

Service Skills: Key to Profitability

How smart companies are leveraging their service teams to help ensure an ongoing stream of profitable revenue

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An Acclivus Research Report

Many leading companies are realizing that customer service and field technicians have become their primary means of maintaining communication with their customers and clients. And service professionals are often in the best position to positively influence customer perceptions of the value of the business relationship. This implies that the service professionals who are on the front lines of those relationships may have the greatest impact on ensuring ongoing profitable revenue.



Unfortunately, many service representatives are missing the great opportunities that come with their territory – opportunities to deliver optimal results, build strong and lasting relationships, drive additional revenue, and protect the profits of their organizations. In today's environment, service organizations cannot afford to have their tight

margins eroded further by missed opportunities or concessions for free service.

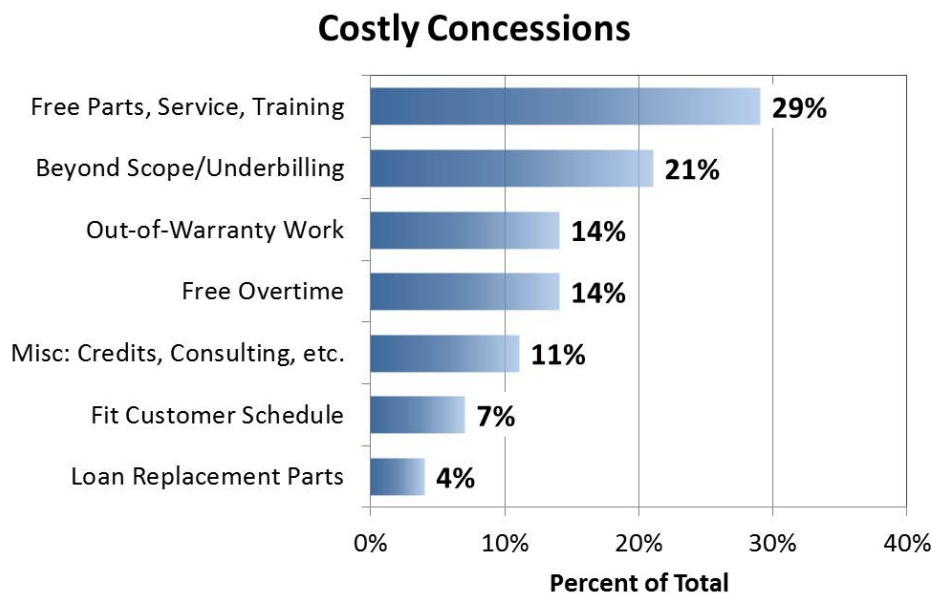


Concessions Cost Dearly

Specifically, there are two areas where service professionals are failing to ensure ongoing profitability. The first is concessions made in response to customer demands. Acclivus conducted an extensive survey of managers and executives from 18 service organizations in the United States and Europe. The organizations surveyed ranged in size from 50 to more than five thousand service representatives. Respondents, who all managed field service organizations or customer care call centers, or a combination of both, were asked: What concessions are your service professionals currently making that are costing the organization too much?

The results on the chart below clearly indicate that service professionals make many unnecessary concessions, which fall into these areas:

- Providing free parts, service, and training
- Doing work that is beyond the stated scope of a job, or underbilling for work
- Providing work that is not covered under a warranty
- Doing overtime work for free



What do these concessions really amount to? What if each service representative provides a service at no charge twice a year, when normally the organization would

have charged \$350? For a company with 200 service professionals, that adds up to \$140,000 per year in lost service revenue. A medical products company recently identified a concession its technicians were providing at least two to three times a month that was costing them over \$500 each time. With 1,000 reps, the loss was in the millions. But there's more to the story. When something is given away, that thing is devalued in the eyes of both the giver and the receiver. Customers tend to expect more concessions in the future, and service professionals fail to see the value of the service they provide, so they become even more inclined to give it away for free. As a result, the actual cost of concessions may be much higher than the example suggests.

Service professionals often feel it's their job to accommodate the customer, and customers will ask for almost anything even if they don't expect to get it. Once the service rep complies, more and more concessions are demanded and obtained. The service rep who works four hours, but only marks down two hours on the ticket, not only loses that first time, but he also will be expected to do the same on a regular basis. Eventually, the rep gets in trouble with his employer or becomes resentful toward the client. In short, meeting requests for free services usually does nothing to enhance the relationship with the customer.

It takes skill to deal with customer demands, both reasonable and unreasonable, without hurting the relationship or falling into the trap of setting a precedent. Reps must learn to acknowledge the demand, provide a solid rationale for not being able to comply, and stand behind their positions. The effective response requires an understanding of the demand, which means asking questions to clarify what the customer wants and why. Or if there is a good reason for complying with the demand by going above and beyond the call of duty, reps can learn to leverage a free service. For example, if the customer asks for a repair on equipment that is no longer under warranty, the rep can diplomatically state that he will perform the repair this time under the condition that the customer agrees to extend the warranty contract. Skill in making such a counter-request can lead to additional contracts for the company.

Recommendations Add Value

Service professionals are in the best position to detect problems and shortcomings in a customer organization, yet they are often reluctant to recommend solutions, particularly when it may involve the customer spending additional money. This is another area where skilled service people can add value to a customer relationship and thus enhance their companies' bottom lines. Adding value means seeing a problem and making a suggestion about how to fix it. But service people often feel that it's not their place. They don't want to be perceived as "selling" or they simply lack the skills and inclination to recommend what may be in the customer's best interest.

When asked what recommendations customer service could and should make to add value to both their own companies' quality of service and the customers' perceptions of the service provider, service managers and executives responded positively toward receiving suggestions from service. (See chart below for survey information.) At the top of the list were:

- Suggesting upgrades, new products, new or enhanced services, and service contracts
- Ensuring that customers have the appropriate equipment and service levels for their needs
- Identifying problems and recommending solutions
- Recommending training

Valuable Recommendations



These opportunities to add value can represent a huge amount of revenue, even for smaller companies. For example, if each service rep misses a good opportunity to recommend additional or upgraded service 10 times per year, and a service upgrade is worth \$1,550 per year, an organization of 200 service reps loses \$3.1 million in annual revenue.

The best time to recommend an approach for solving a problem or meeting a need is, naturally, when a problem has just been solved. That's why service representatives are in the best position to make recommendations. But while some are comfortable with and adept at making recommendations, many shy away from it, leaving organizations with a hit-and-miss approach to recommendations. Missed opportunities, of course, invite competitors. One company whose service professionals office at their customer site to service vital, sophisticated manufacturing equipment, had an employee who noticed that contracts for new equipment were always going to the competition. The problem was that the reps saw their jobs as strictly maintaining the equipment, not passing along opportunities for sales to the sales department. The customer was not even aware that the company provided the equipment it was purchasing from the competition.

The ability to recommend without compromising the service rep's credibility requires skill. Not everyone knows how to recommend or how to recommend without being perceived as self-serving. Service professionals don't want to be seen as salespeople, but they should look out for the interests of their company. They already have a relationship with the customer, and they know what the customer needs, so why not at least make a suggestion?

Some companies want their reps to concentrate on service and stay clear of the territory of salespeople. In those cases, service reps should at least be skilled at noticing opportunities so they can alert the sales department. Given a little leeway, a service rep might recommend particular unit to the customer and then suggest that a salesperson will call to follow up. Even if they don't do the selling, service people can be catalysts for increased business.

A Solid Working Relationship is Essential

As the customer's front-line communicators, service professionals need interpersonal and communication skills to develop a solid working relationship with customers. Whether working in a call center or performing service at a customer's site, the ability to

work with customers is critical. Unfortunately, some reps have a tendency to avoid interaction with customers. They want to come in under the radar, do their work, and slip back out under the radar, which customers sometimes refer to as “weaseling in and waffling out.” The problem is that if a copier rep weasels in, repairs the copier, and waffles out without talking to anyone, the person who has requested the service may never know that the repair has been completed. Hours later, the copier company gets an angry call demanding, “Why wasn’t I told it was fixed?” The rep may have done a great job, but the customer is unhappy with the overall experience, and the relationship suffers. Will the company renew its service contract next time it’s due? Perhaps not.

Rule #1 is to involve the customer. It creates a higher level of satisfaction and allows the rep to do a better job. If he or she avoids the customer by not communicating or encouraging involvement, it will take longer to do the work and the customer will be less happy. Specifically, the following strategies will enhance relationships with customers:

- **Setting proper expectations.** This can be something as simple as to say, “Someone will call you first thing in the morning,” and then follow up first thing in the morning, not closer to lunchtime. Today’s overcommitment is tomorrow’s underperformance.
- **Keeping customers up to date on progress.** The single biggest customer complaint in the service field is not being kept up to date. What is the status? How much longer will the equipment be down? The rep may be out picking up a part, but the customer only knows he’s disappeared and the equipment still isn’t working. It’s a matter of assessing progress and communicating whether or not the plan is on track.
- **Reporting when the job is done.** When service people weasel in and waffle out, never giving anyone a summary of what they’ve done, customers are often hesitant to pay the bill. They may wonder why it took four hours to fix what appeared to be a minor problem. Isn’t it irritating when an automotive service department changes out a half a dozen parts without really knowing which part, if any, caused the problem? How much extra did that cost? Reps must be able to manage the communications in a service call, in addition to getting the job done, to keep the customer in the loop, informed, and involved throughout the job.

- **Listening.** Listening is the number one skill for customer service. Field technicians and call center agents are often most comfortable in pure diagnostic mode. However, it is essential that they display patience and listen to what the customer is saying and feeling, which meets the critical human need to be heard and understood. And by listening, the service rep encourages the customer to participate actively in the diagnostic process.
- **Setting up a working relationship.** Developing a genuine relationship is critical for adding value. It starts with introducing oneself. Instead of saying, “I’m the copier guy – where’s your copier?” say, “Hi, my name is John Smith. I’m the copier specialist from XYZ, and I’m here today to correct the problem you reported.” It seems like common sense, but it’s not always common practice.
- **Responding to resistance.** Service reps need to be able to clarify customer misunderstandings and provide assurance when customers have doubts or skepticism.

Mastering these essential communication skills, maintaining a dialogue with customers, and providing good recommendations takes a whole new level of proficiency. Service reps are no longer just the answer people or fix-it guys – they’re the trusted advisers. It’s a matter of engaging the customer and making suggestions on how one can help them accomplish their goals, solve their problems, or meet their needs better. It starts with an understanding of what they’re trying to accomplish, what is getting in the way, and what is needed to solve the problem. If a rep lacks that understanding and can’t give advice, the customer will look elsewhere for a solution. Service reps who have these skills are professionals who add value to the customer’s company as well as their own by creating such positive impressions.

Research Note

This data in this report was compiled by Acclivus through interviews, surveys, and direct observation with sales, service, and support organizations and their customers. More than 100 companies across several industries actively participated in the research and contributed to insight for this report.



RELATIONSHIPS



RESULTS



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