



In-house or Outsourced?

Achieving Technical Service &
Support Excellence For Your Business



“Going the extra mile...”

www.qcom.co.uk


Technology Service & Support



1. Overview

Great technical services and aftermarket support are vital components of modern manufacturing success. Unfortunately they can also be extremely challenging to get right.

This short guide looks at why excellence in technical service and support has never mattered so much to modern technology manufacturers.

We then discuss the challenges which make excellence in technical service and support so hard to achieve.

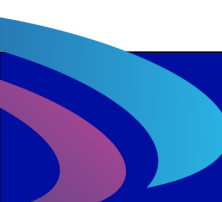
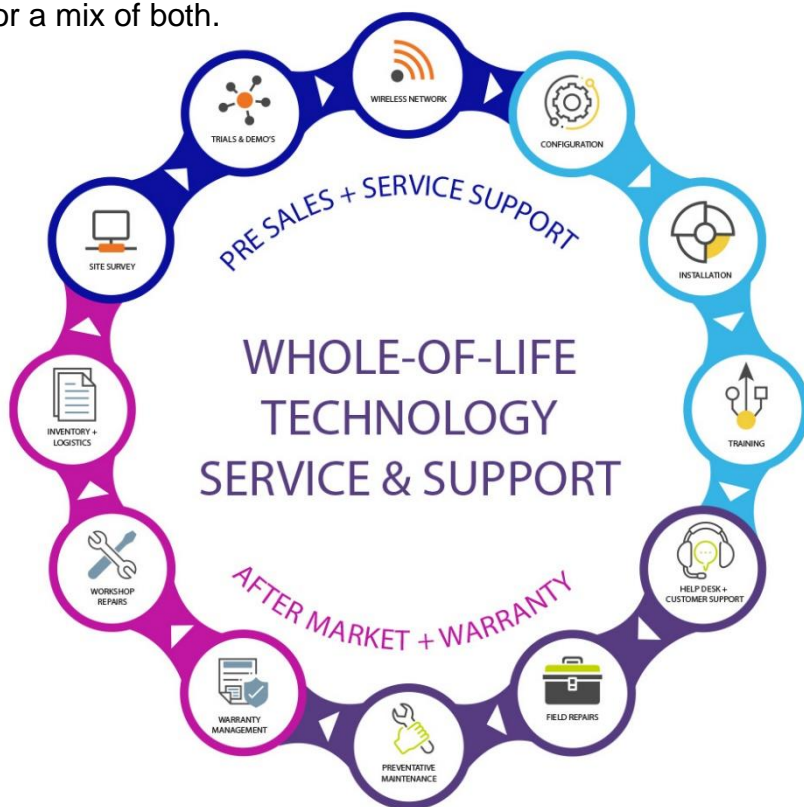
And finally we weigh up the benefits of delivering technical service and support provision as an in-house function, an outsourced function, or a mix of both.

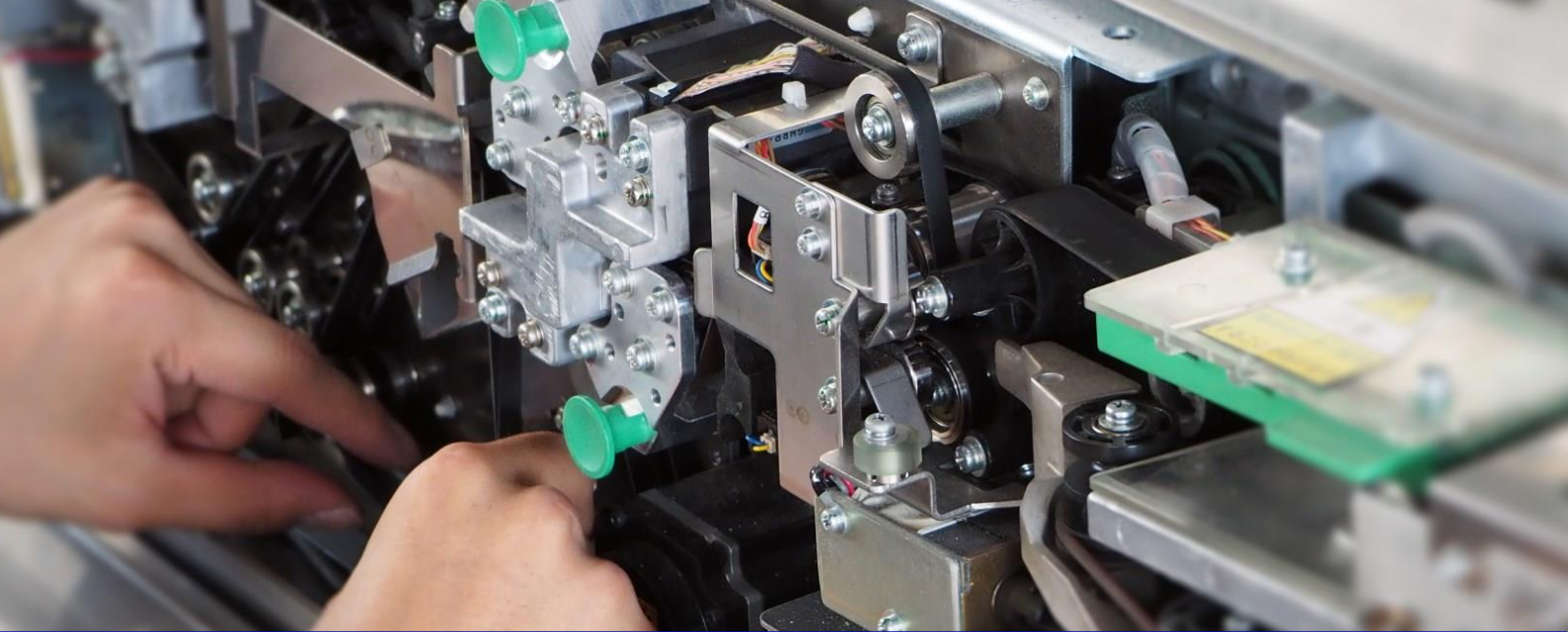
What is Technical Support?

Throughout the guide, we will be using a whole-of-life definition of technical service and support that includes both pre-sales / sales and after-market / warranty services.

We typically break these down further into four key stages:

- Pre-sales e.g. site surveys, trials and demonstrations, wireless network assessments
- Sales e.g. configuration, installation, training
- Frontline e.g. help desk, customer support, field repairs, preventative maintenance
- Warranty e.g. warranty management, workshop repair, inventory and logistics





2. Why Technical Service & Support Matters

Changes in the role of technology, in the competitive landscape, and in the expectations of customers mean that technical services and aftermarket capability has undoubtedly become a key battleground for manufacturers.

Customers want – and increasingly demand – guaranteed capability and performance.

They expect an exceptional customer experience not just during the product pre-sale and sale processes but throughout the entire customer relationship lifecycle.

As reliance on technology grows in every sector, it is easy to see why.

In retail, one estimate puts the average cost for technology downtime incidents at £3,675 per minute. In highly automated manufacturing environments, the impact on product-line costs could be many hundreds, or even thousands, of times larger.

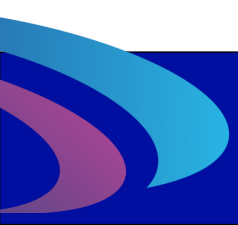
A huge proportion of the technology used in medicine is care critical and fundamental to the safe and efficient running of services. Transport and supply chain infrastructures are increasingly unable to work without the technology on which they rely.

In all these environments it is obvious that no customer – whether end-user, distributor or retailer – can realistically tolerate repeated equipment failures, slow engineer response times or low first-time fix rates.

As you might expect from highly adaptive and agile businesses, technology companies have been quick (in many cases at least) to respond to these challenges.

Technical service and support is top of the agenda in many boardrooms as leaders recognise not only the pull of customer demand but the push of opportunities to secure competitive advantage – particularly in markets where real technology advantage has become harder and harder to secure.

And inevitably, as some businesses raise their game in this area, so others are forced to follow suit. The result is that technical service and support excellence has moved from being a nice-to-have to a must-have.



The 'Moment of Truth'

First coined by Swedish businessman Jan Carlzon, the phrase 'moment of truth' refers to the moment when a customer or user interacts with a brand, product or service and forms (or changes) an impression about it.

The first moments of truth occur as customers encounter, purchase and use a product. But the process doesn't end there.

Customers and end-users are still experiencing moments of truth – and sharing them on social media and personal and business networks – long after a product is purchased.

Every technical service or support interaction is a critical moment of truth. These will often take place at critical points in the customer journey – when the final purchase decision is in balance, for example, or when the product has stopped working as expected.

How these moments of truth are handled can seriously damage or enhance the reputation of a manufacturer in an instant.

Summary: The Benefits of Technical Service & Support

1. Competitive advantage

Ever more sophisticated consumer research (B2C) and procurement processes (B2B) mean customers are increasingly looking beyond simple comparisons of product features and benefits.

Today's customer wants to know that the product is backed by first class support, from initial dialogue to after-market warranty.

2. Sales advantage

As technology products grow in sophistication and complexity, so technical expertise and support is required to provide customer advice, configure equipment, install it, and train operators in its use.

By getting this right, manufacturers are reducing friction and helping their customers make a purchase.

3. Long-term brand value

Customer experience and word-of-mouth travels faster than ever in today's connected business landscape.

Outstanding customer experiences at so-called 'moments of truth' quickly build into quantifiable brand value. Poor customer experiences inevitably destroy it.



3. The Challenges of Technical Service and Support

If delivering outstanding technical service and support was easy, everyone would be doing it!

The truth is that these are highly specialised functions, and there are unique challenges to be found and overcome throughout the service and support lifecycle.

A. Infrastructure & Resourcing

One of the biggest ways in which businesses underestimate the challenge of service and support provision is by failing to take into account the amount (and therefore the cost) of specialist infrastructure and resourcing it requires, i.e.

- Workshops need to be configured for commissioning as well as return-to-base repairs. Facilities for spares inventory, swap-out and demo stock should be co-located for efficiency.
- Coupled with this, your logistics capability should include forward stock locations – this could be vital to support the network of field engineers you need to have carefully located to ensure nationwide coverage wherever you are trading.
- Engineers will also be required as part of your customer helpdesk team, if you want to operate the kind of technical filter which can reliably and consistently

resolve user problems over the telephone.

- To link this helpdesk facility to the rest of your infrastructure, you will need specialist service management software capable of integrating accounts, stock, customer contract details and service calls.

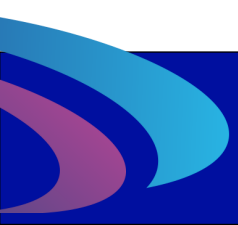
And, critically, this resourcing needs to be available to cover each of the territories in which you operate and sell.

B. Technical Capability

Without the right level of technical and engineering skills, all of this is really a case of ‘all the gear but no idea’.

Technical excellence is fundamental to technical service and support delivery.

A service which is efficient as well as effective needs a range of technical capabilities, from technician drivers capable of managing consumable refills or simple swap-outs, workshop technicians able to commission, repair and upgrade, through to



top tier engineers who can diagnose and resolve complex break-fix situations while operating alone in the field.

Of course all of this requires the right recruitment strategy, training (and continuous training updates) and retention strategies.

And remember again, you are going to need customer-facing engineering, technical and service capability in each of the territories in which you operate and sell.

C. Service Capability

But remember that, at heart, this is all about customer *experience*.

Providing advice, fixing equipment, installing upgrades – these are all absolutely necessary. But they aren't *sufficient*.

Outstanding customer experiences require service skills and capability as well as technical excellence. A great product development engineer doesn't necessarily make a great service engineer. And of course each day your product development engineer spends on service and support is a day they are not spending on product development – the core business of most technology manufacturers.

More than half of modern service calls, whether maintenance or installation, are about managing the customer and not the technology. However good the technology, any manufacturer or reseller must manage their customer's expectations and concerns.

Building the right team for technical service and support means recruiting and training people for service skills as well as technical ability.

And of course it also means putting in place specialist processes and infrastructure which support a seamless and frictionless customer experience, from early customer enquiries to rapid and effective after-market care.

D. Flexibility

The final challenge is the inherent variability of demand for technical service and support.

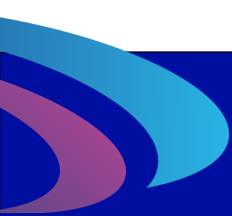
Peaks and troughs in demand can be predictably cyclical or seasonal, or they can be all but impossible to predict. Upgrades or software patches can be plannable, or they can be unexpected and urgent responses to problems with equipment.

This makes it difficult to reliably and consistently judge the right level of resourcing for service and support. Too few resources and the customer experience drops during periods of peak demand; too many and profitability is threatened during the troughs.

So getting technical service and support right is difficult, even if you're a specialist provider.

But the added complication for technology manufacturers is that their core business is generally the researching, developing, manufacturing and selling technology products – not providing the whole-of-life technical support that we are discussing in this guide.

So how can a technology manufacturer step up to meet these many challenges?





4. In-House or Outsourced?

The first and most fundamental decision facing any manufacturer is whether to build their technical service and support capability as an in-house or outsourced function.

There are two primary factors to assess: the cost benefit analysis; and the strategic / operational advantages and disadvantages.

1. Cost Benefit Analysis

A cost analysis will help you determine whether it makes financial sense to keep a process in-house or turn it over to an outsource service provider.

It's important to remember that a cost analysis is not simply a matter of comparing the current annual cost of running your service to different quotes from outsource providers. You can find a useful checklist to help you make this calculation in our free guide, *In or Out? Calculating the cost benefit of in-house vs outsourced technical service provision*.

Above all though, remember that the cost analysis isn't everything. Even if outsourcing wouldn't reduce your costs (or perhaps could even cost you more), it could still be the right thing to do for any number of strategic and operational reasons. And for similar reasons, a decision that reduces costs will not always be the right thing to do.

2. Operational & Strategic Analysis

In Section 2 we looked at the competitive, sales and brand advantages of technical service and support excellence.

In Section 3 we explored the challenges of creating a service and support function capable of delivering those advantages.

From this we can see that it is vital for any company looking to optimise its service and support capability that it considers more than simply cost benefit.

Skills, infrastructure, coverage, flexibility and service quality are all fundamental when making the decision whether to establish an in-house or outsourced function.

2a. In-house

It's easy to see straight away that in-house provision offers the benefits of control, in-house technical expertise and the possibility of close communication and co-operation with other departments.

It also offers the tightest level of control over budgets.

Set against that are the problems of having a fixed cost operation trying to meet variable levels of demand.

Finding, training and retaining specialist service engineers can be hard enough; being able to scale them up and down to maintain both customer experience and profitability can sometimes feel all but impossible.

2b. Outsourcing

Flexibility is one of the strengths of an outsourced solution. A specialist technical service and support partner will be able to draw on a larger specialist resource pool to meet either cyclical or unexpected peaks in demand. That larger pool will also give you direct and immediate access to specialist service expertise, with instant national coverage in the territory you wish to support.

As well as being able to set clear service level agreements and tailor the reporting you receive, you will also be freeing your own technical resources to focus on your core research, manufacturing and sales operations. Service costs will be shifted from fixed to variable, allowing you to manage them as part of the gross margin.

Against that, you will be placing a great deal of trust in your outsource provider. This will very much be 'your brand in their hands' so your due diligence and preparations will need to be rigorous. Their service will not arrive fully prepped and ready to go either – no matter how skilled they are, their engineers and technicians will need training on your technology.

You will also need to put in place processes to make sure you don't lose communication between the service team and the rest of the business (which can be vital for feeding frontline experience back into the development of future new products, for example).

Cost control will also require close attention.

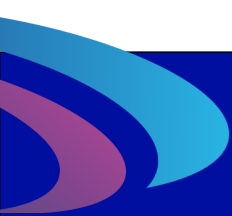
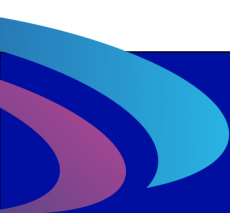


Fig 1. The advantages vs disadvantages of in-house vs outsourced technical service provision

IN-HOUSE	OUTSOURCED
<p>Advantages</p>	<p>Advantages</p>
<ul style="list-style-type: none"> • Strong management control over the entire technical service & support function • Ability to leverage in-house technical know-how • Close communications with other departments • Tight control of budget 	<ul style="list-style-type: none"> • Flexible resources to rapidly scale up or down as required • Flexibility to manage all or part of the service function • Instant national coverage • Specialist service support software management • Clear service level agreements & reporting • Business freed to focus on core manufacturing and selling activity • Service costs shifted from fixed to variable; manageable as part of the gross margin
<p>Disadvantages</p>	<p>Disadvantages</p>
<ul style="list-style-type: none"> • Service and support become fixed costs • Difficult to scale up and down in order to maintain the competing demands of customer experience and profitability • Difficult to find quality specialist employees • The costs of training and retaining specialist service employees 	<ul style="list-style-type: none"> • Requires significant trust in the outsource service provider • Time required to train and skill-up outsource team • Costs of management and operation, including administration, internal service systems, tools, vehicles etc. • More difficult to maintain communication between technical services and the wider organisation • Cost control becomes essential





5. A Bit of Both?

While many companies find a clear advantage in either in-house or outsourced provision, many more implement a mixed solution.

There are, broadly speaking, two ways this approach can be structured.

1. Selective Outsourcing

By partially outsourcing – often known as selective outsourcing or rightsourcing – one or more technical services to a specialist provider, manufacturers can often create a best-of-both-worlds solution.

By maintaining an in-house function they retain capability, communication and overall control. Depending on their own individual situations they can then meet the challenges of flexibility, coverage or niche service provision by building a relationship with a specialist provider which complements their own team.

Typically this could involve finding an outsource partner to support a new territory, handle any demand above a certain level, or deliver one or more elements of the service and support mix (such as technical helpdesk or field repair).

2. Project Outsourcing

Alternatively, a company may choose to manage the majority of its planned service and support provision in-house but outsource specific and defined projects to a partner.

These could include anything from regular seasonal requirements (such as the roll-out of additional pre-Christmas equipment in the retail sector) through to entirely one-off projects (such as reconfiguring or upgrading equipment already installed in the field).



6. Choosing Your Technical Service Partner

There is no single answer to the challenge of creating a company's technical service and support capability.

While excellence in technical service and support has never mattered so much to modern manufacturing businesses, achieving that excellence can be challenging.

To identify whether an in-house, outsourced or mixed solution is right, companies must not only assess the cost benefits of each proposal but also the longer-term strategic and operational factors.

And whenever the decision to fully or partially outsource is reached, the choice of partner is critical.

With more than four decades of expertise and reputation to draw on, Qcom is well-established as one of Europe's leading providers of outsourced technical and support services to global technology manufacturers.

We are proud to partner with technology manufacturers from across the UK and Europe, North America and the Asia Pacific regions. With our pan-European service infrastructure, we have been able to meet their technical and support requirements in more than a dozen countries in recent years.

You can read more about Qcom, our services and 'the Qcom advantage', on our website at www.qcom.co.uk.

Or contact us today on +44(0)1905 827650 or outsourcing@qcom.co.uk to discuss how we could help you achieve technical service and support excellence

