

You Know

the CFO is Interested in Field Service when...



They're the scorekeepers and trusted advisors that keep one eye on profitability and the other on the next big regulatory change. But that's not all CFOs are interested in, as ServiceMax's own CFO, Rick Gustafson admits,

"I spend a third of my time on activities that revolve around making additional investments in our service organization."

Rick's revelation in the webinar, *Service Profits and Raving Customers: The CFO's Agenda*, underpins the idea that service is playing a greater role in the financial health of product companies. Of particular interest is the slimming gap between product and service margins that have organizations rethinking service as a cost center. As any good CFO knows, happy loyal customers are returning customers with potential for greater profits per transaction.

With the profit-centric field service tide, so goes the time and attention of the C-suite. You too can have the ear of the CFO. If you foresee service transformation in the future of your business, get the consideration you need by taking some advice from Rick.

You'll know they're listening when...

You measure to manage

You know you want to grow your service revenue, but do you have an accurate picture of your field service bottom line? According to Aberdeen's State of Service Management (2013) research, close to 60% of firms surveyed run their service organizations as a profit center¹. For the other 40% that may not know their top line contributions, there are simple ways revenues can be approximated. Whether it's a simple allocation as a percentage of product sales or a sophisticated model, this is where the assistance of your finance team comes in. Ask their advice. No doubt they'll have the expertise you need to get started on a P&L. There's no better way to get the attention of the CFO than to show him or her how your organization contributes to the bottom line.



Rick says...

I've worked with a service organization to manage performance based on proxy P&L. Although there was more loss than profit at first, the transitions I saw were amazing. Over six to eight quarters the business became profitable, new service offerings were introduced and increased customer engagement developed into much higher retention rates. I really came to understand that running the service organization as a profit center gave the team more initiative and power to affect the trajectory of the top line.



Did you know?

One of the biggest issues for field service organization today is getting the right information to make timely decisions. Whether that knowledge is at the tactical level like who's available for the next big customer maintenance or strategic in nature like plummeting service call numbers the need for quick turn reporting is critical for action.

ServiceMax out-of-the-box, real-time reporting can get you started on measuring the things that matter the most to moving the revenue line in the right direction.

- Service calls by warranty
- Part shipment activity
- Critical work orders by type
- Service bottlenecks
- Work order throughput for any time period and many more

You simply ask for what you need

If you already manage a profit-center chances are you'll need help from time to time. You may need support to put a spending plan together, need a good way to motivate and incentivize field service engineers or propose a project to boost service sales. There is no need to come up with an elaborate ploy, just ask for what you need. Most financial representative within your company will be capable and happy to help, since the role of finance is no longer relegated to transactions and metrics.

According to recent research published in the Harvard Business Review, the positions of the CFO and his or her posse have expanded. CFOs "play a much more strategic role" than they did in the early 2000s. Their jobs "now involve helping the CEO and business heads find new opportunities and assess their strategic and financial merits."² Finance as a business function is much broader and has expanded to include knowledge of and responsibilities for operations. So, don't hesitate to reach out to your local finance representative, they're not only there to work the spreadsheet, but can also contribute to overall service operations strategy.



Rick says...

Get the CFO involved before any big initiative that will transform your service business. You should take any chance you get to educate your CFO on what's possible and don't be afraid to be imaginative, especially when it comes to a new technology or management method. Getting the CFO involved early is a great way to avoid roadblocks down the line.



Did you know?

CFOs are interested in the latest technologies that support financial growth. No doubt they would be interested in any new device or system that's assisting in keeping customer happy and buying more services. ServiceMax is a great conversation starter. With its cloud based and mobile field service solutions, ServiceMax has some of the latest and greatest technologies to wow your CFO.

- **Software-as-a-service deployment**
- **Integrates seamlessly with Salesforce.com CRM on the Force.com platform**
- **Full set of APIs for legacy system integration**
- **HTML5 based, hybrid mobility to take full advantage of a full range of mobile devices**
- **Infinity Framework for best-practice service flow implementation, feedback and deployment**

You do more than the numbers and speak the CFO's language

CFOs not only employ the universal laws of math, they also have specific language they use to discuss business. Don't worry; you don't have to learn how to speak Vulcan. But, you should know, it's "customary" for the language of CFO's and other C-suite members, to be "simply logical". For those unfamiliar with Start Trek's Mr. Spock, the allusion is to know the facts and provide only the facts when you have the opportunity to present to a C-level audience.

When the occasion arises, tie your pitch, request or idea directly to the financial goals of your executives and never leave the key stakeholders in the dark when it comes to how your proposal impacts the business overall. Once you have sold them on the relevance of your project, get the approval by making sure you've run the numbers thoroughly and then, change all assumptions and run them again. Your entire proposal shouldn't ride on one perfect, all-or-nothing business case. If you have really piqued the interest of your CFO he or she will expect to see both best-case and worst-case scenarios. All options, assumptions and caveats need to be vetted and prepared. Sometimes the difference between the dreaded 'no' and a solid 'yes' is simply having a back-up plan.



Rick says...

CFOs and CEOs love the one simple slide that answers the question, how does this initiative impact our business. You can't leave them at the table guessing. If you do, you've just taken a giant step backward in your efforts and it may not matter that you've prepared a solid and rigorous business case.



Did you know?

All business cases need a good start. If you want to kick-start a service project to boost anything from contract attach rates and renewals to mean time to repair and first time fix rate, take the ServiceMax ROI Calculator for a spin. It's resourced with the latest analysis and benchmarks for best in class performance at both an optimal and conservative level. Find out much you can improve your field service cash flow with ServiceMax.

Visit - <http://www.servicemax.com/roi-calculator>

You understand that not all spending is created equal

If your service organization is one of the many that struggles with incremental investment and continual budget woes, the attempts to alleviate these issues are, more often than not, directed below the line. It's well understood that you can only cut costs so much before your service performance suffers. To provide a little illumination at the end of the cost tunnel, recognize that it's less expensive to keep a customer than it is to gain new one. The latest survey data from Aberdeen Group's State of Service Management confirms this; "Fifty-one percent (51%) of respondents indicate that the cost of service and customer retention is lower than the cost of customer acquisition, with only 15% stating the opposite."¹

As the face of your company, the biggest role of the service department is to keep customers happy, so measure the improvements in satisfaction and highlight their impact on customer retention. Start the next big budget conversation with how further investments in satisfaction will not only keep customers but make them paying customers over a lifetime. You're bound to raise more than just an eyebrow from your CFO.



Rick says...

Taking care of your existing customers after you've made a big investment to gain them is absolutely critical and everyone should know the economics around the costs to acquire a customer and costs to retain a customer. Companies that have invested in improving customer satisfaction understand the importance of service organizations in leading the way to customer success. Those companies will reap the reward of not only higher revenue and market share, but also profit and market capitalization.



Did you know?

The eighty-twenty rule applies to your customers' satisfaction ratings. Only twenty percent will tell you they're unhappy. That means there's an eighty percent gap that needs to be filled through continual customer survey and contact. As part of an end-to-end solution for field service, ServiceMax product innovations help to elevate customer focus.

- **Mobile** - It's not just an option, but the standard to enable your workforce, regardless of Internet connectivity
- **ServicePulse** - Provides a real-time view of any service call for collaboration and reporting
- **Portals** - Empowers customer and partners through minute to minute updates on the service issues

¹ Sumair Dutta, "State of Service Management: Outlook for 2013", Aberdeen Group, January 2013, p. 2, <http://www.aberdeen.com/>, accessed September 2013.

² Boris Groysberg, L. Kevin Kelly, and Bryan MacDonald, "The New Path To the C-Suite", Harvard Business Review, March 2011, <http://hbr.org/>, accessed September 2013.