Managing Third-Party Service Providers

An Astea White Paper

Introduction

For companies with a rapidly growing customer base, meeting an expanding demand for field service can be daunting. You can't be everywhere at once, and the costs associated with trying to build out your own network of parts depots and service offices, along with hiring and training technicians, are high.

Increasingly, field service organizations with a widely dispersed and growing customer base, or those that experience significant swings in demand because of seasonality or other factors, are outsourcing some portion of their work to third-party service contractors.

Doing so can provide these organizations with wider geographic coverage, scalability, improved efficiency, enhanced service offerings, and a more cost-effective way to manage their service business in the face of escalating costs and increased pressure to achieve profitability. Outsourcing is also a common strategy for areas where there is a low-density of product installations/customers.

According to Aberdeen Group's *Field Service 2013: Workforce Management Guide,* 21 percent of best-in-class

companies cited outsourcing to a third-party workforce as a top strategy. Sixty-four percent of respondents reported using third-party technicians to complete at least some percentage of daily field service tasks.

This increased reliance on third-party organizations has made it imperative to ensure that these service partners meet customer expectations and contract requirements. According to Aberdeen: "The value driven from a blended workforce who incorporates third-party technicians isn't solely a cost-cutting exercise. Field service, like other aspects of the service operation, must never be viewed as merely the cost of doing business; technicians, whether internal or outsourced, must be able to deliver value and resolution to customers."

Whether the company is partially outsourcing work to such third-party providers or handing the entirety of its service business over to such a company, selecting the right partners is critical to maintaining customer satisfaction and meeting service level agreement (SLA) requirements. Hiring third-party providers requires total accountability and the ability to monitor and manage the third-party provider's performance. However, by the very nature of the third-party relationship, maintaining visibility into a partner company's operations can be exceedingly difficult.

This white paper will outline some of the benefits and challenges of outsourcing service tasks to third-party providers (3PPs) and describe how mobile technology and field service software solutions can provide real-time visibility and accountability when working with such 3PPs.

This increased reliance on third-party organizations has made it imperative to ensure that these service partners meet customer expectations and contract requirements.

The Benefits and Challenges of **Service Outsourcing**

Effective field service outsourcing can provide a number of benefits, including reductions in call center costs, lower costs for contract/warranty administration, field service labor reduction, lower costs of logistics network management, and reduced spare parts management costs.

3PPs can be used to help meet fluctuating service needs, expand a company's service footprint in new or existing territories, and improve service response times by flexibly expanding the existing technician force when necessary.
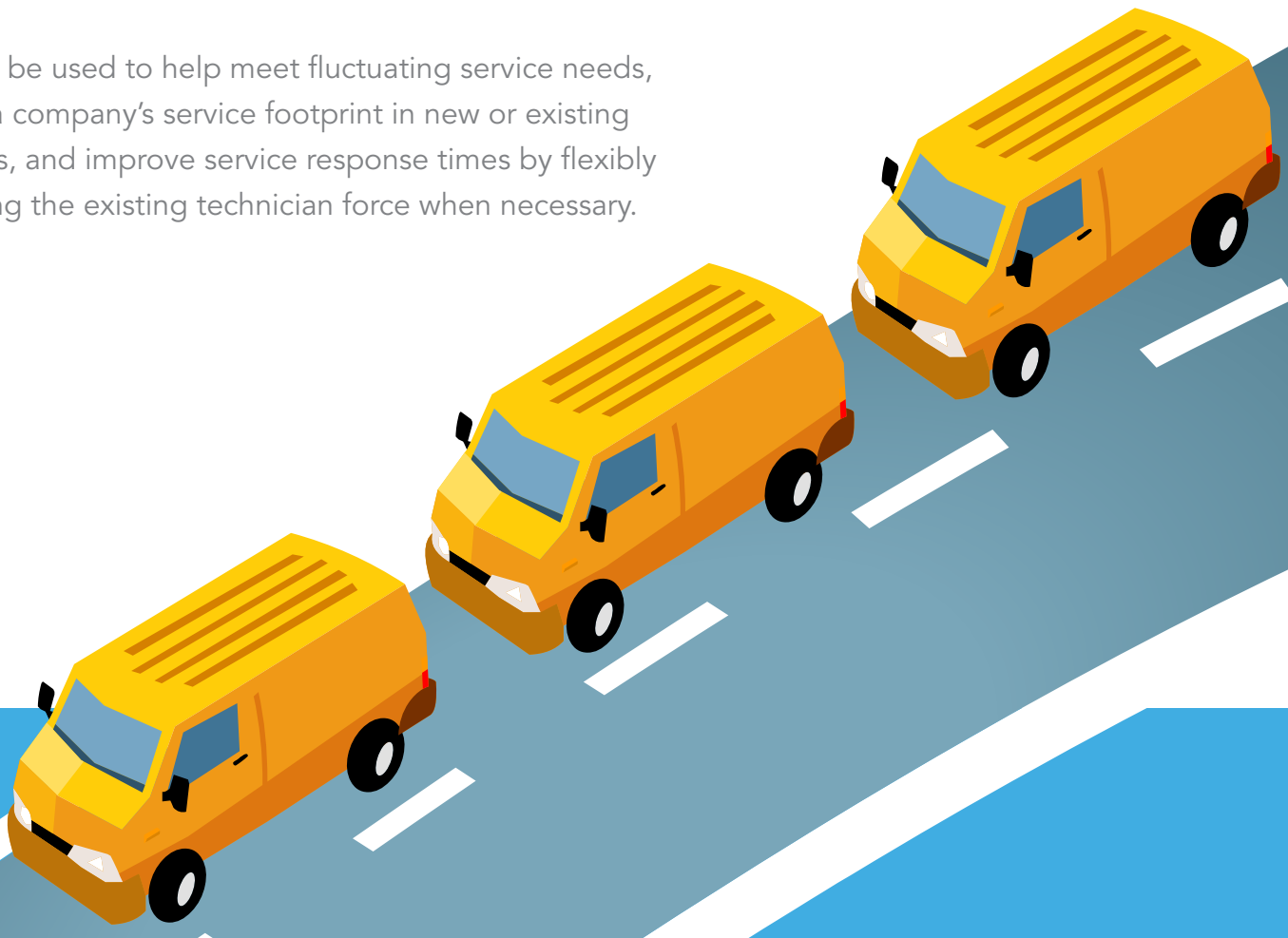
According to data from Aberdeen, more than half of respondents reported positive impacts from outsourcing relative to geographic service area coverage, the cost of service delivery, customer service response times, and service differentiation. Those companies typically expected average annual cost savings in call center operations (28% reduction), contract warranty administration (34%), field service labor (23%), logistics network management (17%), and spare parts management (22%).

Outsourcing service operations can be challenging, however, and those challenges can manifest themselves on multiple fronts. According to Aberdeen's survey data, 42% of respondents cited service parts planning/forecasting as the most difficult element to outsource, followed by logistics network management (20%), and field labor (18%).

Maintaining the overall quality of customer service is critical, but service delivery can be inconsistent if the right controls are not put into place. 3PPs require performance management accountability, and service organizations must carefully select the right mix of partners, manage network performance, and maintain customer satisfaction.

Accountability and performance management can be especially challenging when multiple tiers of contractors and sub-contractors participate in the network. Organizations that choose to deliver post-sales service using 3PPs have to establish ways to track processes and controls across the network they develop.

Most Difficult Elements to Outsource

20% Other

42% Service Parts Planning/Forecasting

18% Field Labor

20% Logistics Network Management
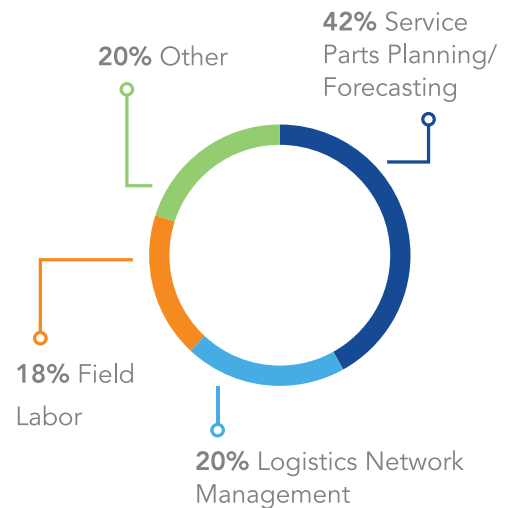
According to Aberdeen's study data

Maintaining the overall quality of customer service is critical, but service delivery can be inconsistent if the right controls are not put into place.

Establishing clear processes and procedures is important, as is developing ways to monitor those same processes.

Connectivity across the service organization therefore becomes even more important. According to Aberdeen, 88% of service organizations believe that it is important for service to be fully connected with organizational components. Service organizations must be able to quickly communicate information electronically to their partners and receive data back in real-time or near real time in order to ensure customer service levels are maintained and to provide valuable data to other segments of the business.

A key component of managing 3PPs is the ability to measure and manage key performance indicators (KPIs) such as SLA compliance, service costs, first-call resolution rate, mean time of repair, and service profitability. To gather this data, all workers must be able to capture customer, product, equipment, and technician data and transfer that information to stakeholders across the organization and partner network.

According to Aberdeen, 88% of service organizations believe that it is important for service to be fully connected with organizational components.
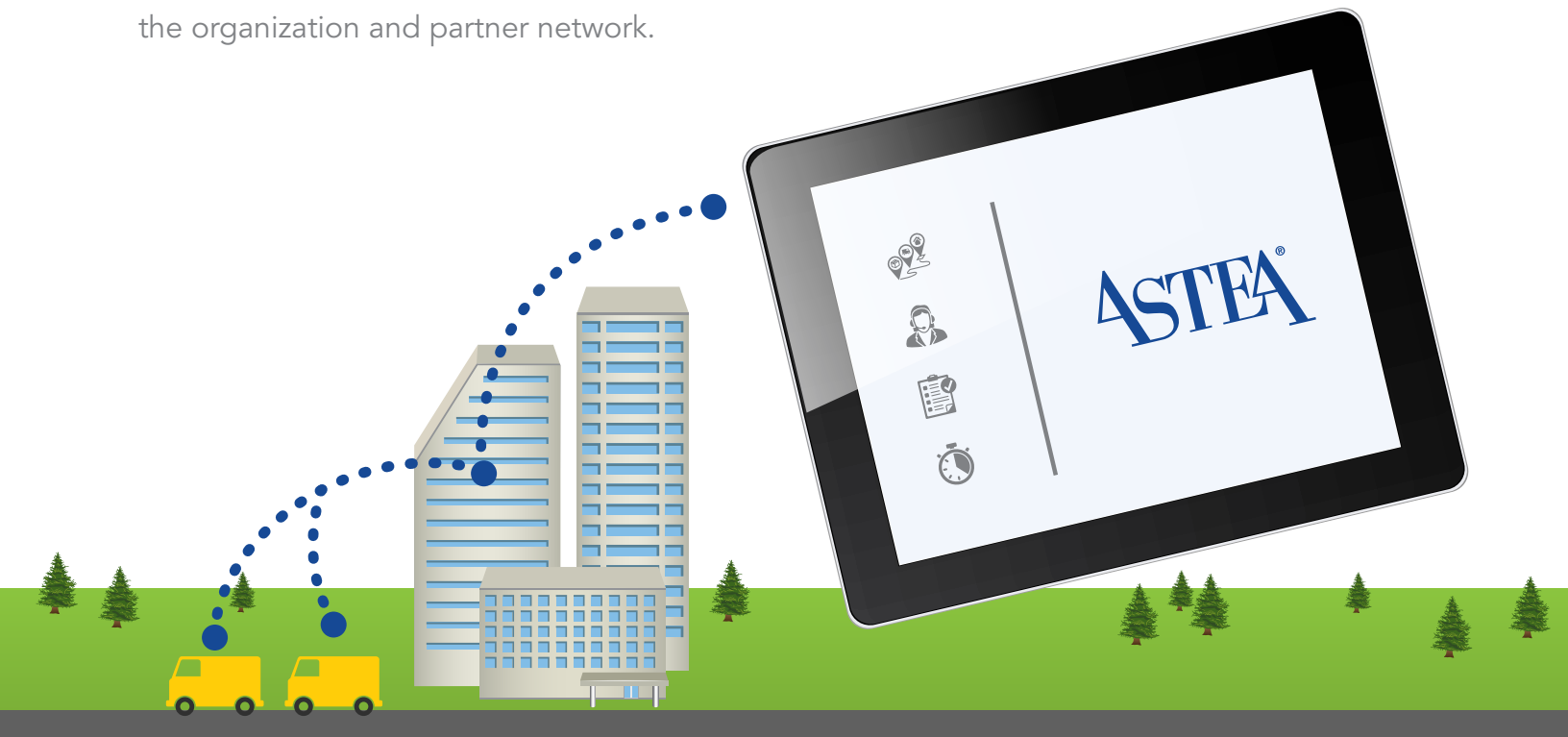
Connecting
Third-Party Providers

Extending the service chain to outside providers doesn't have to result in a loss of visibility into technician and customer activities. All technicians should be equipped with the right technology to capture customer, product, equipment, and work order information, and then transfer that data back to the primary service organization.

Among the strategies companies are adopting to support a third-party workforce, according to Aberdeen, are investing in mobile tools to provide technicians with better access to information in the field (55%), developing standardized scheduling processes (49%), improving forecasting and planning for future service demand (44%), making captured service information available across the enterprise (38%), and developing real-time visibility into field assets (35%).

Third-party vendors also need a window into the primary service organization's operations

in order to schedule jobs efficiently, retrieve critical customer/asset data, and effectively communicate work order information back to the primary vendor. Using field service automation software with third-party provider management capabilities, organizations can establish real-time, two-way communication with 3PPs that provides this type of visibility.

An automated vendor and third-party management platform can allow service organizations to manage service providers with a robust, secure and unified platform. Using these tools, service companies can send service requests directly into a 3PP's dispatching system so that calls can be automatically scheduled. More importantly, these solutions include portal and mobile functionality that can serve as a single point of information for all full-time and outsourced stakeholders. As a result, companies can gain the necessary level of upstream and downstream visibility and accountability that are critical for service network automation and optimization.

For third-party service agents and even vendors that supply parts and equipment, this type of software solution allows companies to track and manage all parties within the service supply chain. Partners have access to a secure portal and/or mobile app that allows them to enter, update, and view pertinent information as it relates to a service order, as well as logistics and reverse logistics functions.

With the proper connectivity, service organizations can allow their partners to use consigned parts inventories, their own inventory, or the service organization's inventory and to track the usage of those parts using mobile devices. With accurate, real-time inventory usage data, companies can better forecast parts demand and automatically generate replenishment orders.

STRATEGIES COMPANIES ARE ADOPTING TO SUPPORT A THIRD-PARTY WORKFORCE

55% mobile tools for better information access in the field

49% standardizing scheduling processes

44% improving forecasting and planning

38% making captured service information available across the enterprise

**35%** developing real-time visibility into field assets

Using such a solution, a third-party provider can also access additional information about the service call so that technicians are armed with the most complete information available about the asset or customer that requires service. They can also tap into troubleshooting guides and repair statistics. Further, call center employees and customer service representatives can use this technology to access scripts and questions, along with pre-defined answers, to better service customers during the initial call.

In the field, technicians can use the online portal and/or mobile app to view all of the notes related to the customer or asset that have been gathered over time within the primary service organization (or by other contractors), so that they can have full visibility into equipment history, service notes, and other data. They can update service orders in real time using a mobile phone or other device, open new orders, and view upcoming jobs on their schedule.

Service agents can accept calls on a mobile device and provide status updates so that both the 3PP and the primary service organization are kept up to date. They can also be alerted if a call risks slipping out of compliance with the SLA.

Third-party management solutions can also help service organizations respond faster to service calls using local resources; automate access to dispatch, repair, and other information; automate administrative tasks such as documenting failures, noting corrective actions, enabling parts returns, and initiating inventory replenishment; and help provide more uniform service delivery.

Call center employees and customer service representatives can use this technology to access scripts and questions, along with pre-defined answers, to better service customers during the initial call.
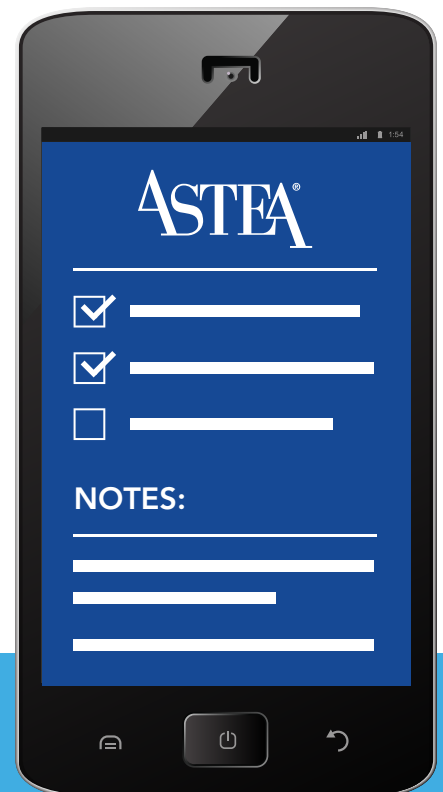
Conclusion

Outsourcing service activities to third-party providers can provide service organizations with greater geographic reach, reduced costs, a wider range of service capabilities, and a more flexible technician workforce that can be expanded or contracted based on demand levels. However, doing so requires careful partner selection and rigorous control over processes, procedures, and data in order to ensure SLA compliance and uniform service delivery.

Deploying a mobile technology and field service management solution that combines vendor and third-party management capabilities can provide the visibility and management tools necessary to a successful service outsourcing program. Using these tools allows the third-party providers greater access to customer and asset data in order to provide optimal service, while giving the primary service organization the ability to track work orders and inventory in real time, improve parts and service demand forecasting, and ensure quality service for each client.

About Astea

Astea International is a global provider of software solutions that offer all the cornerstones of service lifecycle management, including customer management, service management, asset management, forward and reverse logistics management and mobile workforce management. Since 1979, Astea has been helping more than 600 companies drive even higher levels of customer satisfaction with faster response times and proactive communication, creating a seamless, consistent and highly personalized experience at every customer relationship touch point.

ASTEA®

Microsoft Partner
Gold Independent Software Vendor (ISV)

www.astea.com