Field Service Strategy At Residential Exterior Building Products Company: Cost Reduction In Post-Sales Service Operations While Ensuring Stellar Customer Service

The Challenge: BuildCo, a leading provider of premium exterior building products for the residential repair and remodeling segment, had been acquired by a Fortune 500 company in 2006, attracted by its strong market position and excellent service reputation. To better position itself in the challenging 2009 housing market, BuildCo had undertaken several cost reduction initiatives and wanted to develop a new post-sales field service delivery model that would significantly reduce cost while maintaining, if not improving, the customer value proposition. Gotham was brought in to help design a new model for post-sales field service operations moving forward. Specifically, the project objectives were to: (1) establish targeted field service demand; (2) determine field service outsourcing opportunities; (3) determine optimal field service organization structure and staffing levels; and (4) identify operational efficiency opportunities and required process, tool, and performance measurement/management enhancements.

The Partnership:

Analysis: Against these objectives, Gotham first created a solid, actionable fact base to inform BuildCo's decision making, by:

- Analyzing field service ticket, product warranty, and service reimbursement data to profile the cost drivers by region, by product type, by customer, and by technician
- Interviewing field service staff and riding along with field service technicians during customer visits to map the current process, including the rules, systems, and tools utilized for claim submission, technician scheduling, field service visit, and performance management
- Interviewing across functions to pin down BuildCo's existing customer value proposition, and especially the role field service plays
- Conducting customer interviews to understand their decision-making criteria, what they value the most about BuildCo's products and service, and their perspective on BuildCo's field service performance vs. competitors
- Benchmarking other building products companies to determine alternative field service models being used and associated productivity/performance levels.

BuildCo's Technicians Operate Somewhere In Between A Repair Tech Mode And A Super Tech Mode, Especially In The East

	Repair Tech Model	BuildCo Today	Super Tech Model
Mode	• Break & Fix	• Think – Super Tech • Do – Break & Fix	• Resolve customer issues – Field support – Training
Effectiveness	• Increase # of calls • Reduce travel times	• Batch calls to reduce travel • No incentive for remote resolution	• Reduce # of calls
Measure	• Productivity measured in calls per day/cost per call	• Calls per day • Cost increasing	• Efficiency measured in problem resolutions (total cost of resolution)
Requirements	• Scale – to be efficient requires high-volume concentrated geographic area	• Not enough volume or techs to effectively cover national geography	• To be effective requires remote diagnostic capabilities and enforcing dealer/distributor responsibility

Early on in our investigation, we learned that the previous business owner's philosophy was to drive growth by accommodating the customers at all costs. This "white glove" culture and the fear of loosing the coveted JD Power ranking were driving significant excess cost in field service operations and the organization had little readily available field service performance and cost data. Thus, Gotham had to build a 3-year performance database combining and interpreting data from legacy, home-grown field service software, stand-alone Access databases, customer credit database, general ledger, and technician expense reports, revealing the following:

- Fragmented post-sales service spend, with sales, customer service, and field service each driving spend
- Lack of relevant guidelines or processes to control field service spending (e.g., too much time spent on clerical activities, minimal initial diagnosis to understand the customer issue, no incentive to close tickets over the phone, and lack of pre-approved fee schedules for outsourcing leading to job-by-job price negotiations)
- Multiple field service delivery models were in operation, including full-service, service reimbursements, self-service, and service rebates, each at varying cost to BuildCo
- Unofficial policy of providing labor at odds with its parts-only warranty and far exceeding customer expectations.

Strategy: To determine the best post-sales field delivery approach, we built a simulation model to quantify the cost impact of various scenarios based on the robust understanding of cost, customer requirements, and internal capabilities. The recommended strategy for BuildCo's post-sales field service operations comprised the following levers:

- Reduce the number of field service requests and site visits (~40% reduction in site visits) by modifying the labor support to align with (vs. exceed) customer expectations
- Resolve as many customer issues as possible over the phone (vs. defaulting to a technician visit); provide training program/diagnostic tools to call center staff so that they can resolve "easy" problems themselves
- Reduce administrative and outsourcing costs via tighter controls (e.g., standard rate schedule for outsourcing and customer reimbursements, enhanced IT system capabilities to eliminate manual data entry)
- Strike the most cost-effective balance between in-house technician headcount and use of outsourcing.

Execution: To help ensure a successful implementation, Gotham developed several playbooks to standardize: time required to resolve issues; procedures for phone diagnosis; and overall problem diagnosis/solutions guidelines.

The Outcome: The recommended strategy was expected to generate a 26.5% ($1.5MM) reduction in BuildCo's field service costs while improving customer value proposition – more than double management's ingoing assumption. BuildCo is already implementing policy/procedure changes and piloting phone diagnosis as it migrates to the new model.

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