

Service Lifecycle Management - Tapping into the Value of the Product Aftermarket



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What is Service Lifecycle Management?

Service Lifecycle Management (SLM) is a business initiative focused on servicing a company's products, and the customers that bought them, after the product has been sold. Simply put, SLM focuses on making more money from the product after the initial sale. But it is more than that; it is also a way to become a strategic part of the customer's business after the sale is completed.

General Electric (NYSE:GE) is an excellent example of a company that has focused on aftermarket opportunities, going so far as to call themselves a "services" company as opposed to a "products" company. General Electric is widely reported to have significantly increased both their total revenue and their profitability by focusing on services opportunities in addition to developing world-class products. While General Electric may not have called their strategy "Service Lifecycle Management", they have certainly proven the value of serving the product aftermarket. SLM is an initiative that impacts the product lifecycle, which has some asking whether it is a part of Product Lifecycle Management (PLM). The broad definition of Product Lifecycle Management (PLM) describes it as a business initiative that addresses the full lifecycle of a product, from initial concept through retirement, in order to gain maximum value out of the product. The value being offered from most of the current PLM solutions, however, is gained primarily through improvements in the development and introduction of new products and product enhancements and centralized management of product data. While there are tremendous benefits available from improvements to the new product development (NPD) processes and product data management (PDM), there are important, additional benefits that lie throughout the product lifecycle. SLM is a complementary, yet separate, initiative aimed at the benefits that lie beyond the product sale, in the product aftermarket.

Many industry analysts include SLM as a part of Customer Relationship Management (CRM), although implementation of an SLM strategy does not require a broader CRM solution. There is some logic to this, because SLM shares many of the same goals of CRM, including increased customer revenue and improved customer satisfaction. Regardless of where SLM is categorized, there is growing interest in SLM because of the tangible benefits available from increasing revenue opportunities, decreasing internal service costs, and improving customer satisfaction.

Tapping the Value of the Aftermarket

Many manufacturers and distributors are beginning to recognize that there are significant revenue and customer satisfaction opportunities available after their product has been sold, in the “aftermarket”. The aftermarket has been a lower priority for many, particularly for manufacturers, who have historically viewed themselves purely as product companies. This sole focus on developing and selling products as their key to success ignores the fact that the cost of maintaining some products can easily be 4 to 5 times the cost of purchasing the product - or more. This additional revenue has often been left to third party companies.

The value of the aftermarket is highly dependent on the type of product and the industry. In industries that sell capital equipment such as medical devices, telecommunications, instrumentation, IT hardware and other complex equipment, companies are starting to significantly increase their focus on services revenue. For some companies this is a strategic move to grow the top line, while others are looking to replace revenue from slower product sales in the current economic conditions.

Better Service, Lower Cost

Another benefit of SLM is the automation and optimization of the service processes in the field. Resource utilization and efficiency can be increased through effective call scheduling, allowing more service to be performed with fewer technicians. Companies have found the value of completing service calls on the first visit by deploying the right technician, with the right service parts and the right skills at the right time.

In addition to reducing service costs in the field, SLM can also impact the help desk processes in order to allow for more efficient call centers. Service requests can come from many places in addition to a problem report from a customer. These service requests must be routed to the right company representative and then efficiently dispatched for service.

Maybe most importantly, SLM can integrate the service-oriented business processes that span from the time of the service request through to satisfaction of the need and billing or warranty. Still better, SLM may be able to predict the need for service in advance and avoid an unplanned service call with a planned preventative maintenance call, lowering costs and increasing customer satisfaction.

Become the "Trusted Advisor"

Another benefit of being a larger part of the customer's product lifecycle is that when the product is due for replacement, the service company is often in the best position to influence the buying decision for the replacement. In fact, who outside the customer is better positioned to know about the potential replacement of a product than the service technician? This is also true for the purchase of related or complementary products.

If the company can leverage the service relationship properly, they can increase product sales to existing customers in addition to increasing the amount of service revenue earned after the sale. By investing in keeping the customer well serviced, not only can the company generate more service revenue but it can also extend its relationship with the customer to that of "trusted advisor". Trusted advisor status can lead to increased customer loyalty and also increased sales and service opportunities beyond the current products.

SLM Needs

SLM, like any other business initiative that involves new business processes, is best implemented alongside strong enterprise applications. There are many software vendors that offer products that support SLM, or Service Process Management (SPM) as some call it. What are the features required from an enterprise solution to support an SLM initiative? The two primary capabilities required are “Call Center” and “Field Service” applications. These two categories of software provide support for capturing, or generating, the initial service request and managing it through completion all the way to the back office. In order to manage the total lifecycle of the service requirement in a continuous business process, integration between the Call Center and Field Services capabilities is essential.

Call Center applications must manage the demand for service through completion in order to satisfy the needs of the customer and the manufacturer or distributor. The initial service request may come from a number of different sources, all of which must be captured and processed through the call center. In addition to telephone, self-service, or e-mail requests, an increasing number of products are being embedded with self-monitoring capabilities that can evaluate the health of the product and self-report on service needs.

In addition to reported problems, effective service management requires that service problems and preventative maintenance calls be proactively generated by the SLM applications. As the service request is reviewed, company representatives must have the ability to review all past service requests as well as all relevant contracts, service level agreements (SLA) and warranties in order to determine customer entitlements and the best course of action.

Once the service request has been reviewed and targeted for service, Field Service applications must be able to ensure that the optimal resources are deployed to provide the service. Once dispatched, the technicians or service representatives should have ready access to company knowledge on the product they are servicing, the customer, the maintenance history and configuration of the product in order to complete the service with the first call. In addition to the knowledge required, the technician should be armed with the appropriate parts and tools for the job – parts that may have been planned for months in advance. Service representatives should then have the ability to close the loop on the service call and provide the appropriate time and materials information back to the office in order to generate appropriate billing and update warranties and service level agreements.

When evaluating an SLM solution, look for depth and experience in automating the service management functions and relevant experience in your industry. For more detail on the application requirements for SLM, please see [The CRM Selection Challenge](#).

User Recommendations

- Evaluate the value of SLM in your business in terms of increased service revenue, decreased cost, and increased customer satisfaction
- Define your SLM strategy to achieve a tangible ROI from your SLM initiative
- Determine your SLM requirements based on real business needs
- Look for integration of the SLM business processes from the viewpoint of your customer, and integrate the service request with the activity in the field
- Look at vendors with deep products and experience in managing service operations. Potential providers are major CRM vendors that have SLM functionality such as **Siebel** and specialty SLM vendors such as **Astea**, **Metrix** and **FieldCentrix**
- Look for mobile / multi-platform vision. You may not need it today, but it will be a long-term requirement
- Avoid overlaps with existing applications, such as ERP and PLM systems, to reduce integration needs
- Consider a pilot implementation to prove the value

Summary

Service Lifecycle Management provides significant benefits by tapping into the value of the aftermarket. A complementary solution to Product Lifecycle Management, Service Lifecycle Management provides manufacturers and distributors the opportunity to leverage their products for greater revenue after the customer has purchased the product. Additional benefits of SLM include reduced costs of servicing products and increased customer satisfaction. Service Lifecycle Management is a promising initiative that deserves the attention of companies looking for additional revenue opportunities from their products.

About the Author

Jim Brown has over 15 years of experience in management consulting and application software focused on the manufacturing industries. Jim is a recognized expert in software solutions for manufacturing and has broad knowledge of applying Product Lifecycle Management, ERP, Supply Chain Management, CRM and other enterprise applications to improve business performance. Jim served as an executive for software companies specializing in manufacturing solutions before starting his consulting firm, Tech-Clarity Associates.



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