



Top 5 Field Service Power Metrics

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There's no shortage of numbers field service leaders can track. But which metrics could be most impactful to your service organization?

Field Service Digital spoke with field service experts Dave Hart and Patrice Eberline from ServiceMax to identify the top 5 field service power metrics that executives need to know. Read on to learn about each metric, how to measure them, and how improving them can boost productivity and profitability.

Meet The Field Service Experts



Patrice Eberline

Vice President of Global Customer Transformation

Patrice Eberline is Vice President of Global Customer Transformation at ServiceMax where she uses her years of service delivery experience working with prospects and existing customers to fully leverage the value of ServiceMax to their field service organizations.

Patrice brings over 18 years of services and leadership experience to ServiceMax, and has held key leadership roles in several fast-growing software companies. Focused on delivering high impact and long-term customer success, Patrice has a broad background in all aspects of implementation delivery, from methodology to package content, as well as creating/implementing best practice strategies for deployment, training, and adoption across large and complex organizations.



Dave Hart

Vice President of Global Customer Transformation

Dave Hart is Vice President of Global Customer Transformation at ServiceMax where he focuses on working with prospects and existing customers to understand and unlock the true value their field service organizations. Having started his career as a field service engineer, Hart has decades of field service management and customer transformation experience, most recently leading Pitney Bowes' entire European Service organization. During his more than a decade at Pitney Bowes, Hart also managed the international DMT (Document Messaging Technologies) service group, UK GMS (Global Mailing Solutions) group, and national operations of Pitney Bowes Management Services.



METRIC ONE: First-Time Fix Rate

You're under increasing pressure from senior management to boost revenues and cut costs, while maintaining service levels to customers. But, how can you strike the right balance between what appear to be competing objectives?

The answer lies in your service organization's first-time fix rate. When you focus on improving this metric, it's like pulling a lever that can simultaneously increase customer satisfaction, reduce operational costs and create new revenue by freeing up technicians to handle more jobs every day.

What is First-Time Fix Rate?

Whether your organization services medical equipment, HVAC systems or solar panels, the question is the same: How often do your technicians resolve customers' problems on the initial visit?

That's your first-time fix rate.

According to Aberdeen Group research, "best-in-class" field service organizations resolve the issue on the first visit 88 percent of the time, "average" companies achieve an 80 percent rate and the "laggards" struggle at 63 percent.

"When you have a high first-time fix rate, you're avoiding multiple truck rolls and the additional costs that go along with that — the extra labor, increased dispatch and lost service opportunities," says Patrice Eberline, vice president of global customer transformation for ServiceMax, a provider of field service management software.

What Causes Poor First-Time Fix Rates?

Three common culprits cause low first-time fix rates:

- 1 Lack of Spare Parts:** The technician arrives at the jobsite and realizes he or she doesn't have all the parts on hand required to fix the issue.
- 2 Lack of Skills:** The technician doesn't have the knowledge or the training to solve the problem. Or the technician takes too long trying to fix the issue and needs to schedule a callback to finish the job.
- 3 Poor Communication or Planning:** It's the end of the day, and the customer is no longer on site. Or the asset has been moved to another location, but that information is not communicated to the technician prior to dispatch. Whatever the reason, the technician must make an additional visit to close the work order.

"You have to hire a lot more people just to maintain your SLA with the customer, or else detract from your ability to service your customer's needs because you essentially have this 'boat anchor,' which is a poor first-time fix rate."

Dave Hart

Vice President, Global
Customer Transformation
ServiceMax

What's the Impact of Low First-Time Fix Rates?

The extra expenses required to resolve jobs not fixed the first time can take a substantial chunk out of your bottom line.

Compare the difference between a best-in-class organization and a laggard, if each company averaged 400 service calls per day. An 88 percent first-time fix rate for a top-performing organization means 48 service calls (12 percent) require additional visits. By comparison, the lowest-performing organization's 63 percent rate translates into 148 service calls (37 percent) that aren't resolved on the first visit. These organizations require multiple dispatches on 100 more jobs per day than the best-in-class companies.

When you consider that service calls not resolved on the first visit require an additional 1.6 dispatches to fix the issue, at an average cost of \$200 to \$300 per truck roll, the cost burden mounts quickly for companies saddled with low first-time fix rates.

As a result, field service leaders must add more technicians (and more overhead) just to keep pace with high-performing competitors.

How Can You Improve First-Time Fix Rates?

Identifying the factors that drag down your company's first-time fix rate is the first step. But what can you do to improve performance?

Consider these three best practices of high-performing service organizations:

- 1 Enhance Inventory Visibility:** If the issue is lack of spare parts, give technicians access to real-time inventory information and the ability to order parts from the field. This will reduce technicians' tendency to stockpile parts in their vans, while ensuring that the right parts are available where and when they're needed.
- 2 Improve Dispatch:** Equip your dispatchers with all the information they need, in real time, to assign jobs to technicians who have both the appropriate skillset and parts on hand to resolve the customer's issue correctly the first time.
- 3 Facilitate Collaboration:** Give your techs remote access to the collective knowledge of your entire company through real-time social and collaboration tools. This way, technicians can get the answer to their questions quickly, via their smartphones or tablets, to fix the problem during the first visit.

The Bottom Line

First-time fix rate reflects how efficiently and effectively your organization can service existing customers. The higher the rate, the more capacity your team will have to take on new customers at the lowest possible operational cost.



“Take the decision away from the technician with a system that determines automatically what is billable and non-billable for the customer.”

Dave Hart

Vice President, Global
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METRIC TWO: Contract Leakage

Technicians dread that awkward moment with the customer. You know, when the customer expects the cost of some item on the work order to be covered by their service contract, but the technician isn't able to confirm either way.

Are parts included? What about consumables? Does the customer qualify for discounts on the labor rate?

Without readily available contract information, technicians are stuck. As natural problem solvers, techs want to fix the issue and make the customer happy. So, when the customer says, “This service is supposed to be included in our contract,” and your technician has nothing concrete in front of him to prove otherwise, what's he likely to do?

Yep. Most often he'll do the work ... for free. And this lost income, or “leakage,” on a larger scale will undermine efforts to grow your organization's service revenues.

What is Service Contract Leakage?

Service contracts are designed to expand upon a manufacturer's product warranty in a way that helps customers more effectively control their equipment maintenance costs. These agreements also create lucrative recurring revenue opportunities for service organizations.

But if there is any confusion between the customer and the technician as to what's included in a contract at the point-of-service, service contract leakage is likely to occur.

“Leakage is the ‘free stuff.’ It's the lost revenue that should be paid by the customer, but you're giving it away without realizing it,” says Dave Hart, vice president of global customer transformation for ServiceMax.

So, how do you track service contract leakage?

“Finding out the exact amount wasted can be difficult if you're not keeping solid records,” Hart says. “It's difficult to track leakage with pen and paper, and then educate service technicians. Service managers have to start automating the entitlement tracking process.”

What Causes Service Contract Leakage?

“If the tech doesn't know when the coverage period cuts off or what parts are covered in that contract at the time of service, guess what? It's a free-of-charge service call, and you're losing revenue,” Hart says. “Instead, take the decision away from the technician with a system that determines automatically what is billable and non-billable for the customer.”

What's the Impact of Service Contract Leakage?

Service contract leakage can hurt your organization's performance in these three areas:

- 1 Loss of Revenue and Profit:** A handful of instances won't hurt too bad. But if you spread contract leakage across dozens or even hundreds of service calls, the mounting costs can be a major drag on both your top- and bottom-line performance.
- 2 Poor Customer Satisfaction Rate:** Customers hate surprises. If they assume that a service is covered under contract only to find out later that they're being billed, they likely won't continue as customers.
- 3 Lower Employee Morale:** When customers are unhappy due to a misunderstanding with a contract, your technicians are the ones who take the brunt of their frustration. Over time, this can take a huge toll on your employees' happiness — and productivity.

How Can You Eliminate Service Contract Leakage?

Start by equipping your technicians with mobile devices, which they can use in the field to quickly and easily access entitlement data.

This way when there's a service call for a piece of equipment, your dispatchers and service techs will know precisely what coverage, if any, is available. This ensures you won't give away service for free and eliminates unpleasant surprises for customers.

"It's very important to capture the entitlement information correctly and make it easily accessible to the appropriate people," Hart says. "When the call comes in to dispatch, the rep can confirm the customer's contract details upfront by saying something like, 'Just to let you know, your contract entitles you to a service technician for the first hour, but after that, any parts and any additional time will be billable to you. Are you OK with that?'"

Setting the right expectations with the customer from the get-go helps ensure your organization gets paid, while allowing your technicians to avoid those awkward conversations.

The Bottom Line

According to Aberdeen research from 2014, among service organizations that earned a profit in the previous 12 months, top performers more than tripled the service margins of laggards (35 percent and 10 percent, respectively).

A likely differentiator is that top organizations do a much better job of eliminating service contract leakage. With the right technology, you'll gain the visibility you need to understand where the organization is leaking income — and how to effectively plug the leaks and boost profits.



“Most organizations have no idea what warranty is costing them because they don’t have visibility into that data,”

Patrice Eberline

Vice President, Global
Customer Transformation
ServiceMax

METRIC THREE: Warranty Leakage

Imagine this scenario: You’re servicing a product your company manufactures, but no one has noticed that a design flaw is causing excessive warranty costs.

Or, the procurement team negotiated a multimillion-dollar equipment purchase that includes 2 percent to cover warranty work, but no one figured the actual warranty expense would be 3 or more percent.

Or, your service technician arrives onsite to fix the customer’s problem, but he’s unsure which components are covered under warranty — and which ones are not — so he does the work for free.

Each of these scenarios are examples of warranty leakage, a condition that can slash a company’s profits if field service leaders don’t plug the leak.

What Causes Warranty Leakage?

The root cause is a lack of visibility into warranty coverage and costs. “Warranties are becoming more complex, so it can be difficult for service technicians to decipher what is, and what is not, covered under warranty — unless they have precise, up-to-date information in the field.” says Patrice Eberline, vice president of global customer transformation at ServiceMax.

What’s the Impact of Warranty Leakage?

Consider the difference between top-performing organizations compared with those that suffer from high warranty leakage rates. If an annual warranty cost is \$30 million, a sky-high warranty leakage rate of 40 percent costs a staggering \$12 million per year, compared to \$4.2 million for organizations with a manageable 14 percent rate. That’s a gap of nearly 8 million dollars. Per year. It’s hard to compete with top-performing organizations (and win), if you’re wasting two or three times as much money.

How Can You Stop Warranty Leakage?

The key is to deploy technology that makes warranty information easily accessible to all appropriate stakeholders, when and where they need it.

This way, when a customer requests a service call, the dispatcher will be able to instantly access warranty data and inform the customer upfront about what he or she qualifies for, before the technician arrives. And while onsite, a mobile-equipped technician can use his device to review the customer’s entitlement information and accurately determine what to bill the customer for and what should be covered under warranty.

Also, if you're tracking warranty expenses on a manufacturer's product and notice it's costing more than what was originally negotiated, access to data is necessary to renegotiate a better arrangement with the OEM.

And if you service your own products, take hard data to the manufacturing department to show where repair costs are out of line with original projections.

"It might be a simple design fix that could lower the number of defects or cut repair time from, say, two hours down to 15 minutes, substantially reducing overall warranty expense," Eberline says.

The Bottom Line

Before you can stop a leak, you must first identify where it's coming from. That process used to be a chore, if not impossible, but technologies with strong contracts capabilities and visibility allow service leaders to identify the leak's source — and send entitlement information to the right people, whether they use an iPad in the field or a PC in the corner office. That way you can preserve profits and keep pace with the top-performing competition.



METRIC FOUR: Service-to-Cash Cycle

While sales and profit look great on paper, cash is what keeps your business afloat. Cash flow hiccups can put a strain on your operations — and make your job much more stressful.

That's why it's so important to stay on top of your company's service-to-cash cycle.

What is the Service-to-Cash Cycle?

It's the gap between when (a) a technician completes a job and (b) accounting receives payment.

The clock for service-to-cash starts ticking the moment the job is done, not necessarily when the customer is invoiced. This makes service-to-cash a more accurate (and useful) measure of your financial and operational efficiencies than delinquent receivables based on invoice date.

Why? The longer the lag time between the service and invoice dates, the greater the cash flow crunch you'll deal with, even when the customer consistently pays on time. The service-to-cash figure helps you spot any bottlenecks in service ticketing and billing workflows, so you can get paid faster.

Ideal service-to-cash cycles vary by business and industry. For reference, Aberdeen Group research suggests that top companies operate with service-to-cash cycles of nearly 26 days, while average companies take more than 34 days to get paid.

What Causes Long Service-to-Cash Cycles?

Find the culprit by examining your service-to-invoice processes. This is the area where most payment delays will occur — and where you can make the biggest improvements.

Think about bottlenecks that could delay invoicing: What are the steps involved from creating the work order to issuing the invoice? Are your technicians using paper-based service tickets in the field? Must they wait until the end of the day (or later) to enter the job information into an electronic format? Does your back office staff need to manually enter the technician's ticket into a separate billing application?

"Technicians often jot down job details on a piece of paper and put it in their back pocket, intending to log that information as soon as they can get around to it," says Dave Hart, vice president of global customer transformation at ServiceMax. "That could be the end of the day, the end of the week — or never. Whatever the case, any delay pushes out the invoice date. Next thing you know, it takes more than two months to get paid."

"Service-to-cash is a huge problem for service organizations that can be cured, literally, overnight."

Dave Hart

Vice President, Global
Customer Transformation
ServiceMax

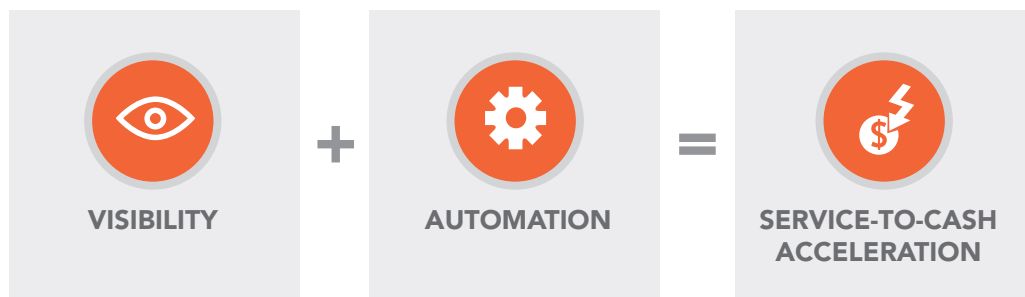
What's the Impact of Long Service-to-Cash Cycles?

Long service-to-cash cycles tie up excessive amounts of cash for working capital, instead of using that money to grow the business.

"Think about the working capital that's required to service debt that is 60 days old," Hart says. "If your invoice terms are 30 days, you expect to have sufficient cash on hand to cover 30 days before you start receiving payment. But if that timeframe is 60 days, you need twice the amount of cash on hand just to service the debt and keep your business going."

How Can You Improve Service-to-Cash Cycles?

Think of the solution in terms of this formula:



Visibility: What labor rate does a particular customer pay? Which parts of the job are covered under warranty or service contract? When you equip technicians with instant access to the right customer information in the field, they can more efficiently create service tickets that expedite the customer approval and billing process.

Automation: Visibility into customer data is only the first step. You still need to automate the work order process to achieve shorter service-to-cash cycles. The solution is to empower your techs to record and close work orders in real time while on-site, with the ability to generate courtesy invoices on their mobile devices. Your customers can then sign-off electronically and approve the work done, parts used and labor time spent. With this information already captured in the system, your back office team can issue the invoice to the customer on the same day.

Through increased visibility and automation, you've effectively shortened the part of the cycle you can control the most — that is, from work order to billing. Now, the invoice is in the customer's hands, pending timely payment.

The Bottom Line

Excessive service-to-cash cycles can put a squeeze on your cashflow and profits. But, with the right technology, you can accelerate that cycle and get paid quickly.



"A mere 5 percent increase in the attach rate can yield a 9 percent bump in overall service revenue."

Aberdeen Group Research

METRIC FIVE: Service Contract Attach Rate

Where is the lowest-hanging fruit for service organizations to grow their bottom line? The answer lies in selling service contracts at the point of product sale.

Think about it: You already have a customer who trusts your organization enough to purchase its equipment. So, if a service contract is designed to bring genuine value to the customer, what better time to sell that agreement than when the customer is already making a product purchase?

These agreements provide a recurring revenue stream, which allows field service leaders to more effectively plan the organization's budget and forecast income. It's a win for both customers and service providers.

So, how can you sell more service contracts? The most important starting point is to track your organization's service contract attach rate.

What is Service Contract Attach Rate?

The attach rate is simply the percentage of product sales transactions that include a service contract at the point of sale.

According to Aberdeen Group research, a mere 5 percent increase in the attach rate can yield a 9 percent bump in overall service revenue. Imagine how much more income you could generate by increasing the attach rate by 10 or 15 percent.

The attach rate is a powerful lever field service leaders can pull to boost profits.

What Causes Low Attach Rates?

Here are the most common culprits:

Lack of Focus: If you're not measuring and tracking attach rate — and if no one is accountable for it — the number will likely be low.

Lack of Sales Incentive: Are your sales reps or service techs given sufficient motivation to offer a service contract at the point of sale, either through pay bonuses or extra recognition?

Lack of Training: If your reps or technicians don't know how to effectively articulate the value proposition of a service contract for customers, they'll struggle to sell it.

Lack of Preparedness: When the service tech is not prepared to upsell at the point of sale, the odds of ultimately selling the service contract drop considerably.

"You want to get a customer on a service contract as soon as possible because it's a surefire way to bring predictability that improves profitability."

Patrice Eberline

Vice President, Global
Customer Transformation
ServiceMax

What's the Impact of Low Attach Rates?

Selling products without an attached service contract takes a chunk of your potential revenue.

"As a service organization, you don't want revenue that's largely derived on a time and materials (T&M) basis, because you can't plan a cost infrastructure based on uncertain revenue," says Patrice Eberline, vice president of global customer transformation at ServiceMax. "You want to get a customer on a service contract as soon as possible because it's a surefire way to bring predictability that improves profitability."

How Can You Improve Attach Rates?

Follow these three steps:

- 1 Track Your Attach Rate.** Make service contract sales a strategic priority and use attach rate to determine your baseline performance and measure progress.
- 2 Incentivize Contract Sales.** Give technicians extra incentive to capitalize on upsell and cross-sell opportunities while onsite with the customer.
- 3 Empower Service Technicians with Mobile Technologies.** Make it easy for service techs, using iPads or other mobile devices, to present customers with service plans that offer a range of pricing, discounting and SLA options. Once a customer selects a service plan, the tech can create a service contract on the spot to close the sale.

The Bottom Line

Service contracts are a powerful way to generate more revenue from service, a common pressure felt by service leaders. That's why the attach rate is such an important metric to track. It gives service leaders the insight necessary to take service contract sales — and overall profits — to the next level.