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A Unique Approach to Service Entitlement

SRM[®]



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1. OVERVIEW

Traditionally, software applications for service delivery have focused on the transaction and have built the entitlement (the terms and conditions of the contract/warranty) based on the transaction. The issue with this method is that the resulting data model is not very flexible and requires hard coding to make changes to those terms and conditions of the contract. A better alternative is to build software from an entitlement perspective so that transactions can be developed using the foundation of the terms and conditions of the contract or warranty. This allows maximum flexibility, and implementation of the terms and conditions of a contract much is easier and quicker.

This method gives the ability to attach the entitlement levels to RMAs, depot repair, product sales orders, training classes, and virtually any other type of service transaction. For example, within a defined timeframe on a particular day, the response time obligations can be different. A site may have a unique product that has a normal response time of 2 hours for a severity 1 problem, but if that call comes in after 5:00 pm, the response time is 4 hours. If the service request comes in on a holiday, the response time is the next business day. This concept also applies to coverage hours, arrival times, fix times, depot turnaround days, part order shipments, as well as the customer's obligation to have a person on site with the keys 10 minutes before the contractual arrival time. Virtually any scenario that can be required by a client can be implemented when the service entitlement is used as the foundation.

According to the Aberdeen report, *Warranty and Contract Management 2011: Intersection of Revenue Creation and Customer Service*, by efficiently managing warranties and service contracts, top performers reported:

- An 89% average customer retention rate
- A 90% contract renewal rate
- 7% average decrease in warranty claim processing time over the previous 12 months

These statistics highlight the need for a flexible, robust, and easy to use warranty management and contract management software solution. Whether you are managing a field service, customer support, and/or reverse logistics department, using the terms and conditions of the contract as the foundation gives your organization the agility it needs.





2. PHILOSOPHY

Service applications have always been seen as a “customer facing” process. Most applications have been built from a transactional viewpoint. A service request is a function that every service software product must address (incident or case). Normally, this function is built with the transactions as a base to start from. A service request must be entered, queued up for work, put into queues (lists) to work from, updated as the service process progresses, and then closed. Activities are captured as the service request is worked to resolution; for example, labor hours expended, materials used/replaced/swapped, billing information, and any other data that is critical to the business. These activities may also include meter readings, environmental conditions, revision levels, as well as other information that is specific to a way of doing business or the product’s unique information. Once this information is in place, the contract deliverables, prices, conditions, and warranties are developed and layered over the service request. The same is true for all the other types of service transactions that the service management software products are built for, including RMA’s, depot repair activities, training courses as an offering, materials orders, projects, installations, preventive maintenance, and other transaction types.

On the other hand, building a service management system from a “contractual obligation” thought process provides significant benefits. This method of development, which is tied to the business process, will help businesses deliver service to their clients based on the terms and conditions of the contract they purchased. By doing this, clients will get what they pay for; the service business does not under-deliver or worse yet, over-deliver, to what their client paid for. In using this model, companies will drop service delivery costs, improve customer satisfaction levels, and increase customer loyalty by systematically putting the information at the fingertips of the people that operate on the service management system. By following the contracts’ and terms and conditions and then developing the transactions that the foundation of the terms and conditions are built on, everyone will benefit. If the service management application is developed starting with the contract and terms and conditions first, the service delivery and billing transaction will be much more structured and utilize a data model built to support the actual activities.

A service request can then be developed from an output-oriented design, but will already have the rules in place for each and every transaction type. This design method is much easier to construct because there is a data model in place that has the flexibility to handle the concepts of service deliverables, service conditions, what to monitor, and the alerts to notify someone that an obligation is going to be missed. The methods described tie everything to the customer obligations, warranty conditions, and billing rules so that there is no guesswork in the system or business process that a company needs to run their business by.

As described earlier, the method of developing a service management system with the terms and conditions being layered over the transactions can cause a great deal of hard-coding against a more inflexible data model. The most intelligent way to develop a service management system is where the transactions are layered over the contract and terms and conditions foundation. This is much easier to develop with a layer of business rules that the contracts and term and conditions contain. This could be compared to an accounting system that first addresses the Accounts Receivable process and then develops a General Ledger application. The development path would require a revisit to the A/R module to include posting money in the G/L system. If this revisit is not hard-coded, the rework is almost like starting over. This is why the best accounting systems are designed by an accountant-turned-developer instead of a developer trying to learn accounting as they go.



3. TERM AND CONDITION OBJECTS (ENTITLEMENTS)

Any experienced software developer or software application architect will tell you that the best systems are systems that keep data at the lowest level. This data construct can easily rollup the details, attach records to all areas in an application, report and inquire at a high or low level, use drill-down approaches, and allow a data warehouse the ability to audit the details and perform statistical functions much more accurately. With this in mind, the data construct starts with first identifying the lowest level which turned out to be a single entitlement record. The record itself contains service conditions, service deliverables, customer obligations, time periods, dates, types, offering levels, unique conditions (e.g. a single product and serial number can contain different values than the common product with any other serial number), etc.

The data elements that make up an entitlement record are defined and the development approach allows for additional data elements to easily be added later. This development approach allows for a "change as you go option" (Agile development) or customization for each customer's unique needs. This is done with virtually no risk since the new data element can be utilized only as needed in the remainder of the application.

The entitlement record can be used throughout the application in many ways. The decision to make use of flexible key structures allow for the most flexible design options. An entitlement that is keyed by a site and a product line, in addition to an offering, service type, and a purpose, allows that entitlement to be attached to a site, but will only be used if the rest of the field values are a match. An additional entitlement could be set up for the same site but also include a product and serial number. Because this entitlement is more specific in that the product is more specific than a product line and the serial number is unique, it would more than likely be the first entitlement found that meets all the conditions in a standard rollup process.

You can continue to build on this concept and add a new dimension called a "*user-definable rollup exception process.*" This can look for entitlements in any order and even combine more than one entitlement. This is best used in situations where there is a specific set of rules for a site and product, but where there is also a client-level entitlement that has an override flag for the pricing. This new dimension will help the delivery team to deliver to a contract that is sold. This will give your business development team and sales team another tool to sell anything a client needs. This will help the sales team drive new revenue and you can deliver to what has been sold. The entitlement record can be attached at any level in a customer's hierarchy as well as a combination of other criteria. This gives a business almost any option when it comes to offering and controlling the customer's unique needs.

This concept also includes the ability to attach entitlements to different objects such as RMAs, depot repair processes, product sales orders, training classes, and virtually any other type of service transaction that is required in a service management system. A prime example is as follows: within a defined timeframe on a particular day, the response time obligations can be different. A site may have a unique product that has a normal response time of 2 hours for a severity 1 problem, but if that call comes in after 5:00 pm, the response time is 4 hours. If the call comes in on a holiday, the response time is the next business day. This concept also applies to coverage hours, arrival times, fix times, depot turnaround days, part order shipments, as well as unique situations like a customer's obligation to have a person on-site with the keys 10 minutes before the contractual arrival time.



The new offerings that could be created are limitless with this type of design. It allows businesses to grow top line revenue and at the same time, improve customer satisfaction. In addition, you can deliver the service that is sold to your client without having to scramble to get the information for the person that needs it at the time of service.

4. CONTRACTS AND QUOTES

Contracts and quotes are entitlement-driven. The contract/quote is a combination of a contract control definition record with a set of entitlement records as line items to roll up into a single entity. The contract control record defines what the contract is meant to cover. This record handles the entities that are to be common or defaulted across the entire set of entitlements. The control record is also a rollup of all of the individual entitlements.

The contract stores the customer information, billing information, durations, evergreen conditions, invoicing layouts/types (by site, equipment, detailed, summarized), beginning and ending dates, review dates, renewal process start dates, conversion of the contract back to a quote, general surcharges/discounts, definition of where to bill different activities, cancellation information, and default definitions for the individual entitlements to inherit.

The control record is also where the periodic billing dates (day of week, day of the month, or any combination of billing cycle you wish to offer) are stored. The entitlement records are then attached to the contract with all the details that all the rollup logic in which the control record contains. Normal contracts will feed the entitlement records with the default information such as dates, billing frequencies, service type, service offering, and the periodic billing information. The entitlements that make up the contract are essentially line items to the contract, as materials and quantities are to a material order. Each entitlement may differ, but this construct allows for exception data entry rather than starting from scratch within each individual entitlement. There can be many levels of entitlements within a single contract, so there could be client-level entitlements combined with site-level entitlements, which are also combined with individual product/serial number entitlements.

A quotation is very similar to the contract, with a few exceptions. A quote may have revision levels and base offerings against default values in the entitlement records that will auto-populate data elements such as pricing, level of service, type of service, and other data elements that can reduce the manual data entry needs.

There is also a type of entitlement that is strictly used for the reduction of data entry. These entitlements are called templates, and their function is to store copies of entitlement records that can be rolled up and found when a new entitlement is added to a contract or quote. These template entitlement records can also be at any level. When a customer is asking for the same conditions on each product that they want covered under contract, the system will do a rollup search to find a template and use that template to auto-populate when a new site or product that is added to the quote or contract.

There may also be template entitlements that are product or product line-based for a client. This is like having pre-negotiated conditions and pricing that will be inherited every time a new entitlement is added to a quote or contract. The levels of templates can even go deeper than just a customer level.



There are also template entitlements that are corporate-based. This allows for the storing of entitlement templates at the internal hierarchy and not only allows for infinite levels of a customer, but also infinite levels of a corporation's internal structures. This is especially useful for multi-divisional product manufacturers that sell a large variety of different products. These hierarchies allow for an exact address to report to a zip code in addition to a city, county, state, country, and the entire world. This chain is also user-definable and can vary in levels. For example, one hierarchy might use two levels (e.g. state, country) while another uses 6 levels (zip, city, county, state, region, and country). The rollup, along with the other conditional field values, allows templates to be just as robust as the real entitlements.

The last type of entitlement is used for service delivery (rules-based). The type of entitlement is similar to the default corporate-level entitlement structure as defined above, but is used to store rules for customers that don't have a contract, warranty, or negotiated T&M pricing structure. The system will first look to see if there are any customer's entitlements that match a condition. If none are found, the rollup process will move on to the rule-based entitlement rollup. The idea is that if an entitlement is created at the very top level that covers all products, all service types, all offerings, an entitlement will always be found. These entitlements are typically used for default service levels and tied to a basic time and materials billing rate.

5. ENTITLEMENTS FOR VENDORS AND SERVICE PARTNERS

When a company offers their customers a variety of terms and conditions based on a contract or warranty, a vendor or service partner may also point to an entitlement record or contract. This part of the application is used to track and dictate how a vendor or third party delivers service(s) to the company. The vendor contracts, warranties, and rules can be used for tracking the vendor or third party to their conditions and pricing commitments. Vendors may offer the same type of conditions that the company offers its customers, or they could be completely different.

The vendor can also offer a response time and coverage hours and set billing rates and turnaround times for other service traction types such as depot activities, credits, and warranties. If these entitlements are used, the vendor can be measured against its own commitments. By having this level of data in the application, it will make it much easier to manage and track the performance of your vendor and keep a very close eye on the satisfaction levels of your client as it come to delivering to the terms and conditions of the contracts that you sell.

6. ENTITLEMENTS' OTHER FEATURES

Entitlement records store more than just data that relates to reactive service and pricing. They will also store data that will help your company with proactive service as well. There could be preventive maintenance frequencies and actions required to maintain a product or to be ready for a heavy usage time of year such as the retail sales in the last two months of a calendar year. There can be many preventive maintenance activities in a single entitlement. For example, for a product/serial level entitlement, there may be monthly PM activities, quarterly activities, and annual activities. Each of these



preventative management cycles could have different procedures that need to be performed. This type of entitlement information tied to a service management system could add additional automation to your service processes to proactively deliver to these types of entitlements.

An additional function that the entitlements deliver is the storage of a monitoring and alerting set of rules. If certain actions are not taken in the time period defined by the entitlement, automatic text messages, emails, reports, queue messages, and telephone calls can be triggered. There can be many different condition sets that will trigger an action or notification. For example, if a technician is required to be on-site within an hour, an alert can be set to send a text message to the technician 10 minutes before the on-site obligations (or whatever window of time you select). If another 10 minutes goes by and the technician is still not on-site, an email alert can be sent to the customer and a text message can be sent to the technician and the technician's manager. There can be many alert and monitor rules and each entitlement for a specific client can be completely different and customizable.

For contract managers or sales people, there is a "what if" function for the entitlements. This allows a user to estimate what the customer's requests will most likely be and measure the cost of the contract against the price of the contract. This feature can also look at past history and generate a "what if" scenario based on a customer's previous requests. The function can measure both cost and price, which will estimate profitability of a single entitlement within the contract or of the entire contract itself.

7. CONCLUSION

Industry experts agree that effective warranty management and contract management can reduce warranty claim processing, increase revenue opportunities, and enhance customer service and retention. An ideal service delivery software solution will put the terms and conditions of the contract at the heart of the system. By using the contract terms and conditions as the foundation and then attaching those entitlement levels to RMAs, depot repair, product sales orders, training classes, and virtually any other type of service transaction, your business will have the flexibility to sell and properly deliver any type of service contract. The system will ensure that customers get what they pay for and that the service business does not under-deliver or over-deliver to what their client paid for. This is a key factor to helping to drop service delivery costs, improve customer satisfaction levels, and increase customer loyalty by systematically putting the right information at the fingertips of the people that operate on the service management system.



About CSDP

CSDP is a services-led software company with solutions that can automate the entire post-sale service delivery and customer service process. We offer:

- An On-Demand Work Flow solution allowing you to make changes 'on the fly' and instantly respond to business and environmental changes as they happen
- Flexible solutions that are tailored to your unique business requirements, instead of trying to force fit out-of-the-box solutions
- A single, unified view of all customer and service delivery operations
- Implementation in weeks - not months

Our clients have realized improved customer satisfaction by up to 15 points, increases in service profitability exceeding 10%, decreased average cost per repair of 50% and increases in first call resolution greater than 20%. We not only help our clients drive down operating and service delivery costs, but enable them to drive up customer satisfaction and increase service revenue and market share.

The Service Relationship Management (SRM)[®] product suite addresses the complete end-to-end service delivery lifecycle including Contact Center, Dispatch/Mobile, Depot Repair, Inventory Control & Management, Knowledge Management, Marketing and Quote Generation, Warranty Entitlement, Training, Contracts/Billing, Reports, Scheduling, and Time Tracking. Our software is fully customized to fit your company's needs and easily integrates with your existing infrastructure so that it implements quickly and begins generating ROI immediately.

CSDP's SRM[®] software solution has been delivered to some of the world's foremost Fortune 500 companies to include IBM, Xerox, Fujitsu, Whirlpool, Rockwell and PSE&G just to name a few.

To learn more about CSDP, visit our [website](#), follow our [blog](#) and join the [Service Relationship Management Group](#) on [LinkedIn](#).

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