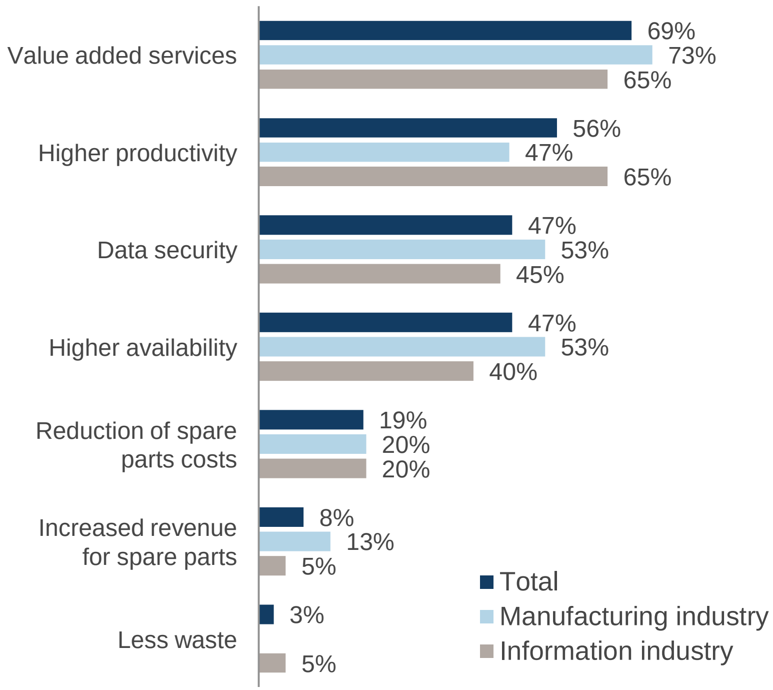
- E-learning
- Integrated services
- New business models

„Big data" management is important but not to a significant extent.

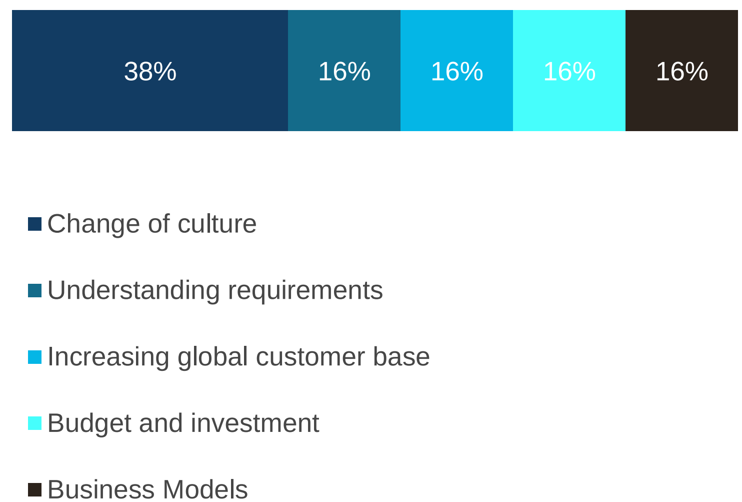
Areas for Action and Challenges

In total, value added services and higher productivity are named as greatest areas for action. Differences between the industries need to be considered. The greatest challenge is a change in culture.

Areas for action



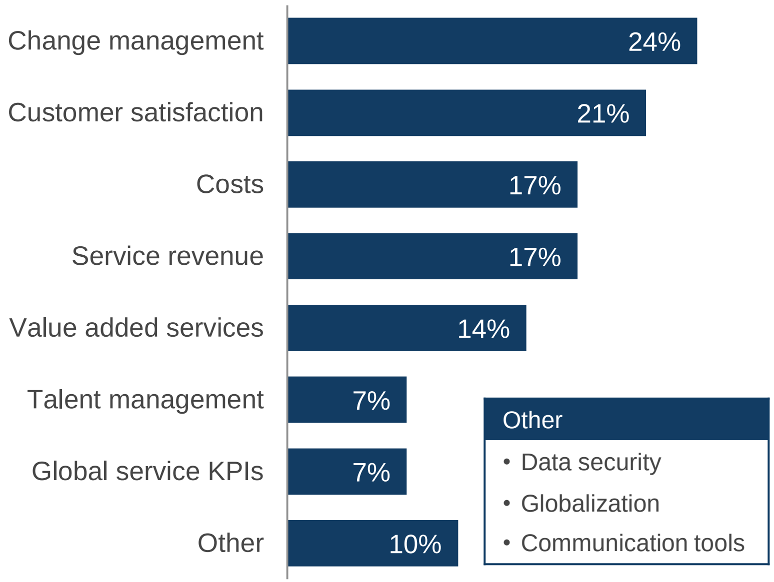
Challenges in service regarding the implementation of Industry 4.0



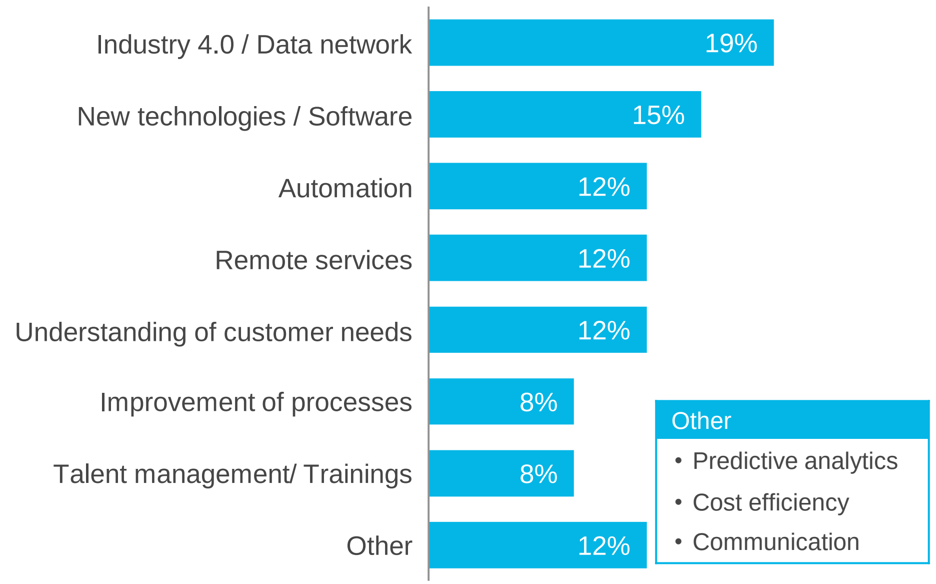
Challenges and Possibilities for Higher Service Efficiency

Industry 4.0 as well as new technologies and software are seen as big possibilities in services. Resulting change management and customer desires as greatest challenges.

Greatest challenges in service



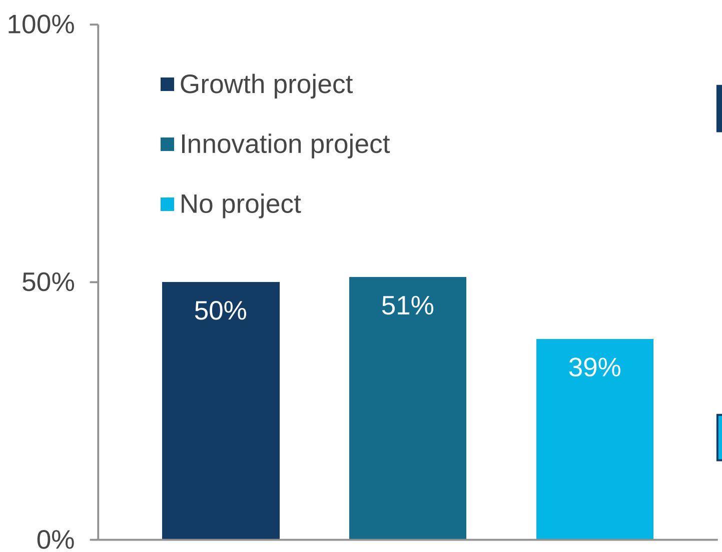
Greatest possibilities to organize service more efficiently



Projects regarding Service Growth and Service Innovation

Half of the companies run projects regarding growth or innovation topics, mostly on remote services, service development and contracts.

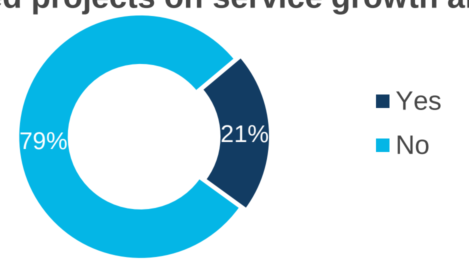
Percentage of programs / projects concerning service growth and service innovation



Topic of projects

Ranking	
1. Remote services	6. Vision 2020
2. Service development	7. Customer desires
3. Service contracts	8. Smart services
4. Foundation of own unit	9. Implementation of
5. Market analysis / trends	management system

Planned projects on service growth and innovation



39% have no project implemented and are not planning to either.

The European Service Institute

The Competences and Services

Service Research
Continuous measurement of service key figures and good practices

Service Operations | **Service Sales**

Industry 4.0

The know-how in the disciplines of the service excellence is being kept up-to-date and extended by continuous market research (last survey in October 2014).

ESI – Data pool
Non-public,
European database

The ESI data pool as basis:

- Extensive benchmark database
- More than 100 measuring points
- More than 100 participants from 17 countries and more than six industries

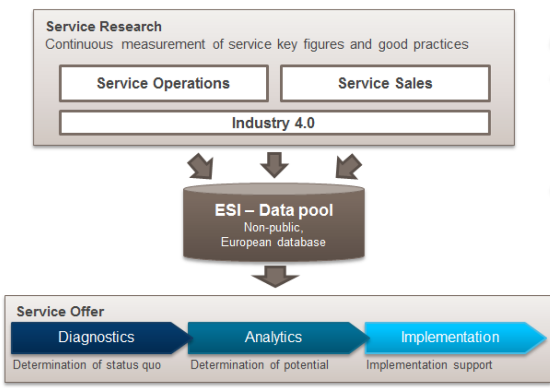
Service Offer

Diagnostics	Analytics	Implementation
Determination of status quo	Determination of potential	Implementation support

The European Service Institute has wide spreading service excellence competence, from which companies do profit.

The European Service Institute

Professionalism on three Levels



Technology View

Fraunhofer Institut
- Service research, data analytics
- Industry 4.0

Customer View

2hm & Associates
- Market research, data evaluation and customer satisfaction
- Service business models, -portfolios, -innovations

Business View

Professional Advisory
- Service sales, service efficiency
- Service optimization

The European Service Institute is an association of the Fraunhofer Institut, 2hm & Associates GmbH and Professionals on Demand GmbH.

Diagnostics, Analytics, Implementation

Three company-specific modules

Diagnostics

Documentation of the Status Quo

- Selection from the ESI disciplines:
  - Service operations
  - Service sales
  - Industry 4.0 as special extension
- Registration of your services:
  - Status
  - Performance
  - Processes
- Benchmarking against:
  - Industry sector
  - Relevant peer group

Analytics

Business Case / Roadmap

- Analysis & interpretation of the diagnostics results
- Identification of clear fields of action to improve :
  - Service positioning
  - Service performance
- Definition of concrete starting points, for example:
  - Increase of the monetary service contribution and
  - Service sales
  - Roadmap & business plan

Implementation

Implementation Support

- Professional support of the roadmap implementation, e.g. of:
  - Development of new service products
  - Optimization of operational services and processes
  - Introduction of a continuous customer satisfaction survey
  - Introduction or expansion of a knowledge management system
  - Introduction resp. optimization of cross- and upselling in the service area

The European Service Institute offers companies three modules for the optimization and development of the operational and strategic service business

Benefit

By Diagnostics and Analytics you will gain the following information and direct benefits

1. Clear statements on the status, performance and setup of your service organization
2. Benchmarking against the overall industry sector as well as the relevant peer group
3. Clear and relevant fields of action to improve the service positioning and -performance
4. Concrete starting points to increase the monetary service contribution as well as service sales

Our Other Achievements

Based on our extensive experience, we support your projects in all areas of service business

Service Studies	▪ Studies on the market and company situation as well as on trends and development
Bench-markings	▪ Branch specific / across all industries service performance benchmark
Service Optimi-zation	▪ Increase of service efficiency; Improvement of processes, quality and organization
Service Excel-lence Dev.	▪ Degree of innovations, pricing, distribution and marketing, service-level
Service Innova. Service Portfolio	▪ Development / planning of service portfolios, implementation of new service products
Service Business Models	▪ Sales increase through the use of service contacts

Contact

How to reach us…

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If you are interested or have any questions and suggestions, please do not hesitate to contact us.

