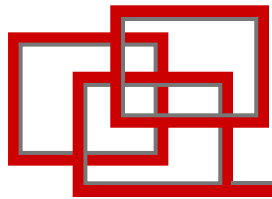# Differentiating Services to Meet Evolving Customer Demands

Managing the Paradigm Shift of Moving from a Cost Center to a Profit Center

David Clark

LISTEN. THINK. SOLVE.℠

ALLEN-BRADLEY • ROCKWELL SOFTWARE • DODGE • RELIANCE ELECTRIC
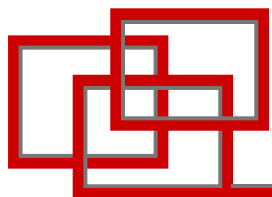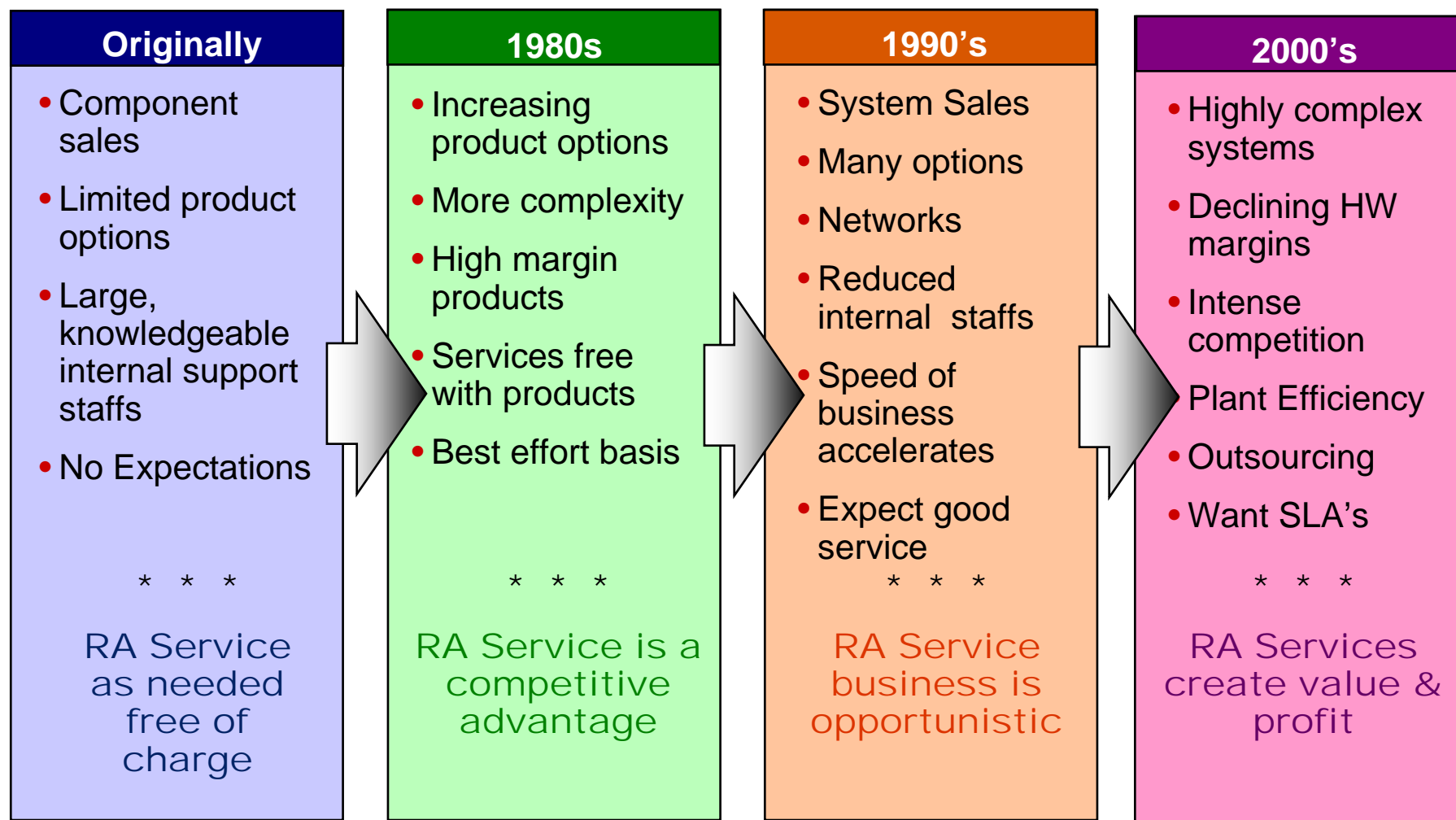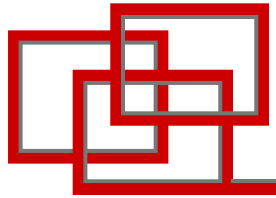
Rockwell Automation

Rockwell Automation Today

- A Global Leader…No. 1 in North America

- Sales: $5+ Billion

- 21,000 employees

- 450+ sales/support locations in 80+ countries

- Strategic business & technology global partnerships

- Over 100 years history
- Remote Customer Support Services
  - Telephone Technical Support
  - Web-based support
  - Software Maintenance
  - Remote Monitoring Services
- Global business and P&L responsibility

Product & Service Evolution

Originally	1980s	1990's	2000's
• Component sales • Limited product options • Large, knowledgeable internal support staffs • No Expectations * * * **RA Service as needed free of charge**	• Increasing product options • More complexity • High margin products • Services free with products • Best effort basis * * * **RA Service is a competitive advantage**	• System Sales • Many options • Networks • Reduced internal staffs • Speed of business accelerates • Expect good service * * * **RA Service business is opportunistic**	• Highly complex systems • Declining HW margins • Intense competition • Plant Efficiency • Outsourcing • Want SLA's * * * **RA Services create value & profit**

Steps to Develop Fee-Based Services

1. Assess the Market Opportunity

2. Develop an Execution Strategy

3. Upgrade Service Levels

4. Create & Articulate Service Value

5. Alter Internal Cultural Paradigms
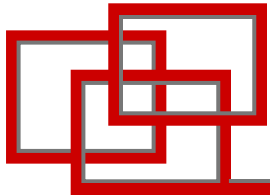
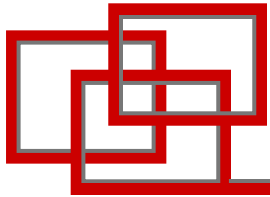# 1. Assessing the Market Opportunity

Similar Industries

- What are the best in class doing?
- What can be learned about strategy and transition?
- **Many other leading companies and industries in growing, profit-generating model**

Competitors

- Are competitors charging for service?
- What is the quality-to-price comparison?
- **No, limited charge for service, although quality generally lower**

Customer Needs

- Is there value in the services being provided?
- What do customers need that would add more value?
- Will customers pay for better or different services?
- **Yes, strong desire for improved, high-quality support and maintenance services**

Assessing the Market Opportunity

Corporate Strategy

- **Is there a Corporate Service Strategy**
- **What is Corporate revenue and profit strategy?**
- **Is service strategic or an add-on?**
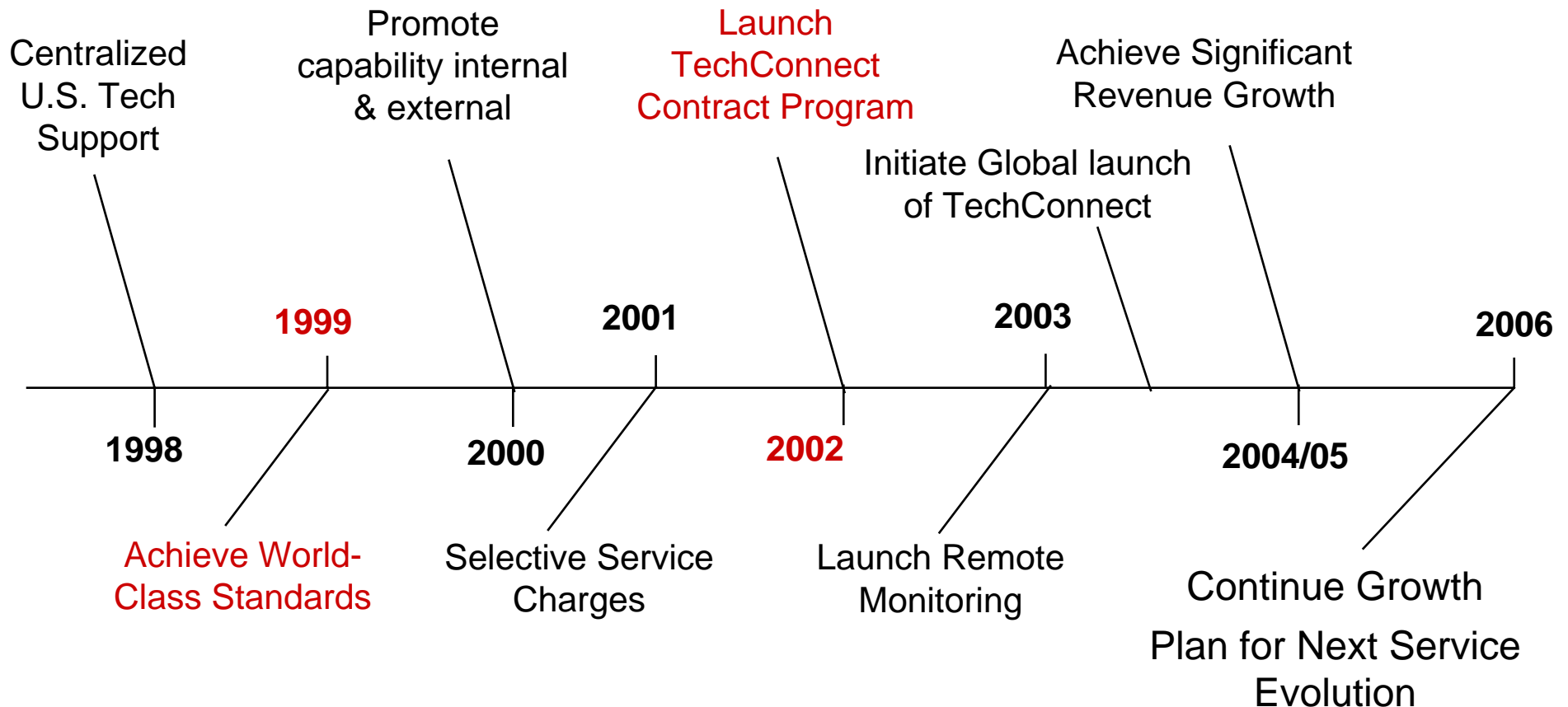 - **Yes, early days of strategic shift to services and solutions**
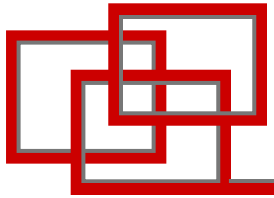
Market Position

- **Is your market position strong enough to move from free to fee?**
  - **Yes, strong market position enables strategy evolution towards fee-based services**
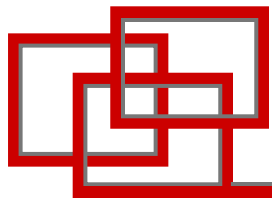
2. Develop Execution Strategy

The strategy to move towards a world-class, revenue-generating, service business developed over six (6) years

Centralized U.S. Tech Support

Promote capability internal & external

Launch TechConnect Contract Program

Achieve Significant Revenue Growth

Initiate Global launch of TechConnect

1999

2001

2003

2006

1998

2000

2002

2004/05

Achieve World-Class Standards

Selective Service Charges

Launch Remote Monitoring

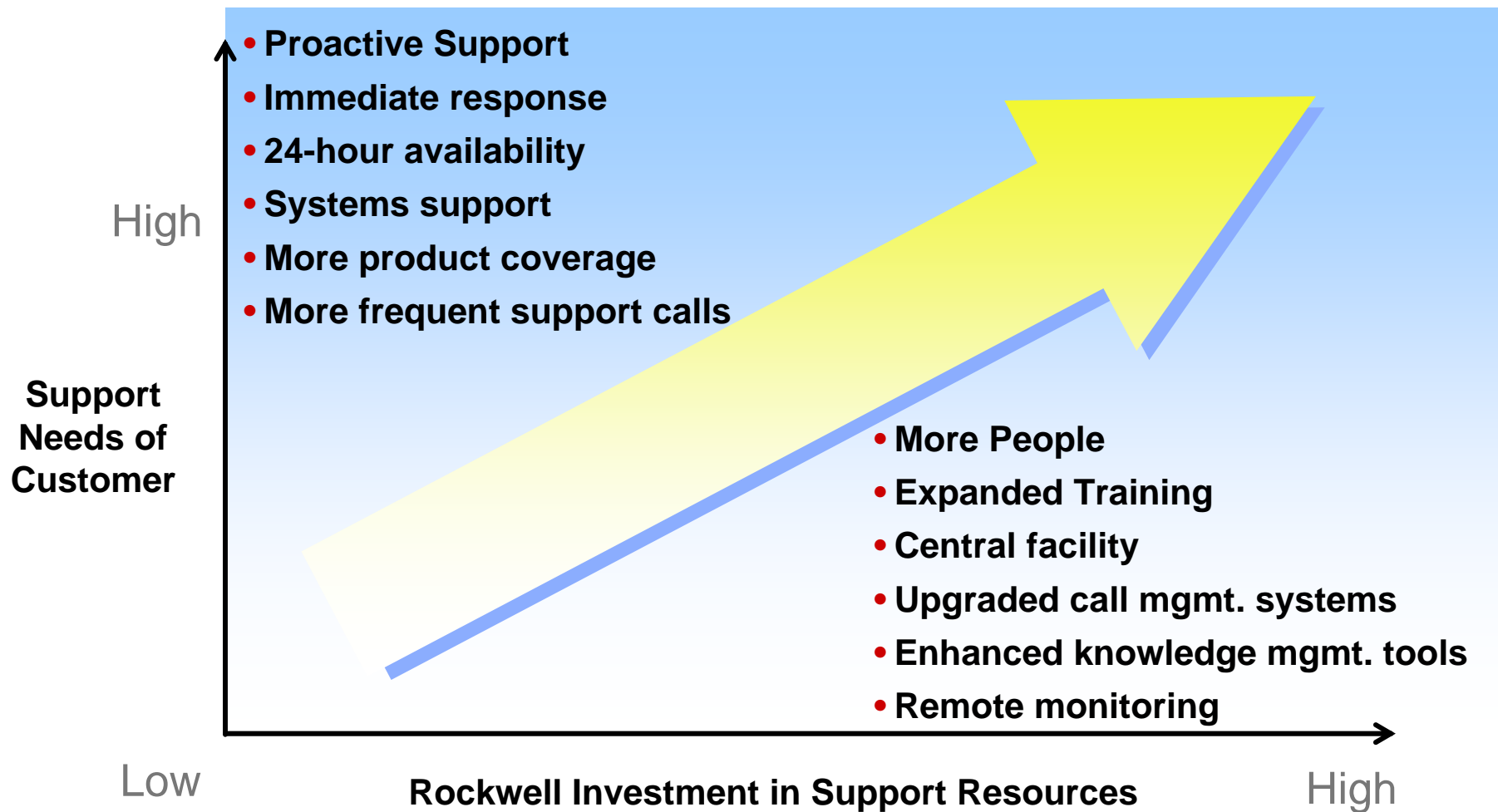Continue Growth

Plan for Next Service Evolution
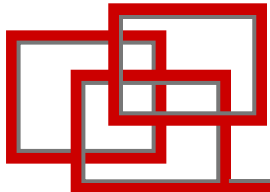
Benefits of Long-Term Plan

- Articulate vision to Corporate Management
  - Drives funding
- Articulate vision and actions to services team
  - Understand focus and drive to raise service to a higher level
- Create the value and eliminate the "Dissatisfaction Factors" prior to fully charging for the service
- Increases the likelihood of staying the course along a turbulent journey
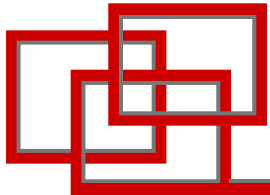
3. Upgrade Service Levels

Rockwell invested significantly to provide real-time, world class support to our customers in order to provide them a competitive advantage on the plant floor

Support Needs of Customer

High

- **Proactive Support**
- **Immediate response**
- **24-hour availability**
- **Systems support**
- **More product coverage**
- **More frequent support calls**

- **More People**
- **Expanded Training**
- **Central facility**
- **Upgraded call mgmt. systems**
- **Enhanced knowledge mgmt. tools**
- **Remote monitoring**

Low

High

**Rockwell Investment in Support Resources**

Core Areas of Focus

- **People**
  - Resources, skills, and training
  - Professionalism, Customer Driven
  - Project a professional image
- **Processes**
  - Customer data, call flows, work flows and reporting
  - Providing Consistency
- **Technology**
  - Infrastructure, telephony, applications and data
- **Metrics**
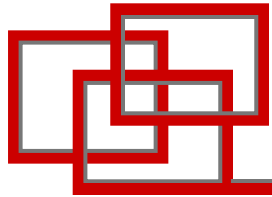 - Performance data, customer satisfaction measures
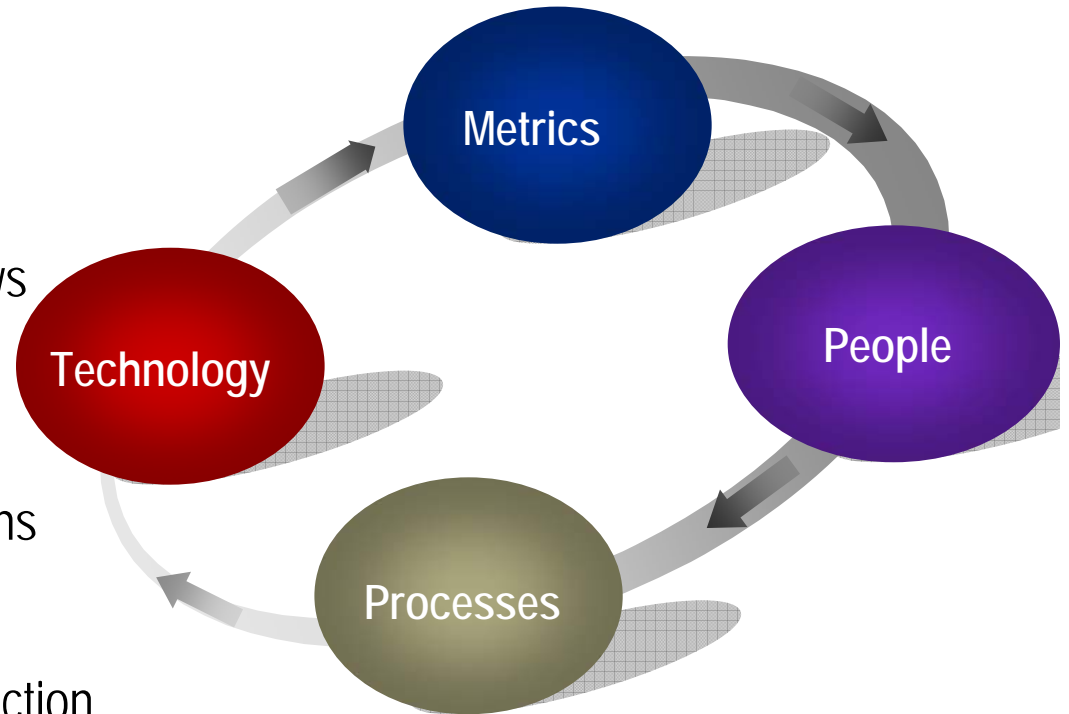
You can't improve what you can't see!

You can't control what you can't measure!

You can't optimize what you can't control!
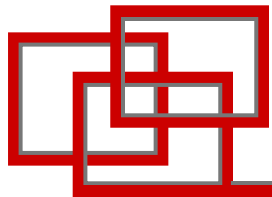
Rockwell Automation's World Class Support

- ## Availability
  - Global Customer Support Center network provides help anywhere in the world with <u>real-time response levels - 24x7x365</u>

- ## People
  - 290+ technical support specialists with in-depth product knowledge and industry experience

- ## Process/Technology
  - State-of-the-art call management system
  - Fully-equipped workstations and labs to simulate your problem and solve it quickly.

- ## Performance
  - SCP Certification, 9 years consecutive
  - Customer Satisfaction rating 4.5 of 5
 - 72.5% of issues resolved on first call

Metric Your Performance

- **U.S. Phone Support Metrics**
  - Calls per month = 48,000+
  - Average answer speed = 49 sec.
  - Calls directly connected with a technical expert = 93%
  - 1st call resolution = 72%

- **Top Scores on Case Events Survey**
  - Independent organization conducts random weekly surveys of support callers
  - Rating Scale:
    - **5** = Very Satisfied
    - **3** = Neutral
    - **1** = Very Dissatisfied

  - Average Rating: **4.46**
  - Top Box Rating: **92.30**

- **Annual Customer Satisfaction Survey**
  - Based on over 25 elements of operation and offerings
  - **91.4%** of respondents overall are satisfied with support quality and response
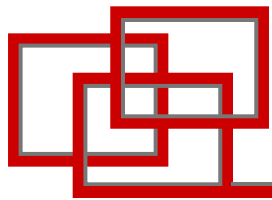
Industry Recognition
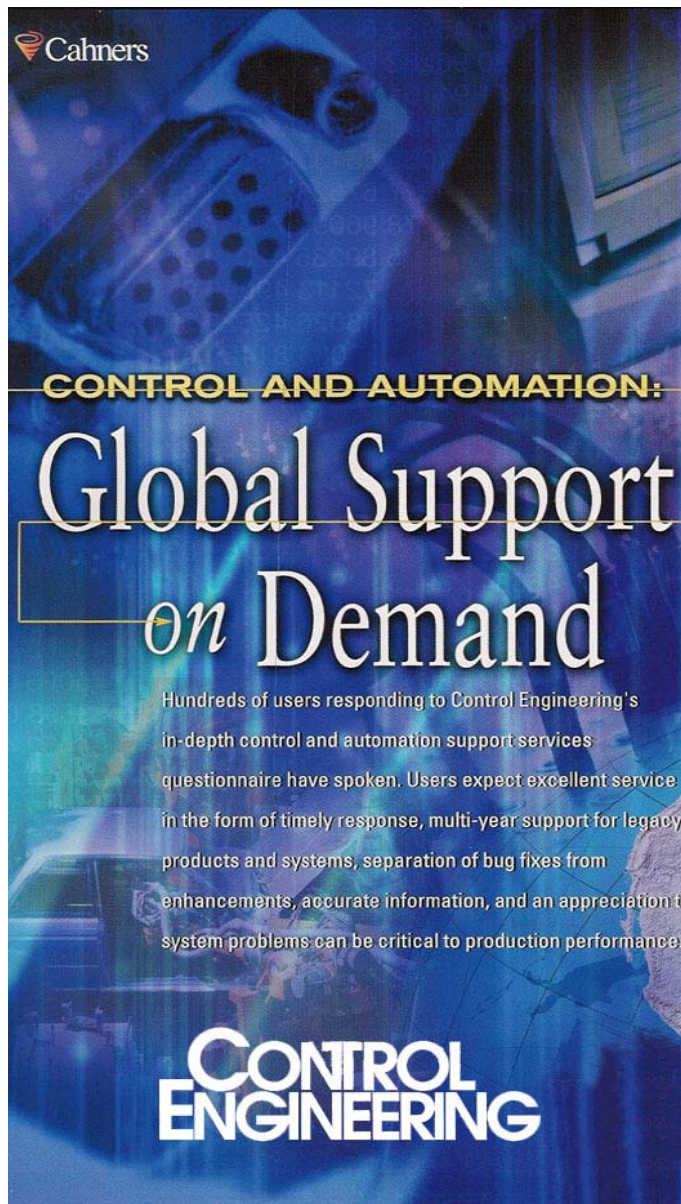
- **Best Overall Support Services:** 2001 *Control Engineering* Survey
  - First Place > Small system support
  - First Place > Medium system support
  - First Place > Huge system support
  - First Place > Overall Support

- **Readers Choice Award:** 2002 *Control Design* Survey
  - 10,000 *Control Design* readers ranked Rockwell Automation highest in **16** categories of product support including:
    - Programmable controllers
    - HMI software
    - PLC programming software

Continuum of Support Services

Value
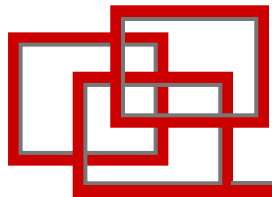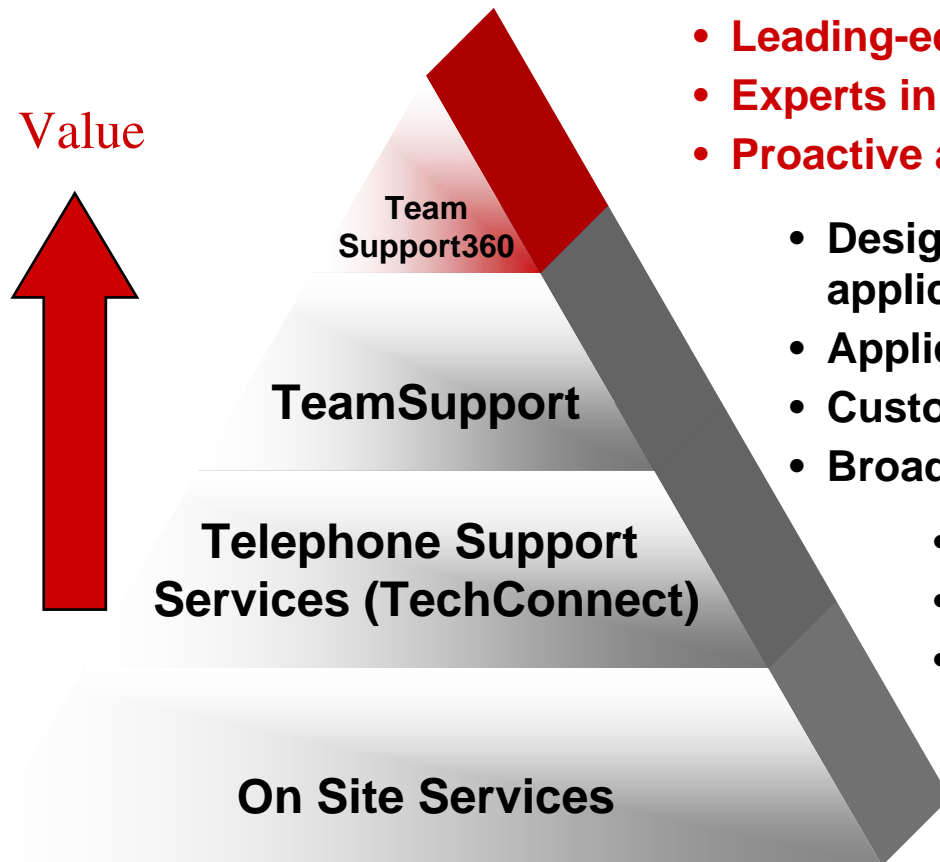
- **Staff Average 20+ yrs Industry and Process Expertise**
- **Continuous Monitoring via Broadband Connection**
- **Leading-edge Diagnostic and OEE Tools**
- **Experts in Your Process**
- **Proactive and Predictive Support 24x7**
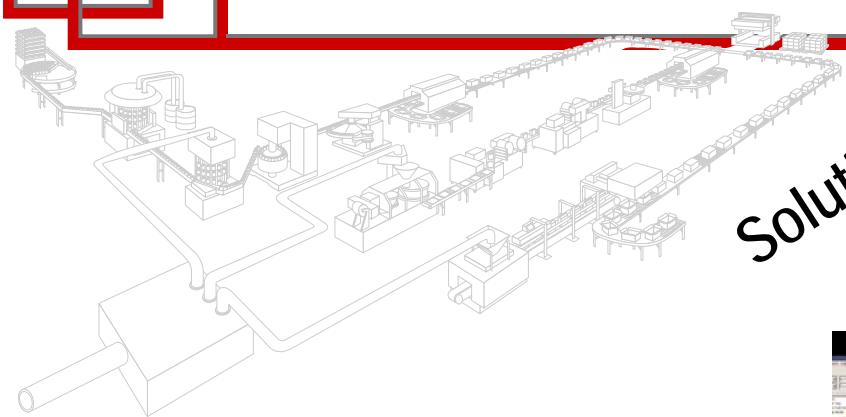
Team Support360

- **Designated Support Team knowledgeable in your application**
- **Applications Support and Troubleshooting**
- **Customer Initiated Support**
- **Broadband Connectivity**

TeamSupport

Telephone Support Services (TechConnect)

- **Over 290+ phone support engineers**
- **World Class Product Support**
- **Software Maintenance**

On Site Services

- **Field Engineers with Product, Systems and Networks Expertise**
- **Maintenance Programs**
- **Emergency Response**
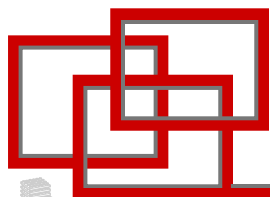
Remote Technical Support Offerings

Solution Support

TechConnect

TeamSupport₃₆₀

TeamSupport
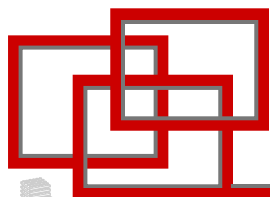
Solution Support - XXXX

Priority Connect

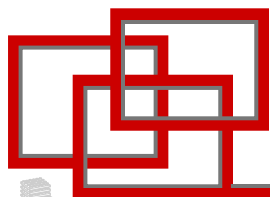DirectConnect

eConnect

Increasing Customer Intimacy and Value

Remote Technical Support Offerings

Solution Support

TeamSupport$_{360}$

TeamSupport

TechConnect

Solution Support

Priority Connect

Increasing Customer Intimacy and Va...

Direct Connect

eConnect

Three tiered service offerings allow the customer to choose the product support that best meets their needs

TechConnect – Remote technical product support which includes: help with installing, configuring and maintaining equipment and software; obtaining software updates; diagnosing and fixing operating problems; performing basic programming tasks; and assisting with product connectivity within RA's integrated architecture
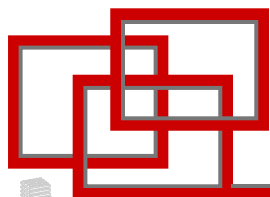
16

Remote Technical Support Offerings

Solution Support

TechConnect

TeamSupport$_{360}$

TeamSupport

Solution Support

Increasing Customer Intimacy and Value

Priority Connect
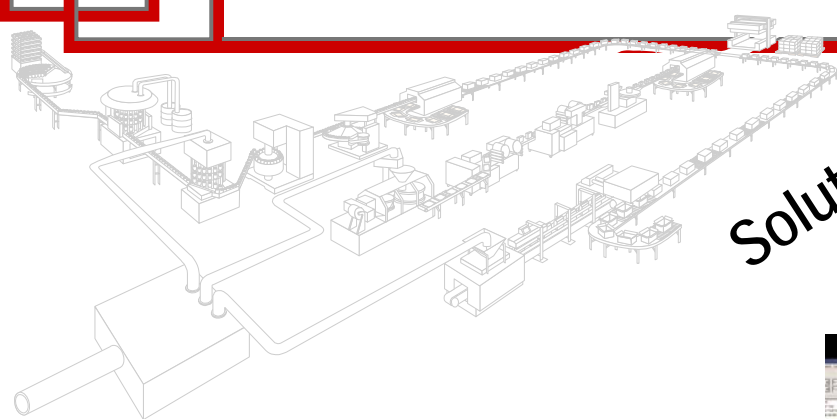
DirectConnect

eConnect

Provides system / solution support via troubleshooting and programming assistance (e.g. troubleshooting customizable features, program files and database "stored procedures") for packaged solutions developed by Rockwell Automations MPS organization.

Examples of Solution Support include:
Solution Support – LPS
Solution Support – CompactBatch

Remote Technical Support Offerings

Solution Support

TeamSupport$_{360}$

TeamSupport

Solution Support
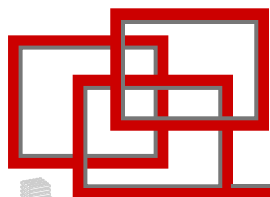
TechConnect

Priority Connect

DirectConnect

eConnect
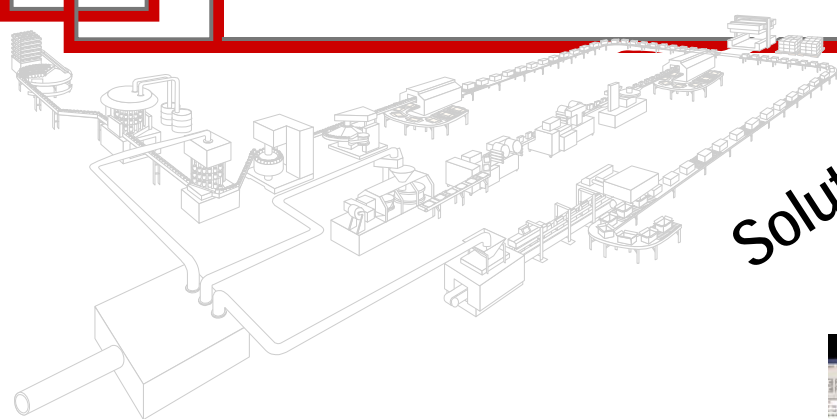
Increasing Customer Intimacy and Value

Premier remote technical support services tailored to the unique needs of our customer

Provided by a designated team of senior technical support engineers with scheduled periodic customer conference calls to review open issues & drive results

Includes system / solution support in addition to product support (RA keeps a copy of the customers system documentation for reference)

Remote Technical Support Offerings

Solution Support

TeamSupport$_{360}$

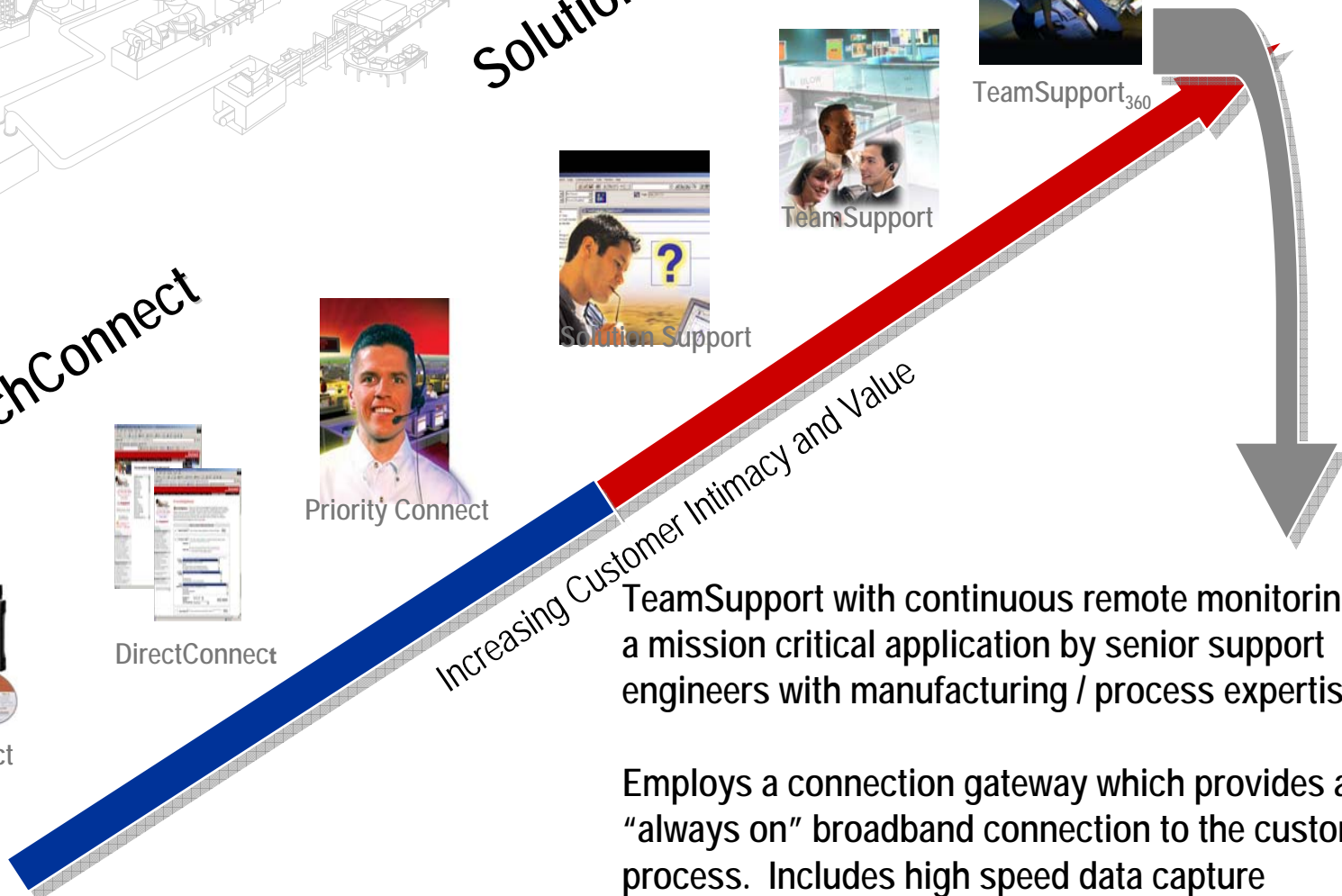TeamSupport

Solution Support

TechConnect

Priority Connect

Increasing Customer Intimacy and Value

DirectConnect
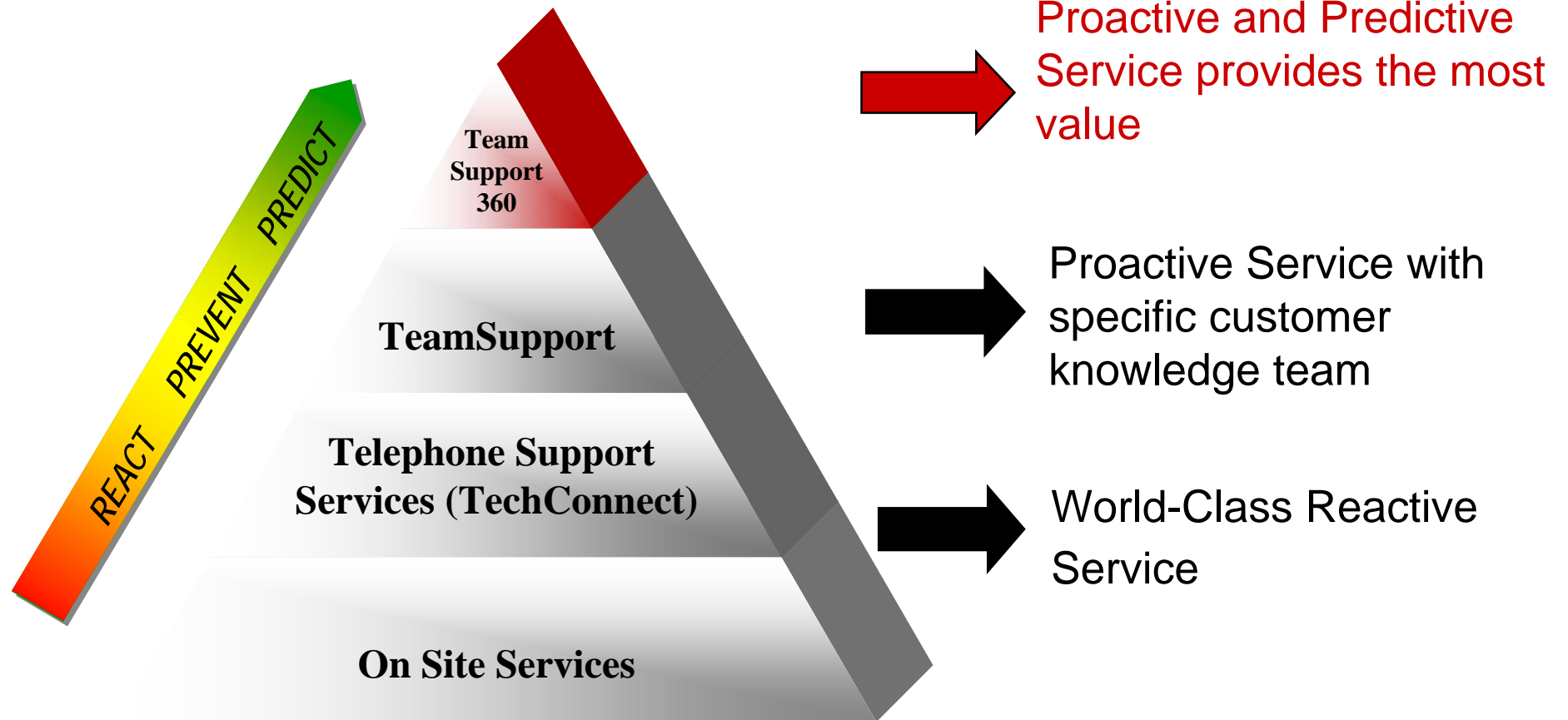
eConnect

TeamSupport with continuous remote monitoring of a mission critical application by senior support engineers with manufacturing / process expertise

Employs a connection gateway which provides an "always on" broadband connection to the customer's process. Includes high speed data capture capability to aid root cause problem analysis

Continuum of Support Services

Proactive and Predictive Service provides the most value

Team Support 360

TeamSupport

Telephone Support Services (TechConnect)

On Site Services

REACT PREVENT PREDICT

Proactive Service with specific customer knowledge team

World-Class Reactive Service
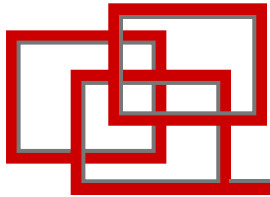
4. Create & Articulate Service Value

When moving from free to fee-based services, it is imperative to:

1. **Raise the level of services the customer is receiving**

2. **Significantly enhance messaging to raise the PERCEIVED level of services**

Service Value

Service Value

Real-time Phone Support (8am-5pm)

Support Connection Magazine

Software & Flash Firmware Updates (via web and on disc)

Original Program

Enhance Perceived Value

Enhance the Value

Current Value

New Program

TechConnect Provides More Features
Than Original Program

TechConnect Agreements

- One contract, expiration date, renewal per site
- Choice of three service levels
- One authorization number (per service level)
- No reinstatement fees
- All registered software in support
- Integrated support for broader range of products
- Current and legacy product coverage
- Priority & proactive case handling & resolution
- Interactive web case management
- Discount on field service agreements (RASA)
- Seamless field service dispatch
- Technical Reference DVD Collection
- On-line support requests
- Dial-up diagnostic support (optional)
- 24x7x365 phone support (optional)

....

- Real-time Phone Support (8am-5pm)
- *Support Connection* Magazine
- Software & Flash Firmware Updates (via web and on disc)
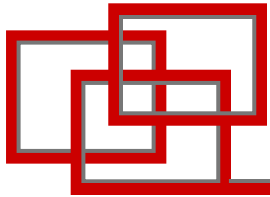
Metrics

Technology

People

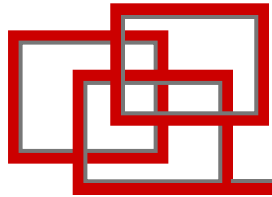**Processes**

Original Support Agreements <2003

- Real-time Phone Support for Selected Products (8am-5pm)
- *Support Connection* Magazine
- Software & Flash Firmware Updates (via web and on disc)

The Value of Technical Support

1. **Our technical support can reduce maintenance time and cost savings through faster troubleshooting.**
   - **89%** agree Rockwell Automation technical support provides value by reducing troubleshooting time.

2. **Our technical support can shorten design time and improve cost savings with proper application/integration of Rockwell products.**
   - **92%** agree our support provides value through the transfer of knowledge.
   - **86%** agree our support provides value through convenience and by enabling customer to spend more time on core activities

3. **Our technical support can shorten unplanned downtime events with quick diagnosis and problem solving.**
   - **76%** agree our support provides value by reducing downtime in their operation.

4. **Our technical support can help improve process line performance with best practice advice for using Rockwell Automation equipment & software.**
   - **77%** agree our support provides value by improving the efficiency of their operation.
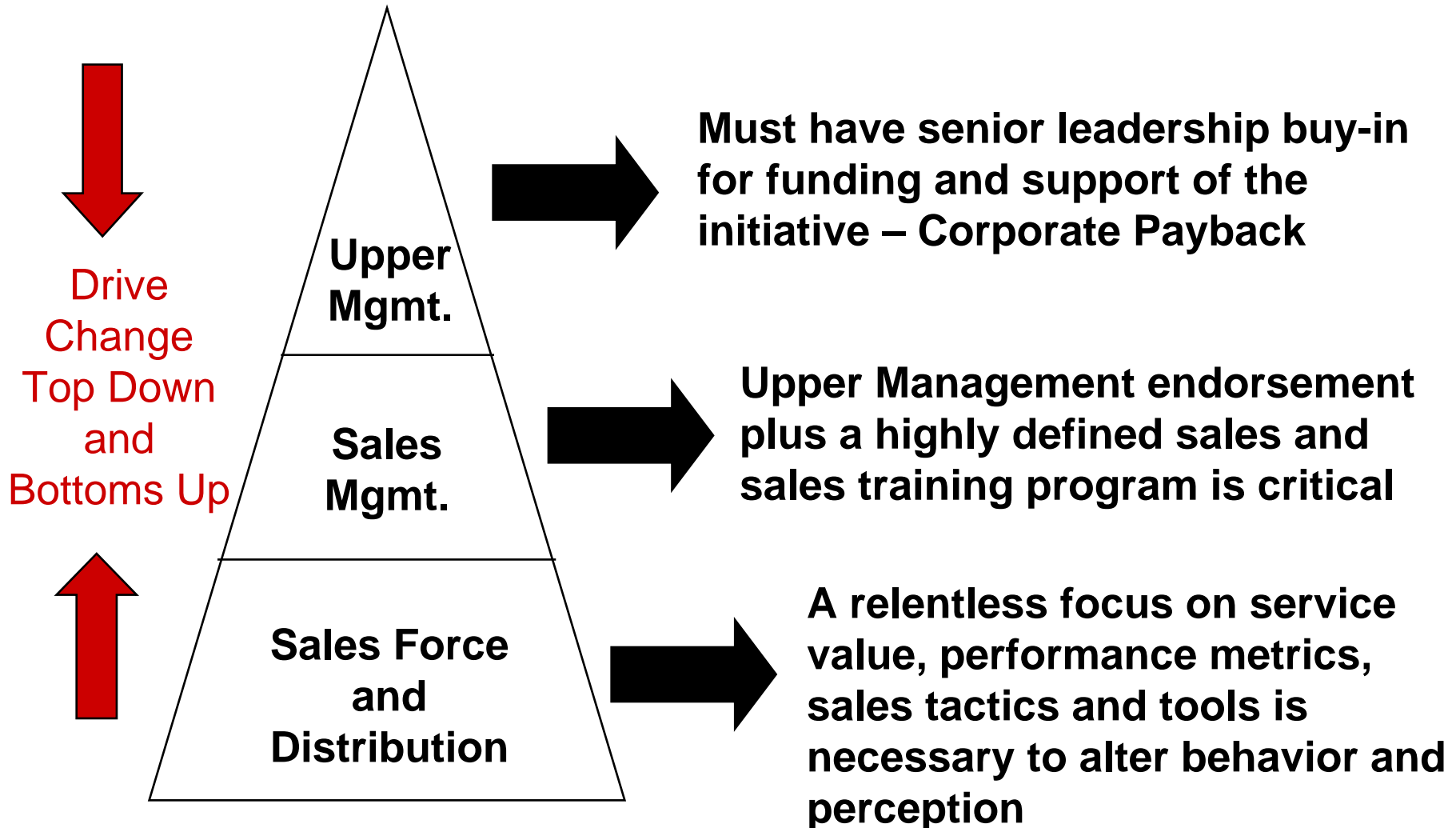
TeamSupport 360 (Remote Monitoring) ROI

- Customer Value Proposition
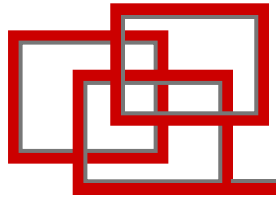 - Reduction of number of downtime events
  - Reduction of length of downtime
  - Process line production improvement
- Cost of downtime:
  - $9,000/hr lost revenue
  - 147 hours representing $1.3 MM in lost revenue
- First year contract saved $500,000 in lost production through remote monitoring services
  - Overall improvement of $1MM in production value
- 2 month payback on the contract
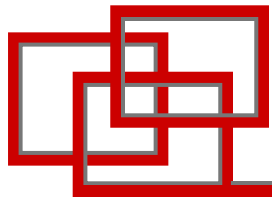
5. Change Internal Culture

The most challenging aspect of this transformation is altering internal paradigms to embrace the new Services Strategy

Drive Change Top Down and Bottoms Up

Upper Mgmt.

Sales Mgmt.

Sales Force and Distribution

Must have senior leadership buy-in for funding and support of the initiative – Corporate Payback

Upper Management endorsement plus a highly defined sales and sales training program is critical

A relentless focus on service value, performance metrics, sales tactics and tools is necessary to alter behavior and perception
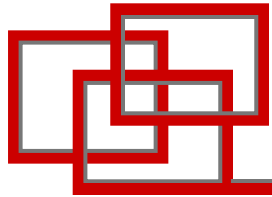
25

Results

- High growth business with strong profit margins
- Contributor to Corporate earnings
  - Increased revenue
  - Less cost to business units
- New services continue to add growth potential
- Services now beginning to be sold with equipment
- Adapting and expanding globally
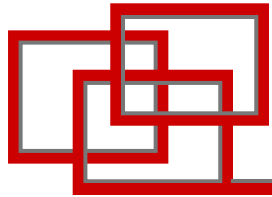
Challenges Expanding Globally

- Setting up the delivery infrastructure
- Cultural attitudes on paying for support
- Communicating what the services are, how they are positioned and how to sell services
- Local sales attitude in selling new service Strategy
- Support of local languages, character sets and documentation
- Currencies and conversions for quoting and booking orders
- Time Zone Differences
- Time difference from support center and US/Headquarters
- Remoteness from factory and support engineers resources

Phased Launch Approach

- Phase 0 – Awareness Training
  - Begin communicating service program at a high level to the sales channels
    - Distributors
    - Sales force
  - Develop and implement a Pilot program before Phase 1
  - Monitor, Measure, Control and Adapt
  - Expand incrementally beyond pilot
- Phase 1 – Program Launch
  - Begin selling TechConnect contracts, stop selling software support contracts
  - Promote program internally and externally
  - Educate the sales force and customers of contract requirement for all customers in Phase 2
- Phase 2 – Contract Requirement
  - Customers must have TechConnect contract for HW and SW support
  - Customers given 90-day Grace Period Contract at time of first telephone call
  - After 90 days, customers with no contract will be denied support
- Phase 3 – Elimination of Initial Support Period on Software
  - New Software purchases from existing customers will no longer obtain free support
  - Only New Customers or Customers new to a product family (e.g.) will receive 12 months of free support

7 Key Success Factors

1. Understand needs and service value from the perspective of the customer
2. Establish world-class services prior to charge for service
3. Enhance service levels and offerings prior to contract launch
4. Align services strategy with corporate strategy
5. Utilize metrics and communications strategy to articulate service value
6. Change company paradigms by working top down and bottoms up in the organization
7. Maintain world-class service, customers expect it.
8. Hard work and relentless pursuit of excellence
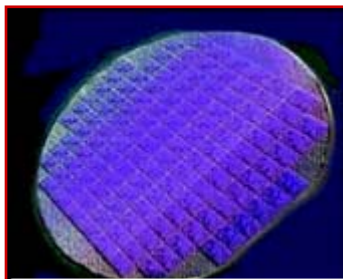
| Semiconductor | Petroleum & Chemical | Material Handling & Logistics | Metals | Other Markets |

DAC2   Do not underestimate the challenge of maintaining world class service, once you charge customers expectaions continue to rise and sales may not articulate the defferent levels of deliverables
daclark, 9/14/2006

QUESTIONS?

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Rockwell Automation