



42TM
Rules
for Superior
Field Service

The Keys to Profitable Field Service
and Customer Loyalty

ROSEMARY COATES
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“42 Rules for Superior Field Service” Book Excerpt

The Keys to Profitable Field Service
and Customer Loyalty

**By Rosemary Coates
and Jim Reily**

Foreword by Joe Pinto, Cisco



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BOOK EXCERPT Table of Contents

- Foreword by Joe Pinto, Cisco
- Introduction
- Rule 1: Rules Are Meant To Be Broken
- Rule 2: Product Failures Are Opportunities to Delight Customers
- Rule 3: Ask and You Shall Receive
- Appendix D: Field Service Key Performance Indicators
- About the Authors
- Getting “42 Rules for Superior Field Service”

C o n t e n t s

NOTE: This is the Table of Contents (TOC) from the book for your reference. The eBook TOC (below) differs in page count from the tradebook TOC.

| | | |
|-----------------|--|-----------|
| Foreword | Foreword by Joe Pinto, Cisco. | 1 |
| Intro | Introduction. | 3 |
| Rule 1 | Rules Are Meant To Be Broken. | 6 |
| Part I | Sales and Marketing | 8 |
| Rule 2 | Product Failures Are Opportunities to Delight Customers. | 10 |
| Rule 3 | Ask and You Shall Receive | 12 |
| Rule 4 | Form Customer Advisory Boards to Build Loyalty. | 14 |
| Rule 5 | Know the Competition to Avoid Surprises | 16 |
| Rule 6 | Win Against Competitors by Servicing Their Products or Not. | 18 |
| Rule 7 | Meet Specific Industry and Customer Needs. | 20 |
| Rule 8 | Field Service Is Critical To Your Brand | 22 |
| Rule 9 | Develop the Perfect Services for the Perfect Customer. | 24 |
| Rule 10 | Field Service Is Not Just "Break/Fix" | 26 |

| | | |
|-----------------|--|-----------|
| Part II | Operations | 28 |
| Rule 11 | Shit Happens—Plan Ahead and Be Prepared | 30 |
| Rule 12 | You Can't Get What You Don't Measure . . . | 32 |
| Rule 13 | Engineering Change Orders Can Be Field Service Financial Disasters | 34 |
| Rule 14 | Pay Attention to Returns | 36 |
| Rule 15 | Help Customers Determine the Cost of Downtime | 38 |
| Rule 16 | Consider Outsourcing. | 40 |
| Rule 17 | It's Good to Be Green | 42 |
| Rule 18 | Build and Maintain Accurate Installed Base Data | 44 |
| Rule 19 | Train Your Teams to Deal with Counterfeits | 46 |
| Rule 20 | Field Service Feedback Is Essential for New and Improved Products | 48 |
| Rule 21 | To Get Where You Are Going, You Need a Road Map. | 50 |
| Part III | Supply Chain and Finance | 52 |
| Rule 22 | To Bill or Not to Bill—That Is the Question. | 54 |
| Rule 23 | Move Customers to an Annual Maintenance Contract | 56 |
| Rule 24 | Anticipate International Supply Chain Kinks | 58 |
| Rule 25 | Trunk Inventories Are Costly | 60 |

| | | |
|----------------|---|-----------|
| Rule 26 | Inventory Turns Are Irrelevant | 62 |
| Rule 27 | Plan for Mergers and Acquisitions | 64 |
| Rule 28 | Refurbishments Are Profit Enhancers | 66 |
| Part IV | People | 68 |
| Rule 29 | Talent Acquisition and Retention Can Be Challenging | 70 |
| Rule 30 | Design Your Service Organization Then Add the Right People | 72 |
| Rule 31 | Pay Attention to Your International Organization or Pay the Price | 74 |
| Rule 32 | Get the Right Fit for Your Business—FSEs vs. FSRs vs. FSTs | 76 |
| Rule 33 | Deploy International Field Service Staff Selectively and with Care | 78 |
| Rule 34 | Field Service Is Your Second-Best Sales Force | 80 |
| Rule 35 | Train, Train, Train | 82 |
| Rule 36 | Training Can Be Profitable | 84 |
| Part V | Internal Departments | 86 |
| Rule 37 | The Toughest Customers Are Your Internal Friends | 88 |
| Rule 38 | Avoid the Executive Tourist Trap | 90 |
| Rule 39 | Channel Executive Involvement | 92 |
| Rule 40 | Build a Strong and Effective Relationship with Your IT Team | 94 |

| | | |
|-------------------|--|------------|
| Rule 41 | Dealing with Procurement Is In Your Best Interest | 96 |
| Rule 42 | These Are Our Rules—What Are Yours? | 98 |
| Appendix A | Contributors' Biographies | 100 |
| Appendix B | Software Solutions for Field Service | 110 |
| Appendix C | Consulting Audit Checklist. | 114 |
| Appendix D | Field Service Key Performance Indicators | 118 |
| Appendix E | Assessing Your Field Service Current State | 120 |
| Authors | About the Authors | 124 |
| Your Rules | 42 Rules Program | 128 |
| Books | Other Happy About Books | 130 |

Foreword by Joe Pinto, Cisco

Why do some companies thrive year after year, while their competitors fall by the wayside and either go out of business or are sold? The short answer is successful companies have loyal customers. These companies are able to acquire and keep good customers, who buy the company's products and serve as advocates with other potential customers. In a virtuous cycle, loyal customers provide consistently higher-margin revenues that successful companies use to field constantly improving products, provide outstanding service, reward employees, and generate excellent returns for their shareholders.

How do you turn a good customer into a loyal customer? Of course, you must market great products and solutions. But it takes much, much more. No matter how great your product and/or solution is, there will be instances where it does not perform adequately in the field. How your company reacts to those situations will determine, in large part, whether your customer becomes or remains loyal. Your ability to deliver superior field service, to quickly and effectively fix any issues that arise, will result in high customer satisfaction and lead to increased customer loyalty.

So how do you deliver superior field service? First step is to **read this book**. Rosemary and Jim have written a concise, easy-to-understand primer on service, which hits all of the key areas necessary to delight customers with your field support and make them loyal to your company. Both are well-respected executives with a wealth of experience in service and supply chain. They tell it like it is providing key operational insights and often breaking from the conventional wisdom to give you advice from the field that is battle tested; it works. In the end, it is all about how your customer perceives **your** commitment

to their success. When they have business-impacting issues with your company's products and/or solutions, do you delight or disappoint them with your response? Delight translates to loyalty, disappointment to desertion. Read and follow the 42 rules and you will be rewarded with delighted, loyal customers.

**Joe Pinto,
Senior Vice President, Technical Services
Cisco Systems Inc.**

Introduction

We have a passion for field service.

Between the two of us, we have over 60 years of field service and supply chain experience, and that's a lot! We've seen military organizations, companies, and clients where field service is done well and others where field service is a complete disaster. And that is the reason we have written this book: to pass on the best practices and to help you avoid the pitfalls.

Before we started writing, we researched the available literature on field service, and there wasn't much in the way of guide books. So we embarked on this journey to inform people about how to run a field service organization that performs well and makes a profit. We believe field service is a key to customer satisfaction and loyalty in most industries. You need to be smart about it and informed regarding the components of field service.

In addition, the world keeps getting smaller. With the rise of the Internet, common global travel, global calling, texting, and ERP systems, businesses are free to order anything, anytime, and any place. Expectations are that customer service organizations are available 24/7 and that someone, somewhere in the world, will pick up the phone if you call for service and perhaps even respond within a few hours in any country. These developments have increased the complexity of field service and have caused many of our clients to rethink their strategies. To stay competitive, a lot of rethinking may be necessary.

And finally, most companies now recognize that there are big margins to be made in services. While companies may be experiencing downward price pressure on products, field service still looms large as a high-potential area for major profitability and customer loyalty.

For these reasons, we have written this book. We sincerely hope you find it interesting and useful. We have thoroughly enjoyed writing it.

1

Rules Are Meant To Be Broken

There are no steadfast rules in field service.

As you will read in the following rules, there are fundamental precepts that we support and that should be followed for successful field service organization and business. But we are the first to acknowledge that field service is a bit like the Wild, Wild West. There are all kinds of things you can try to have a successful operation. We encourage you to experiment a little and think creatively about your own organization in order to achieve the best results. Be a bit of a cowboy, and venture out beyond the corral.

Take defining the "perfect customer," for example. In Rule 9, we describe how you can identify exactly the type of customer you want and then systematically go about creating your business to develop this type of customer. This is a reverse rule for how most companies would develop services, but it works, and we can prove it. Break the old rules, and think creatively!

In Rule 11, we recommend you prepare for horrible disasters because we all know they are going to happen, and field service is likely a "first responder" for your customers. We encourage you to be very creative in thinking about and practicing various responses. Break all the rules of traditional thinking to respond quickly and effectively.

In Rule 26, we claim that inventory turns are irrelevant. This may be heresy to your financial organization, but in reality, the margins on spares and repairs are so big, inventory turns may be unimportant. Inventory management is one of those corporate supply chain concepts that really

should be thoroughly examined within the context of field service. This is another rule that should probably be broken in a field service organization because, here, it just doesn't make any sense.

In Rule 34, we recommend that you transform your field service people into salespeople. After all, they are the ones talking to the customer every day about your equipment. You'll have to help your sales management organization get over this rule. They probably won't like it because they are reluctant to give up ownership of the account. Work with sales on this one.

The best organizations we have seen are high-energy, creative groups where feedback is welcomed and fresh ideas are always considered. The talented managers running these organizations spark new ideas and enthusiastically embrace different approaches. They round up the posse; they break the traditional corporate rules; and, as a result, they:

- improve customer satisfaction,
- enhance customer loyalty,
- improve margins on the services part of the business,
- assist in the selling process and in closing more deals,
- listen to their field service people and readily accept suggestions,
- demonstrate good performance measures,
- are respected in their own organizations, and
- are typically high performers.

We want your organization to be wildly successful. So shake things up a bit, put on your white cowboy hat, and use our rules as a springboard for running your organization. And don't forget to break a few rules, too.

2

Product Failures Are Opportunities to Delight Customers

You will build customer loyalty if service is responsive and effective.

No one wants a product to fail, but it happens. The way you deal with failure can create significant opportunity to enhance customer loyalty. But, if handled poorly, it gives your customers the excuse they need to buy from your competitors.

Your customer views product failure as an emergency, especially if it affects business operations. Take a dentist, for example. If his or her vacuum system stops working, the office must shut down until it's repaired. This is inconvenient for the dentist, the staff, and the patients. It also represents loss in business revenue until the system runs again. This kind of situation is high priority for field service organizations servicing dental offices.

In industrial settings, when a product fails, you may have to deal with irate customers who have spent lots of money with your company. This can be a golden opportunity to show customers that you support them with speed and efficiency.

"90% of what I deal with starts as a problem, but I don't look at it as a problem. I look at it as an opportunity to delight a customer," says Michel Yasso of MSR Consulting Group.

Customer service organizations offer the following steps when first contacted by a customer with a problem. Field service organizations should follow the same steps:

- Empathize with the customer; do not make excuses.
- Don't patronize or talk down to customers; this will only make the situation worse.

- Really listen to what the customer is telling you, take notes regarding the situation, and ask for clarification.
- Remain calm even if the customer is not.
- Apologize, if appropriate. Say something like, "I'm sorry you are frustrated; let's see how we can resolve this situation."
- Promise to try to fix the problem or to try to find a solution. This will ease the tension the customer has created. The customer is looking for a resolution. Then do what you promise.
- Answer confidently, and take responsibility for assisting, even if this means you must refer the case to someone else.
- Give the customer a time when you will get back in touch—one hour, four hours, one day, etc. Then be sure you call back at the appointed time. Keep following up at regular intervals until issues are resolved.
- Take action to get the customer operating as soon as possible, or obtain information and estimates when this will happen.
- Write clear, concise reviews of incidents. Document issues and resolutions. Keep notes about anything that may assist others who deal with the customer in the future.

Your customers know that things will break, but they will be upset anyway. Your ability to react quickly and efficiently is crucial.

Sometimes, field service doesn't go as expected. It may be appropriate to escalate to your customer's executive management, especially when situations involve significant disruption in business. In these cases, your service executive or director should call the customer C-level executive and apologize. Give realistic estimates for repair, and perhaps, tell the executive you are going to make suggestions, after the issue is resolved, about how to avoid future disruptions. This may include things like more frequent maintenance or the purchase of redundant systems for critical business processes.

Professor Morris Cohen of The Wharton School notes, "The objective of service is to generate customer satisfaction. And satisfaction results from the difference between the customer's perceptions of service versus the customer's expectation for service. If the perception is greater than the expectation, the customer will be satisfied or even delighted." The opposite is also true, no matter the objective quality of service. So, set realistic customer expectations, and strive to exceed those. You will have delighted, loyal customers.

3

Ask and You Shall Receive

What is the best way to find out what your customers want? Ask, of course.

Field service organizations should not to make assumptions about customers.

World-class field service organizations ask for feedback relentlessly. Marriott Corporation asks every guest every time if everything went well with their stay. On their web site, Marriott provides a place for written feedback that a guest might not want to deliver otherwise. They also provide a customer service feedback card that you can complete and mail back. These feedback collection methods help Marriott to continuously improve their service. The result? Marriott has the most loyal customers in the global hotel business by far.

We can certainly learn from Marriott's relentless quest for customer feedback, but in the field service business, this is not enough. We also need to gather feedback and intelligence from our own internal departments, partners, and competitors to understand our true market position and the potential for improvement.

First, we need to find out and thoroughly understand what field services and product support our customers want and need to be completely satisfied and loyal to our brand. This is not merely a review of what we are capable of delivering but a "blank sheet" approach to what the customers actually want from our products and services. What we have been offering may not be what customers are looking for. Use a series of questions around the following categories as they relate to your customer's business:

- What can our products and services do to improve your business?

- What is your expected response time when you have a product performance issue?
- What do our competitor services provide that you would like to see us provide?
- What is your expectation for telephone or e-mail communications when problems arise?
- How do you rate our field service personnel on competence, professionalism, and courtesy?
- What does it take for you to feel loyal to our brand? Would you buy our product tomorrow if you had a need?
- What do we do well?
- Where can we improve?

Many companies will wait for a service failure or other event to survey the customer. While it's important to get timely customer perceptions of service, during or just after an event, this should not be the only time you ask them to rate services if you are honestly looking to improve customer loyalty and satisfaction. This is because, besides the emotion that may be involved with a part failure, you may also be asking for money to perform the repairs. These things put the customer in a defensive position, and you are unlikely to get insightful information about your business.

The best time to gather customer information regarding field service expectations is in the course of talking about new products. Ask the customer the following:

- What services do you want to go along with the product?
- What do you need to know in advance, before deploying the product?
- Will you need on-site field service engineers if the product fails?
- Is product uptime business critical?
- Do you need redundant capability?
- What should other people in the organization have input into the services wants and needs discussion? Business people? Engineering? Technical people? Operations?

Field service managers can be helpful when assisting the salespeople in describing the field service capabilities of the company. This may open up a whole new selling avenue and penetration of the customer organization.

We always caution field service organizations not to make assumptions about customers. You must take the time and make the effort to ask.

D**Field Service Key Performance Indicators**

Here are some common KPIs:

- Equipment uptime: most important overall KPI. Definitions vary by customer (i.e., "SEMI e-10" is a standard measure for the semiconductor industry). Very high-uptime requirements (such as telephone companies) will require equipment redundancy or on-site parts and technicians.
- First-time fix: Was equipment fixed correctly the first time?
- Service response time: customers may say they want 7x24 coverage but only want to pay for 5x12 service.
- MTTR (meantime to repair).
- MTBF (meantime between failure).
- SOFR (service order fill rate): Were you able to deliver all parts needed for repair?
- LIFR (line item fill rate): internal measure to determine effectiveness of your inventory planning systems.
- Distribution quality: right parts at the right place
- Customer satisfaction after repair: How satisfied are they with the service?
- Ratio between planned maintenance and corrective maintenance: this ratio should be ~90 to 100.
- Field engineer utilization: amount of time the service person is generating revenue based on 2088 hours/year/person less vacation/training/holidays.
- Cost per repair action by product line and geography.
- Service inventory efficiency such as value of inventory vs. service revenue or value of inventory vs. value of installed base of product supported. We recommend you avoid inventory turns to measure service inventory (see Rule 26).

About the Authors



Rosemary Coates is the President of Blue Silk Consulting (<http://bluesilkconsulting.com>), a global supply chain consultancy and the author of *42 Rules for Sourcing and Manufacturing in China*, a Top Seller on Amazon.com. Prior to Blue Silk Consulting, she was a senior director at SAP, the supply chain consulting practice leader at KPMG Peat Marwick and at Answerthink, and a regional manager at Hewlett-Packard.

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Reily has spoken at numerous service supply chain, field service, and logistics conferences. He was selected as one of the top e-business and e-supply chain executives for his innovative work on virtualizing service supply chain operations.

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Please contact us for quantity discounts sales@happyabout.info or to be informed about upcoming titles bookupdate@happyabout.info or phone (408-257-3000).

"When does 1+1 = thousands of great insights and best practices? The answer is in "42 Rules". The superb collaboration of two Field Service experts with contributions from their considerable network of experts has produced a definitive guidebook on how to deliver what Customers want and competitors overlook. Keep this book close by as you'll want to reference it often."

Greg Stein, Director SanDisk Corp, Silicon Valley

"If this book had been available when I was dealing with Field Service issues earlier in my career at Denso, Farnica, and International Paper, I would have slept much better at night knowing that I had answers to my questions or solutions to my problems. The 42 Rules in this book provide an insightful and holistic guide to successfully managing complex Field Service operations. Kudos to Ms. Coates and Mr. Reily for providing us with this incredibly valuable guide. This book should be on the shelf of every Field Service professional."

Joel Sutherland, Managing Director Supply Chain Management Institute University of San Diego



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