TRANSFORMING SERVICE ORGANIZATIONS TO NEXT GENERATION OPERATIONS

White Paper
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Executive Summary

Service organizations at manufacturing companies are rapidly evolving. This white paper charts how service organizations can transform themselves into a next generation operation, undergoing a metamorphosis from cost center to profit center.

The survey found manufacturers expect their service operations to improve their relationships with their customers and even serve as a differentiator. This is crucial in a hyper-competitive economy. Improving customer satisfaction and increasing customer loyalty were top considerations.

One of the best ways to do this is to do a better job of analyzing customer data. The survey demonstrated manufacturers have to do a better job of amalgamating the information gleaned from things like customer surveys and their CRM, social media and the machines themselves to present a clear view of true customer needs.

The survey underscored the reliance on technology to take the organization to a higher level. That included remote monitoring and communication, mobility and the cloud.

Finally, the results highlighted the growing importance of the service operations. It predicted the service organization leadership may soon report to the CEO.

Survey Overview

The “How Can Service Organizations Transform Themselves into a Next Generation Operation” survey focused on 112 executives from a wide range of industries, including automotive, computing, consumer electronics and high tech.

Among the respondents, approximately half (49.1 percent) worked for companies with annual revenues lower than $3 billion. And almost 20 percent (17.9 percent) worked for enterprises with annual revenues greater than $20 billion.
The respondents came from all levels of the organization, from company chairman to field technicians.

What is your title?
Key Finding No. 1:

*Service organizations are evolving.*

Service organizations run along a continuum from traditional to next generation.

**Traditional:** Historically, service organizations were product-centric cost centers set up in silos around product lines.

**Evolving:** The evolving service organizations “move beyond Excel spreadsheets,” observes Sivakumar Natarajan, Practice Head, Service Lifecycle Management, Manufacturing & Hi-Tech Business Unit, Wipro Technologies. These organizations want to standardize their processes and build services functionality. Management, however, still remains in silos.

**Services as a differentiator:** This organization is still a cost center but is now generating revenue because its goal is “to be more responsive to the customer,” according to Natarajan. He says this type of organization creates an infrastructure that shares information between silos so managers have an integrated look at their customers. This view allows them to improve customer satisfaction scores and earn revenues from the services.

**Next generation:** Natarajan says this service organization goes beyond the break/fix mentality and reimagines the work “as a services business.” This group creates its own independent profit-and-loss statement. The next gen operation has different metrics, for example, instead of measuring the mean time of a call at the call center, next gen operations analyze the calls to diagnosis the problem so the field engineer can resolve the situation the first time. Integrated life cycle management comes into play here.

The next gen operation may go beyond selling equipment. Like in outsourcing of services, the end-user may just pay for services instead of actually owning the equipment. “This is a new paradigm for manufacturers,” says Natarajan. “They will have to take a fresh look at their processes including asset management,” and other services besides maintenance.

For organizations to fully realize the promise of services they have to move beyond business-as-usual services such as maintenance and reimagine their entire business as a service business where product becomes a part of the cost of the service.
The survey showed 40 percent of today’s service organizations are still cost centers, with 25 percent of the organizations already earning revenue.

More than half of the respondents (54.5 percent) responded yes. “Yes, many are still not reporting these earnings as a business,” notes Natarajan. Clearly it’s more a mindset issue than a revenue one.
Key Finding No. 2:

Companies expect their service operations to improve their relationship with their customers. Service operations can even serve as a company differentiator.

What among the below is the key outcome expected from the service organization?

- Service is required just to support the existing products (52.7%)
- Service is a source of additional revenue (5.4%)
- Service should be done at the lowest possible cost while maintaining an acceptable service level (9.8%)
- Service is a critical tool for retaining customer and service is considered an differentiator for the product sales (16.1%)
- Other (please specify) (16.1%)

A clear majority, 52.7 percent of the respondents, said service is a key tool for both options. “It is a critical differentiator,” says Natarajan.

The respondents agreed that the service organization should provide great service at the lowest possible cost and provide an additional source of revenue (16.1 percent each). Presumably how the service organization provides the service and manages its talent and resources contribute to the bottom line.
Improving customer satisfaction (73.2 percent) and increasing customer loyalty (67.9 percent) were the top two objectives, according to the survey’s respondents. Natarajan says service organization leaders are increasingly hearing from their CEOs “to differentiate their products.”

However, increasing services revenue will continue to grow in importance, according to Natarajan. “This is where innovation will happen,” he predicts as service organizations evolve to consumer-oriented businesses. Fifty-eight percent wanted to increase services revenue.

Of course, everyone wants to cut costs to increase the bottom line. Cost reduction ranked as the No. 3 objective at 65.2 percent.
Key Finding No. 3:

Service organizations are going to have to do a better job of analyzing customer information.

According to the survey respondents, multiple independent customer services surveys are the preferred way to figure out what customers think. Fifty-eight percent use this method. They also rely on collecting on-the-spot satisfaction surveys (48.2 percent.)

However, Natarajan says some forward-thinking service organization leaders are also mining social networks for information (24.1 percent). But, how do you keep track of all the Facebook posts, the LinkedIn discussions, the miles of tweets? Wipro’s analytics can synthesize information from all social networks (Big Data in industry jargon) into a common picture of a customer, solving the problem of visibility.
Service organizations also gather information from their CRM files and have reams of data from their service level agreements. In addition, remote monitoring of the machines themselves produces valuable insights. Wipro’s analytics can also amalgamate all three data streams “to produce tremendous insight.” He says Wipro’s analysts can help the service level executives “make sense of the data and then craft a response with greater clarity.”

The resulting picture “can improve customer satisfaction and reduce cost,” Natarajan says. For example, the sales team can see a customer’s favorite features, and social media warnings can alert the service team if a problem is brewing.

There are actually four ways analytics can help:

1. **Asset prognostics.** If you know something is going to fail, you can act on it before it happens. This improves customer satisfaction and lowers the cost of service.

2. **Resource optimization.** Service organizations can optimize their spare parts inventories if they have a better idea of when things actually fail. This knowledge also helps field team scheduling. “You can prevent costly tickets coming from down time,” Natarajan says.

3. **Revenue upsides.** Service organizations can rework their contractual pricing by analyzing how the customer uses the machine. In addition, this information is value for cross-selling.

4. **Design optimization.** Manufacturers would know immediately if there was a design issue. Natarajan says getting a deeper view of customers gives manufacturers a clearer view of the value/use matrix for specific design features. “You will know what value a customer really assigns to a feature,” he explains.
Key Finding No 4:

Remote monitoring will play a bigger part in service organizations over time because it is a sure way to reduce cost.

Almost 60 percent of respondents (59.8) recognize remote monitoring and machine-to-machine communication reduce cost. And 42 percent realize the data can help them understand customer behavior, thereby increasing revenues. “The cutting-edge organizations are going beyond reducing cost to looking at customer behaviors,” he observes.

Natarajan says understanding and then acting on usage behavior moves a service organization from the break/fix mentality to helping the customer achieve its strategic goals. This change of thinking, he believes, “creates business options.”

In addition, Natarajan says remote machine monitoring is a great way to start moving to a next gen operation especially for B2B manufacturers that have been struggling to build real customer intimacy.
Do you think mobility can help to improve resolution time for field techs?

Almost 80 percent (77.7) answered yes to this question. However, Natarajan says the big question is how service organizations can actually utilize mobility to improve resolution time. He says Wipro has a suggested formula:

1. Assemble the information in regards to how the service techs currently use mobility.
2. Use analytics and diagnostics to gain insights from that information to craft a plan.

He says the manufacturer can also use a closed social network to disseminate the requisite knowledge to the service tech community.

Many organizations think of work order management or routing when they think of mobility as an enabler. The key is to look at mobility as the channel to empower the field service tech to:

- Diagnose better
- Close class faster
- Identify known solutions to known problems
- Restart a sales cycle for a customer
All of the above impact revenue, customer satisfaction and operational efficiency.

Another technology disruptor is the cloud.

**Do you have any plans to migrate your IT products/solutions to the cloud in the next two years?**

- Yes: 27.7%
- No: 72.3%

Almost two-third of the respondents (72.3 percent) answered yes. Natarajan observes Wipro buyers are already experimenting with specific capabilities. He predicts manufacturing customers will buy services from the manufacturer through the cloud. Manufacturers like construction equipment makers will start providing information services to their customers on their equipment informing them about utilization, operation parameters or alerting them to a misuse.

**Key Finding No. 6:**

*Before long, the head of the services business will report to the CEO.*

“We expect the number of C-level executives to go up over the next few years,” says Natarajan. Already, one third (33 percent) are C-level executives. And there are many grooming for that title. The survey found 42.9 percent are senior executives who report to a C-level leader.
Who leads service in your organization?

- “C” Level executive: 42.9%
- Senior executive who report to a “C” level executive: 33.0%
- Single mid-level executive who works in the operation/sales department: 10.7%
- Multiple mid-level executives each with a distinct service influence area: 8.9%
- No clear hierarchy: 4.5%

About Wipro’s Aftermarket Platform:

Wipro’s Aftermarket platform helps manufacturers accelerate their service business and improve their aftermarket revenue, profitability and customer satisfaction. It enables manufacturers to leverage aftermarket intelligence to improve product quality and future design. Its platform brings together next generation service business processes, a patented product quality improvement framework, and leading edge technologies like Connected Equipment, Big Data, Mobility Advanced Analytics to help customers reinvent their service business and delivery models. Its proprietary library of asset class specific analytical models synthesize information from social, business and machine networks to redefine business processes from design of products to delivery of services.

For more information, please visit www.wipro.com or contact us at info@wipro.com.

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