

Post-Sales Service In The Office Equipment Industry

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KEY INDUSTRY CHALLENGE: OPTIMALLY SERVICING THE INSTALLED EQUIPMENT BASE

The challenge of optimally creating and servicing the installed equipment base revolves around the difficult task of managing service contracts, identifying installed configurations, and servicing them cost-effectively, both proactively and reactively. The installed base is a huge potential source of upgrade revenue, especially since, in an uncertain economy, businesses prefer to maintain their current equipment rather than buying a new one. Because the service costs for equipment can be very high, it is critical to find ways to reduce costs.

How can companies meet this challenge? They must be able to specify and manage service contracts, identify the installed equipment base and provide optimal service. Moreover, they must meet this objective without accumulating huge amounts of inventory that will quickly become obsolete.

UNTAPPED POST-SALE BUSINESS OPPORTUNITIES

For Business systems companies like office equipment manufacturers, the service potential during the lifespan of equipment is much larger than the initial price tag of the equipment. Office equipment manufacturers have a key need to track usage of the equipment, also referred to as Click. Service, for some Click companies, comprises a majority of the revenue. However, most Click companies have tapped only a tiny fraction of their installed base for post-sales service revenue.

Measuring and managing usage efficiently, therefore, is essential to maximizing the business opportunity for these Click companies. Measuring usage is defined as calculating recurring revenue accrued on installed equipment through (a) each hot copy, and (b) each new supply like printer cartridge etc. Managing usage efficiently requires a contract system that tracks payment (initial and ongoing) and maintenance. It also integrates post-sale options with the order management system seamlessly.

By servicing equipment, Click companies can offer value to businesses in three ways. First, service lowers the operating costs of the equipment. Second, it keeps the equipment running and productive on a day-to-day basis. Finally, it extends the lifetime of the equipment.

Service Organizations

Servicing the equipment can produce post-sales revenue equivalent to multiple times the purchase price through financing, insurance policies, service contracts, and sale of parts and accessories. These high-margin items, sometimes, tend to be outsourced or sold through third parties – dealers, retailers and independent service

centers -- that take a cut of the revenue from the parts and all the revenue from service contracts and extended warranties. Pitney Bowes is an example of a company that services office equipment but does not manufacture it.

Finally, all office companies (including third parties) can use service to track customer's needs, capture points of failure and use that information to develop new products and services thereby closing the design-to service loop. So, why have office companies been unable to seize this service opportunity?

MANAGING SERVICE CONTRACTS, IDENTIFYING FIELD CONFIGURATIONS AND PROVIDING OPTIMAL SERVICE

Managing service contracts and entitlements

A key reason for lost service revenue is that most companies cannot manage the service contracts efficiently. Initiation and amendments, the first step in contracts set up, takes too long. Delays occur in identifying covered equipment and adding terms/entitlements, historical and future pricing. Pricing and renewals, the second setup, is not accurate due to unreliable reporting -- repair/revenue reports and period-to-date reports. Third problem is the time wasted with inquiries. Over 50% of time is spent on invoice inquiries and some time spent on repair/payable inquiries instead of monitoring, dispatching and maintaining equipment. This is caused due to a lack of an integrated contract system with service/repairs. Fourth, delays in invoicing and collections due to a lack of link between contracts and billing. Lack of clear entitlement (as noted above) to uniquely identified equipment in the service contract delays the verification of incoming invoices as well.

Inability to track the installed base and the field configurations

Another key reason for lost service revenue is that most companies cannot track the worldwide base of installed equipment. Even when a company can track equipment, it is extremely hard to identify the exact configuration. There are no records of which parts have been changed from the initial configuration, which parts have been replaced, or the type and timing of any service done on the equipment. Since companies cannot track this level of information, they cannot proactively upgrade their installed base.

Reactive service system

Once the warranty expires on a piece of equipment, the equipment becomes even harder to track. This leads to a very reactive approach to service; that is, the equipment is serviced only after a problem occurs, rather than proactively and preventively. This in turn makes it much more difficult for equipment companies to expand their service offerings or build their service business.

Moreover, a reactive service system typically involves both high service costs and low service quality. It is very expensive, sometimes prohibitively so, to move the right level of technician and the right parts from one geographic region to another to service a piece of equipment. Moreover, due to poor records of exact equipment configurations as discussed above, most companies end up with huge piles of unused parts inventory plus a shortage of the parts they actually need. The results are poor service, loss of credibility and perhaps even the loss of the customer.

Thus it is critical for companies to anticipate service needs in their installed base, and to proactively solve service issues in a cost-effective manner.

Real-time status: Tracking equipment installation, training and billing

Most office equipment goes through installation and customer acceptance. It requires approval before revenue can be recognized. Tracking project information, applying annuity logic and billing appropriately is critical (e.g. percentage of completion) especially if the work is done for government or municipalities. There is also a need to synchronize the schedules of personnel for installation and training so that end-users can start using the equipment.

SOLUTION: IMPROVE CUSTOMER INTIMACY: LINK SERVICE TO THE ERP SYSTEM**Knowledge management and control**

A proactive approach (preventive and planned) to servicing equipment is much more valuable to customers than a reactive one. It lets customers keep their equipment up and running at higher levels of productivity, which in turn lets them increase their own business.

Service Contracts:

Oracle provides a unique service solution that improves the knowledge management of the equipment. Oracle's field service module is linked to the ERP system. This linkage gives the Service Contracts module a way to quantify the total amount of service (parts and labor) that a new piece of equipment will require, and to create schedules for service activity (with the preventive maintenance module). As the field service system tracks the service usage patterns of the equipment, this information is fed to the manufacturing system, which then relays it to the Contracts module. Thus Oracle facilitates and manages the easy creation and tracking of service contracts and agreements (SLAs).

New Products:

Equipment failures encountered by customers and their critical needs are fed from the service to the design system through the ERP link in Oracle. This enables engineering to develop better new products.

Planning for service:

The third benefit of Oracle's linkage between the field service and ERP systems is the ability to plan for the service resources in the supply chain. The field service system feeds the ERP system real-time information including the exact configuration, what parts have been changed or replaced, and what labor has been performed. Oracle uses this information in its planning. Therefore, it can better predict what parts and labor will be needed in different geographic regions.

Billing and Invoicing:

The fourth benefit of Oracle's linkage between the field service and ERP systems is the ability to automate the invoice and repair/payable inquiry process, link contracts with billing and accelerate the billing cycles.

SOLUTION: FIELD SERVICE EXECUTION

Oracle provides the key elements required to provide field service for equipment in a cost-efficient manner.

Advanced Scheduling/Dispatch:

The Scheduling module lets companies schedule labor resources efficiently.

This is especially valuable because office equipment is geographically dispersed and qualified labor resources are scarce. This also facilitates the delivery of service at the required service levels according to the SLAs.

Mobile Field Service:

In addition, Oracle's mobile capability provides insight into the engineers' work.

This real-time feedback accelerates the request closure time and speeds up billing cycles.

Spares Management:

Oracle's spares planning and logistics module records usage patterns and history, and guides the service system to provide the right parts for every customer request. Since parts and sub-assemblies for office equipment can be expensive, Oracle's planning system helps companies keep their inventory costs down.

Finally, Oracle provides a unique Supersession capability. If a part has become obsolete and been replaced (or superseded) by another part, Oracle automatically tracks the change and provides this new part in response to service requests.

For more information on Oracle's solution for meeting the challenges faced by Office Equipment manufacturers in providing optimal service, please visit www.oracle.com/industries/high_tech or call your Oracle representative at 1-800-ORACLE1.



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