



Service Marketing Goal Setting —A Reality Check

By Joe Siderowicz, President, AfterMarket Consulting Group

Let's assume all new service marketing programs begin with well thought out strategies and goals. We will also assume detailed plans have been developed to map out the tactics, tools, and resources required

to launch the program and meetings have been held to introduce and discuss the new initiative. These major tasks are usually complimented by a long list of tactical actions.

Special efforts are made to insure that departments directly affected by the program are brought up to speed. Marketing Communications is aware of the required sales aids that need to be developed. Product Marketing is given an overview of the program and how it will impact their constituency. Payroll is notified of any special compensation requirements. Information Systems is briefed on any system changes that need to be made. Legal has reviewed contract terms and conditions. Finance approved the budget and revenue projections. Field management is convinced this program is worth the effort and the program won't distract "their people" from more productive work. Tech Support, Parts & Distribution, Training, and Executive Management are in synch.

Realistically, the probability that all of the above areas are in perfect alignment with program requirements is slim. Typically, each department is aware of the initiative and is generally supportive. (Not surprisingly, the degree of support usually varies by the work required and the specific benefits each will receive). What usually transpires is a type of artful negotiation by the service marketing team to get everyone on board. Those negotiations usually result in the inclusion of some minor or major changes to tactics, or even the strategy, that may doom the effort. Even the sponsor of the program may become convinced it will succeed, regardless of it now being an aberration of what it once was.

In a perfect world, everyone is on board and the forecast predicts impressive results. In reality, that isn't going to happen. In most cases, too much has been promised to too many, and overzealous commitments almost guarantee the program will be judged as a limited success.

in this issue

- [Leveraging Business Intelligence](#)
- [Service Marketing Goal Setting](#)
- [The Next Big Thing in Support](#)
- [The ABCs of SLAs](#)
- [Technical Support with SaaS?](#)

Truth & Promises

Grow Revenue – Rarely are service marketing initiatives approved without a positive impact on revenue. Growing revenue is the mantra of every business and the answer to all objections. Who can argue with growing revenue? The difficult question, how much revenue growth? If service marketing forecasts 10%, someone will counter, why not 12? If product sales are soft, the gallery may give thumbs down until 15% is agreed to. Everyone involved seems to have an opinion based on some related or unrelated experience. Plans quickly get distorted when actual commitments are made based on various sound bytes, rather than proper analysis. Often the program sponsor will have to testify that there will be an immediate positive impact on product sales.

Forecasting the results of a service marketing initiative isn't easy. Typically there is no relevant previous experience to validate expectations. What doesn't work, is accepting unattainable goals to sell the program.

Improve Margins – Growing sales is easy: increase the marketing budget and drop prices. No need to worry about that pesky profit problem. Stupid comments, but sadly, many companies are now extinct due to a management philosophy that couldn't find the humor in those statements. The key metric is profitable growth—grow your business while striving to improve margins. Success in both areas usually results in satisfied customers and employees, as funds are available for continued investment to support both.

Often the cost of a new service initiative has a negative impact on service margins in the short term. Many programs are designed to grow service agreement sales or promote equipment upgrades. In both cases, margin improvement is not realized until the second or third year, as first year costs are high. If the new initiative promises both immediate sales growth and improved business margins, beware!

Grow Market Share – Unless the program is focused on selling more to existing customers, without impacting competitors, growing market share typically has a cost. Competitors are never as stupid and lifeless as we want to think. They aren't sitting around planning on how to extract more money from their customers while providing less service. A successful service marketing program must clearly demonstrate more value to prospects than what they currently receive. This is an attainable goal, but it must be framed in the reality of the market. Typically, growing service market share requires an investment in time and money.

Reduce Cancellations – Customers who cancel service agreements and take their business elsewhere are costly. Most companies have metrics available that quantify the cost of acquiring new customers to replace lost accounts. The impact of losing the revenue stream from a profitable account is huge. Beyond the financial implications, the impact

on employee morale, company reputation, and future business with a scorned decision maker who moves on to another account is impossible to quantify.

Some new programs are designed to enhance customer standing by providing more solutions. New services, enhanced delivery, or additional expertise are typical. The common thread with new service offerings is risk. Meeting or exceeding customer expectations when adding new services usually uncovers a few bumps in the road. Underestimating the impact of creating dissatisfaction where none exists is a risk, but not cause for not moving forward.

Improve Customer Satisfaction Levels – Customer satisfaction takes many shapes. Often customer satisfaction surveys tend to be self serving and miss the mark. Service satisfaction levels often suffer when the original equipment was installed improperly or poorly designed. In some instances, the equipment usage has significantly changed. More typical is a service agreement in force that is undervalued or doesn't provide the necessary level of service. Regardless of the situation, service needs to make things right.

There are situations where the basic strategy for launching a new service program is to correct any one of these problems. New programs can be justification for raising prices, increasing or reducing coverage, or introducing "improvements" to the delivery process. Once again, if the customer doesn't recognize or accept the new value proposition, satisfaction levels are sure to drop.

Additional Benefits – As mentioned earlier, different areas of a company measure the success of a program from their own perspective. That usually creates a situation where departments try to amend the plan to their benefit. The information systems folk may want to standardize the order entry process that requires simplifying the offering. Legal may look to add terms that make liability limitations a major barrier. Payroll and Human Resources may try to simplify the compensation plan, rather than create something new. Finance may recommend terms that penalize the customer. Product Marketing may suggest reducing the price of the offering in fear of adding to a, self imposed, market perception of selling overpriced service.

In Conclusion

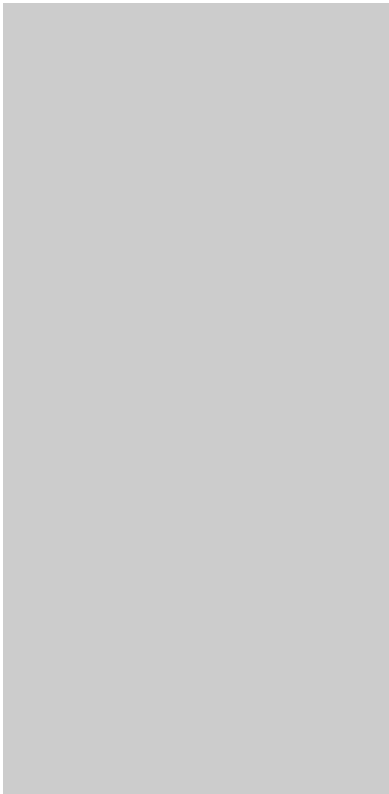
The metrics utilized when analyzing a new service marketing initiative vary by market and program. What remains consistent is the need to measure results over extended periods of time. Monthly indicators have little value and quarterly measurements tend to be distorted as costs and revenues rarely match. An annual measurement is useful, but it typically takes a minimum of two years to judge the overall success of a new service marketing initiative. Even when the direct impact of a program can be quantified the indirect results, like future additional product sales,

the experience gained by all involved, and the company's ability to build on each new program, are almost impossible to quantify.

In today's business environment, the need for short term results is epidemic. Too often, service marketing initiatives are designed to fail when compromises are made to meet the unrealistic goals of others. Convincing management that investing in service marketing initiatives is worthwhile takes excellent planning and patience. If the job is done properly, the program will speak for itself.

About Joe Siderowicz.....

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