

Service Supply Chain

Survey 2018

April 26, 2018



SLF

SERVICE LOGISTICS FORUM

PwC Service Supply Chain Survey 2018

- A Service Supply Chain Survey - Why?
- PwC Service Supply Chain Survey
- Service-Maturity-Model
- PwC Service-Maturity-Matrix
- Validation of the 5 key Service Supply Chain Elements

A Service Supply Chain Survey - Why?

Industrial companies are exposed to

- **Prices and margins** in traditional sales channels **under pressure**
- **Costs of raw materials** and technology are either stable or on the rise
- Many organisations encounter a **major impact on their margins**
- **High product competition**

Long term Solution

- **better integration of products** within the service supply chain
- **innovative service supply chain offering** will secure competitiveness
- **Transformation** to completely new business models.

Ownership of an asset isn't any longer what brings value, it is the output of that asset

PwC Service Supply Chain Survey



How mature is your service supply chain?

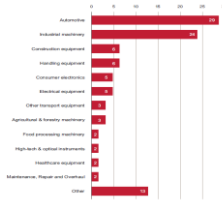
700 companies contacted



10% response

74 companies answered the survey

15+ industries



18 countries, mostly in Europe



50% has service offering

Half of the respondents only offer spare parts without service

Timeline

October 20
Launch of the survey

December 31
• Survey results collected
• Last phone calls

January 31
Report ready for marketing

End result is our Service Supply Chain report

3. Field service management

Field service management (FSM) is an end-to-end process that covers the entire lifecycle of a service or product, typically with a geographic focus. With increasing digital service management tools, there is a growing focus on providing predictive, proactive and insight-driven solutions for understanding customer expectations, delivering the best service performance and maximizing long-term customer relationships.

Key to a successful field service management are identified in the following diagram:

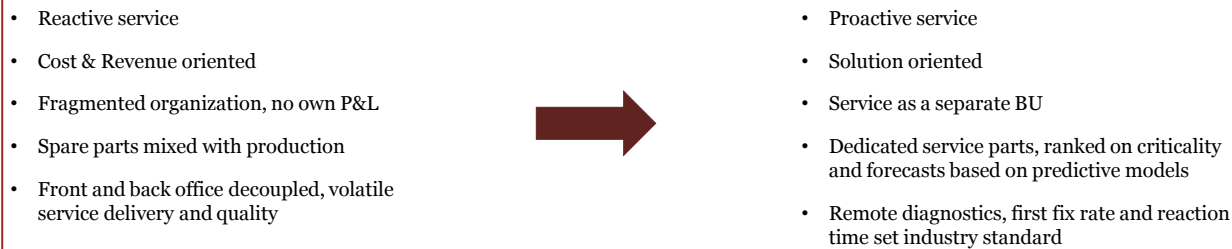
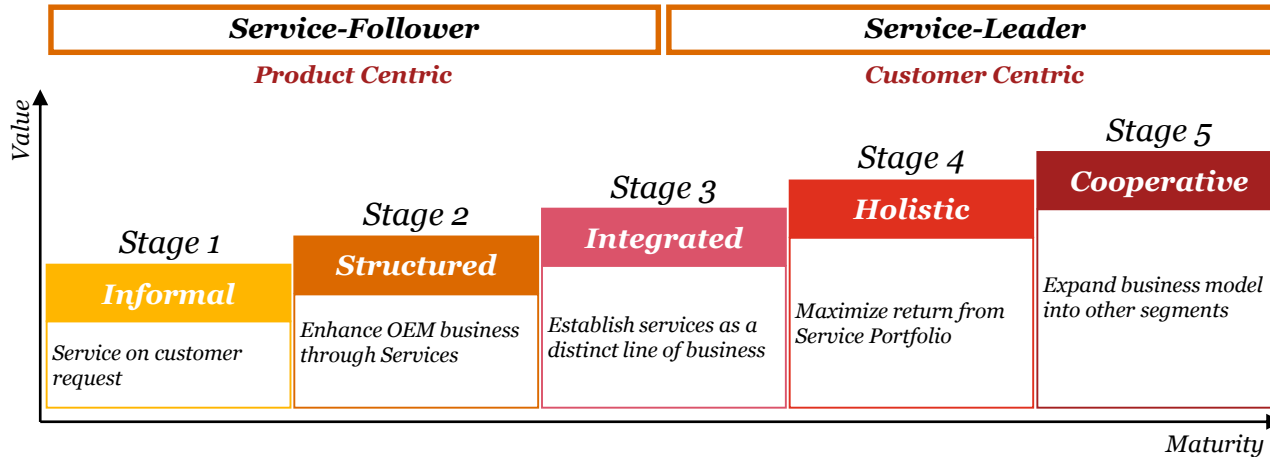


A field service management (FSM) solution is a software application that helps organizations manage their field service operations. It typically includes features such as scheduling, routing, and tracking of field service technicians. The goal of an FSM solution is to improve the efficiency and effectiveness of field service operations, reduce costs, and improve customer satisfaction. The diagram above illustrates the key components of a successful FSM solution: Service, People, Process, Performance, and Partners.

Service: The core of the field service management solution is the service itself. This can be anything from a simple repair to a complex installation. The service should be clearly defined and documented, and the organization should ensure that all field service technicians are trained and equipped to deliver the service consistently. People: The success of a field service management solution depends on the quality of the people who deliver the service. This includes field service technicians, dispatchers, and customer service representatives. The organization should invest in training and development for all of these roles, and ensure that they are equipped with the tools and resources they need to succeed. Process: The field service management solution should be designed to support the organization's field service processes. This includes scheduling, routing, and tracking of field service technicians, as well as the management of customer expectations and the collection of feedback. Performance: The field service management solution should be designed to improve the organization's field service performance. This includes reducing response times, increasing first-time fix rates, and improving customer satisfaction. Partners: The field service management solution should be designed to support the organization's field service partners. This includes providing them with the tools and resources they need to succeed, and ensuring that they are integrated into the organization's field service processes.



The PwC Service-Maturity-Model outlines the way from Service-Follower to Service-Leader



PwC Service-Maturity-Matrix

	Stage 1 Informal	Stage 2 Structured	Stage 3 Integrated	Stage 4 Holistic	Stage 5 Cooperative
Service design & Pricing	<ul style="list-style-type: none"> Reactive service based on customer request Cost based pricing No pricing differentiation 	<ul style="list-style-type: none"> Service as a support for sales Offering is basic: installation and maintenance 	<ul style="list-style-type: none"> Service portfolio meets customer's needs throughout the lifecycle Pricing based on Total Cost of Ownership 	<ul style="list-style-type: none"> Preventive maintenance Responsible for the uptime of installed base through service contracts 	<ul style="list-style-type: none"> Service is part of the total value offering Value based pricing Selling outcome instead of assets
Organisation	<ul style="list-style-type: none"> Service processes informal and undefined Fragmented service organisation 	<ul style="list-style-type: none"> Service is often part of other business functions 	<ul style="list-style-type: none"> Service activities consolidated into one business unit with own P&L 	<ul style="list-style-type: none"> Service as a cross-enterprise process in which all divisions participate 	<ul style="list-style-type: none"> Service activities in an independent organisation with its own C-level management
Field Service Management	<ul style="list-style-type: none"> Field service engineers non existent or didn't receive training No structured follow up for warranty No program to capture customer feedback 	<ul style="list-style-type: none"> Field service acts proactive Warranty is followed up based on customer claims Returns authorised by commercial team 	<ul style="list-style-type: none"> Field service engineers get regular training Full warranty tracking, without root-cause analysis Technical staff validates returns 	<ul style="list-style-type: none"> Field service strongly connected to back-office Warranty tracking with root-cause analysis Validated returns with a feedback loop to R&D 	<ul style="list-style-type: none"> Field service engineers get relevant information upfront Field service uses advanced digital technologies to support them in the field
Spare parts supply chain	<ul style="list-style-type: none"> Service parts stored with production parts No forecast, replenishment based on experience 	<ul style="list-style-type: none"> One centralised but dedicated warehouse for spare parts Replenishment based on re-order point, min-max,... 	<ul style="list-style-type: none"> Dedicated service part inventory on different locations Forecast based on historic data 	<ul style="list-style-type: none"> Interdependencies between locations taken into account Forecast based on installed base and market information 	<ul style="list-style-type: none"> Virtual stock principles across the network Critical customers have dedicated spare parts inventory Forecast based on predictive models/machine learning
Technology & Software	<ul style="list-style-type: none"> Limited service solutions Service is not consistently measured 	<ul style="list-style-type: none"> Simple standardized service solutions Service quality measured against target values 	<ul style="list-style-type: none"> Differentiated business processes support service strategies High attention to service quality data 	<ul style="list-style-type: none"> Clear differentiated solutions in the market Service quality feedback used in shaping future services 	<ul style="list-style-type: none"> Complex offerings developed with leading clients Service data shared with partners to drive performance

Validation of the 5 key Service Supply Chain Elements

Every company is assessed on these elements and benchmarked with the market.



1. Service design and pricing



2. Organisation



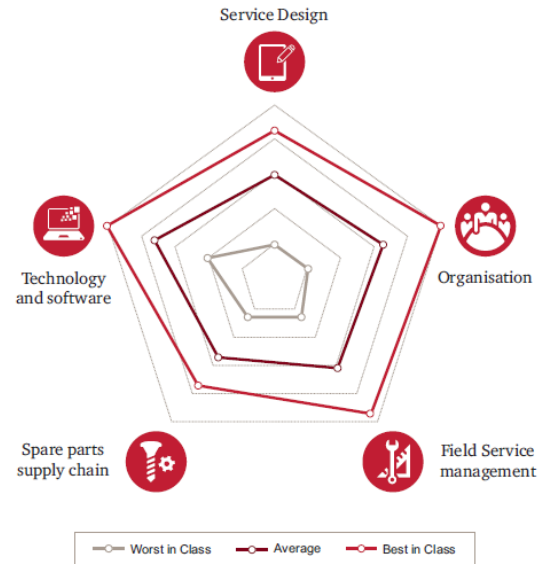
3. Field service management



4. Spare parts supply chain



5. Technology and software



Service Supply Chain report

LINK: [Service supply chain report](#)

Service Supply Chain report 2018

How advanced is your Service Supply Chain?



- 90%** of respondents don't have their service supply chain embedded in their total value offering.
- 33%** don't capture data from their remote installed base.
- 76%** can't use their data for continuous improvement.
- 17%** share their data with customers.

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Executive summary

The considerations expressed in the introduction were the triggers for PwC to launch a survey to assess the maturity of the industry in relation to service components in the aftermarket. Survey respondents are responsible specifically for customer care, after sales or field service. They belong to the following function categories: C-level, directors and senior managers.

Higher maturity leads to higher gross margin

The objective of the survey was to assess companies' maturity regarding service supply chain and compare it to important KPIs like gross margin, turnover and first-time fix rate.

The survey targeted manufacturing companies that were interested in their service supply chain performance. We covered a wide range of industries, but 82% of respondents are active in either the automotive industry or industrial machinery. All respondents offer services in Europe, but most are also active in other parts of the world.

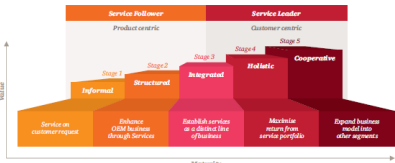


Maturity	Gross margin (%)
Basic	18
Low	20
Mid	23
High	28



The PwC SSC Maturity Model below outlines the steps from service follower to service leader.

Figure 8: PwC Service Supply Chain Maturity Model



Stage	Service Follower	Service Leader
Stage 1	Informal	Product-centric
Stage 2	Structured	Customer-centric
Stage 3	Integrated	Stage 3
Stage 4	Hybrid	Stage 4
Stage 5	Cooperative	Stage 5

Service components: Service on customer request, Enhance O&M services through services, Establish service as a distinct line of business, Maximize margin from service portfolio, Expand business model from other segments.

Service Follower Description: Stage 1 is service from a purely reactive perspective. The customer asks for a service and as a product manufacturer you react to that request as you want to keep the customer satisfied, provided the request is within reason. Gradually a company can (and should) move to stage 2, where along with the physical product, you can offer a maintenance and service package that's also supported by organized logistics. Service gradually becomes an element that'll influence customers in their investment decision process.

Service Leader Description: Once service becomes a more substantial part of the business, it's time to move to stage 3, where the importance of the service component is emphasized by the creation of a proper P&L statement: service is no longer an add-on to product sales, but has separate business results. This will enable the collection of a significant amount of data on both the customer base and the installed base.

Information Description: The information gathered can then be used for product improvement, which brings you to stage 4 of the maturity model: creating the structures that allow the sharing of the information gathered in the service organization with the product organization and vice versa. This knowledge will also serve as the basis that moves the service organization towards helping customers in their preventive maintenance programmes. This integration with the customer can ultimately result in level 5 maturity, when product and service offering are fully integrated, focusing on the output of the investment rather than on the investment itself.

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