



FIELD NATION

Field Service Transformation

KPIs For The Blended Workforce In The Gig Economy

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Executive Summary

During the first half of 2016, Field Nation and Blumberg Advisory Group conducted a study of Third Party Maintainers, Managed Service Providers, OEMs and Service Organizations. Specifically, we investigated how the core key performance indicators for these companies were impacted by the decision to move from a traditional, W2 based field service workforce to a blended vendor and freelance workforce using a Freelance Management System. The results were conclusive and compelling.

The data show that a variable workforce is faster, more agile, able to support more technologies and more productive than a traditional W2 workforce. Furthermore, companies using a Freelance Management System (FMS) at the core of their blended and variable workforce processes are far faster, more agile, able to support more technologies and more productive than even other variable workforce companies not using an FMS.

This report investigates 17 specific Field Service Industry Key Performance Indicators (KPIs). All showed that FMS systems like Field Nation have demonstrable, net beneficial impacts for organizations. However, six KPIs were substantially positively impacted by the incorporation of a Freelance Management System into business operations. More than half of respondents reported substantial growth in the following 6 areas:

- Expanded Geographic Service Area
- Field Service Engineer Productivity (Calls Per Day)
- Field Service Engineer Utilization Rate
- Total Service Revenue
- Monthly Recurring Revenue
- SLA Compliance

Finally, best in class FMS users overwhelmingly outperform overall service industry averages for productivity and utilization:

- SLA Compliance: 98% FMS users VS 81% service industry average
- First Time Fix Rate: 96% FMS users VS 78% service industry average
- Utilization Rate: 96% FMS users VS 64% service industry average

Field Nation and Blumberg Advisory Group are pleased to present this Field Service Industry KPI study to you.

Introduction

Over the past several decades, the shift from the use of full-time employees to variable labor has been dramatic. This is especially evident within field service operations. Many, if not most, companies with field service functions no longer view full-time field service engineers as necessary to ensure quality service, even for areas requiring specialized technical skills. Moreover, the economics of recruiting and retaining full-time personnel are not financially favorable for most companies. Taken together with the important parallel trend of freelancing as a deliberate career choice for a growing number of professionals, it is clear that deployment of contingent labor as a preferred business model is here to stay.

With this shift towards increased use of contingent labor have come new Variable Workforce Models which make management of non-W-2 labor more efficient and effective than ever. More specifically, Freelance Management Systems (FMS) like Field Nation are one of the best options for managing contingent workers. FMS are enterprise, cloud-based workforce solutions that allow businesses to find, recruit, and self-manage independent workers. FMS technology can match freelance workers with assignments, issue work orders and process payments to freelancers — a total “soup to nuts” Variable Workforce Management package.



Freelance Management Systems Make Economic Sense

A number of factors make the use of Freelance Management Systems economically sensible. FMS enables users to size up and deploy field service engineers only when and where needed, thus eliminating the unnecessary expense of underutilized full-time W-2 employees. Peaks in service demands can be covered when necessary, and adequate field service coverage can be ensured in all geographic areas served.

Different from other Variable Workforce models, FMS also offers users access to pools of technically-qualified, trained freelancers who are immediately available and have up-to-date skills. These are individuals who prefer freelance work over working for a company, have a high work ethic and commitment to success. For users, FMS not only can yield significant cost savings over time, it can also accelerate strategic expansion to accommodate new clients, new service offerings, and new sales territories.

It thus makes compelling economic and productive sense for field service operations to hire consultants or freelancers on a variable basis. Yet FMS is still not considered as an option to status quo by many field service companies. Field Nation and Blumberg Advisory Group, a leading management consulting firm to the field service industry, wanted to know why not.

To gain a better understanding of both barriers to use, as well as documented results from FMS users, we surveyed a sample of both FMS and non-FMS users. In particular, we set out to:

- 1 Examine the benefits of Variable Workforce models, particularly FMS
- 2 Assess key objections/concerns about Variable Workforce/FMS models
 - Assess key motivators for using FMS
 - Evaluate the impact of FMS on critical Key Performance Indices
 - Identify best candidates for using FMS

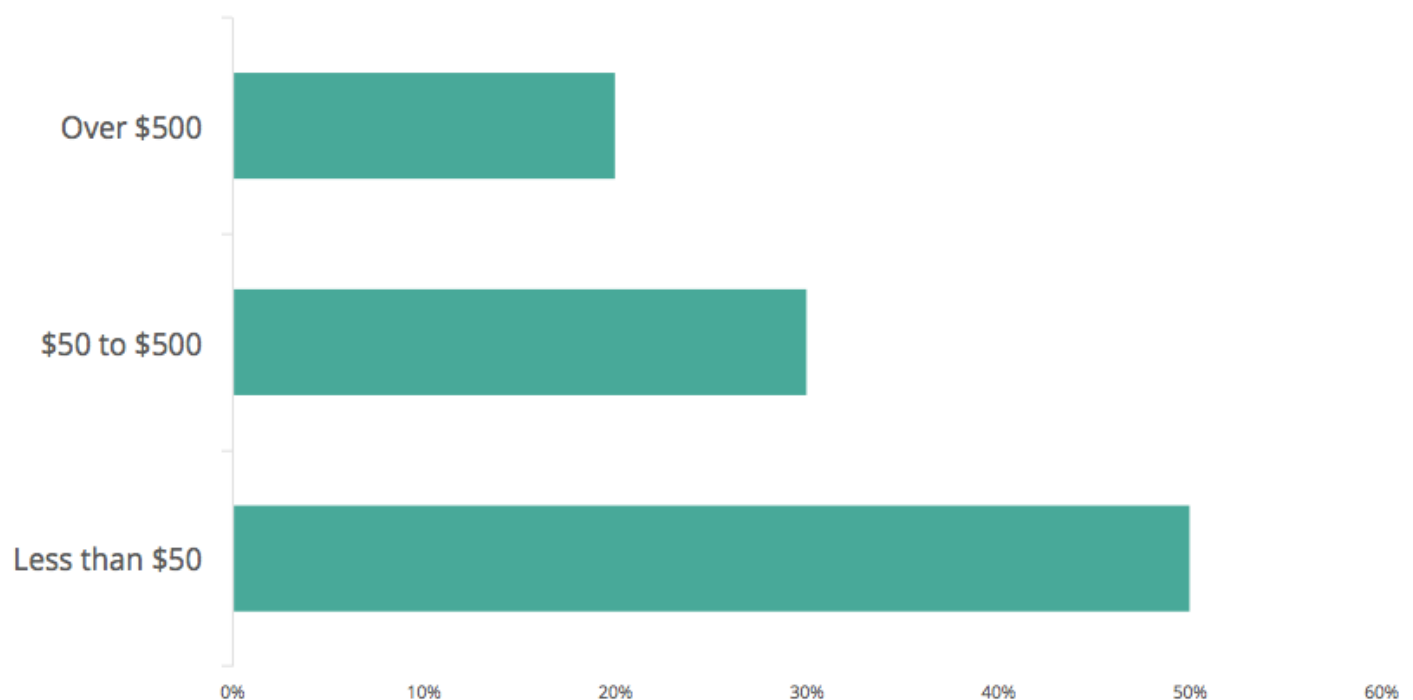
Field Service Companies Survey

In Q1 and Q2 of 2016, we conducted a study with a wide range of companies with field service functions for technology equipment they sell and/or service. Recipients were professionals who engage field service staff or make decisions about field service staffing requirements.

A total of 203 respondents participated in the survey, representing a diverse sample of Third Party Maintainers/ Independent Service Organizations, Original Equipment Manufacturers, Value Added Resellers, Systems Integrators, and Self-Maintainers such as banks, and retailers. Company size ranged from over \$500 million annual revenue to less than \$50 million.

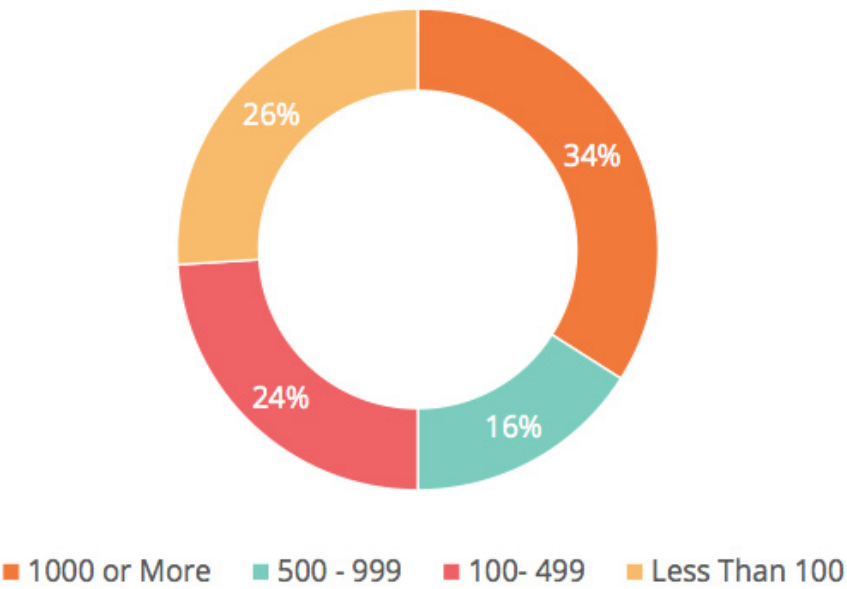
Field Service Company Respondents

Revenue in Millions



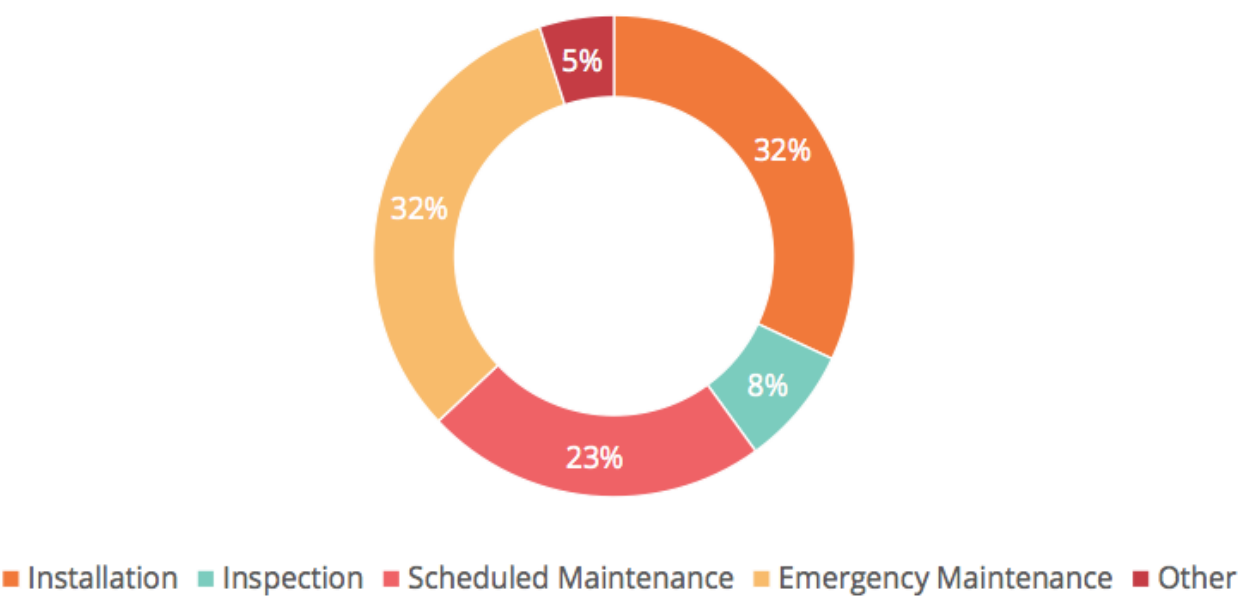
In terms of the number and type of field service events experienced, respondent companies represented a wide range, from those who manage less than 100 field service events per month to more than 1000.

Average Monthly Field Service Events

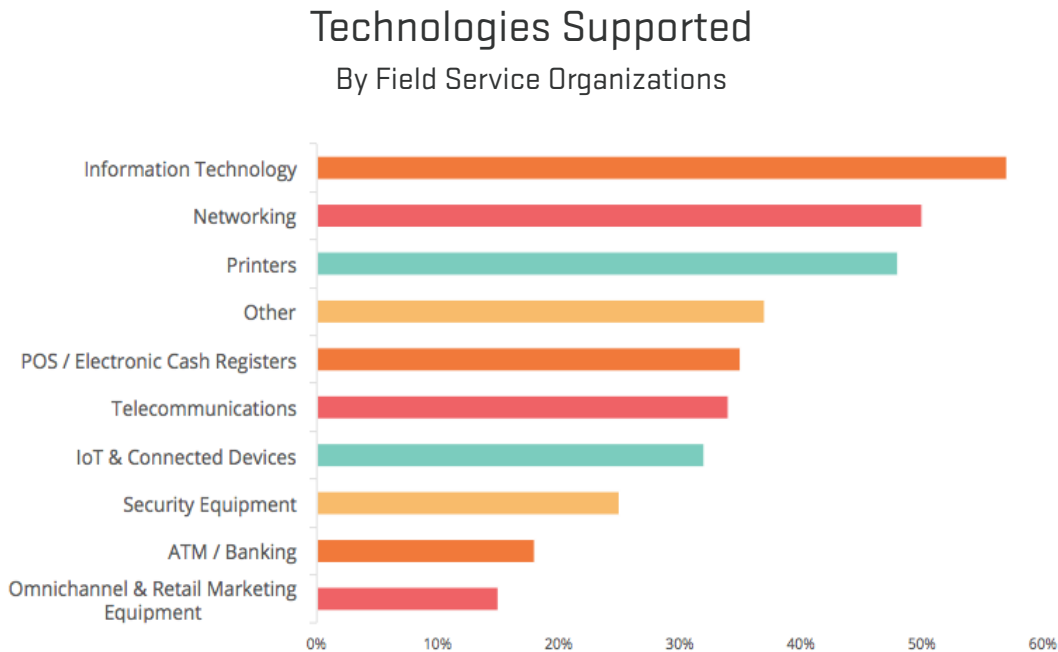


The types of field service events were equally divided between installations and emergency maintenance, as well as preventive/ scheduled maintenance or calibration, and inspections.

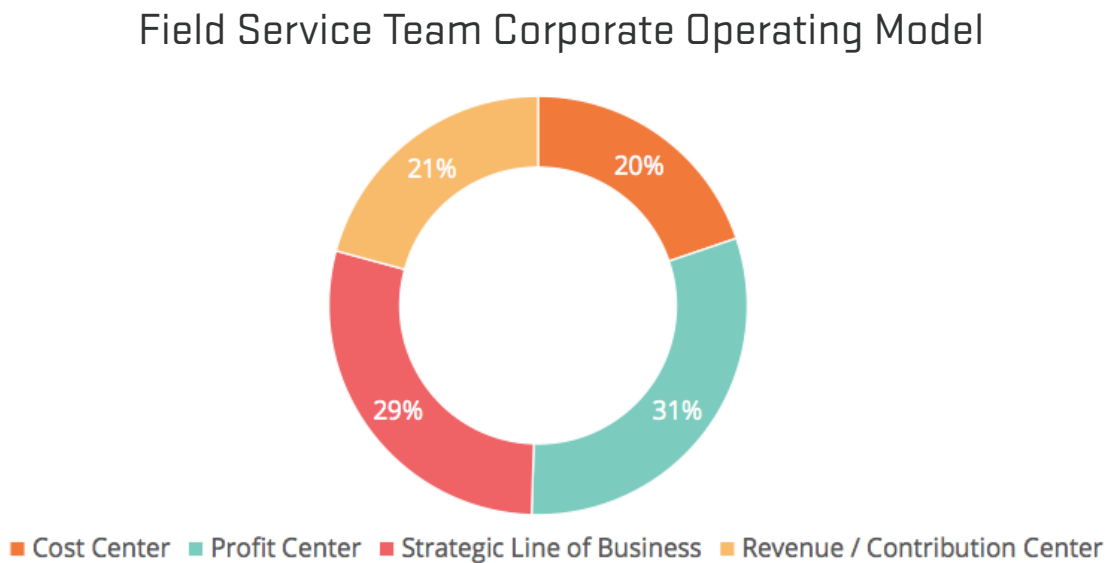
Types of Field Service Events



On average, these companies support a broad range of technology, with information technology, network connectivity, and printers being the most common.



Respondents were also asked how their company's field service function operates from a financial perspective. Four alternatives are well-represented within the sample: Field Service as a cost center, revenue center, profit center, and strategic line of business.



Importantly, in order to assess results with management of labor, all respondents were asked how their company is performing on several Key Performance Indicators. These KPIs are designed to measure Financial, Productivity, Service Quality, and Organizational measures. Respondents who have instituted Variable/FMS were asked whether the scorecard on the KPI's had improved since the switch.

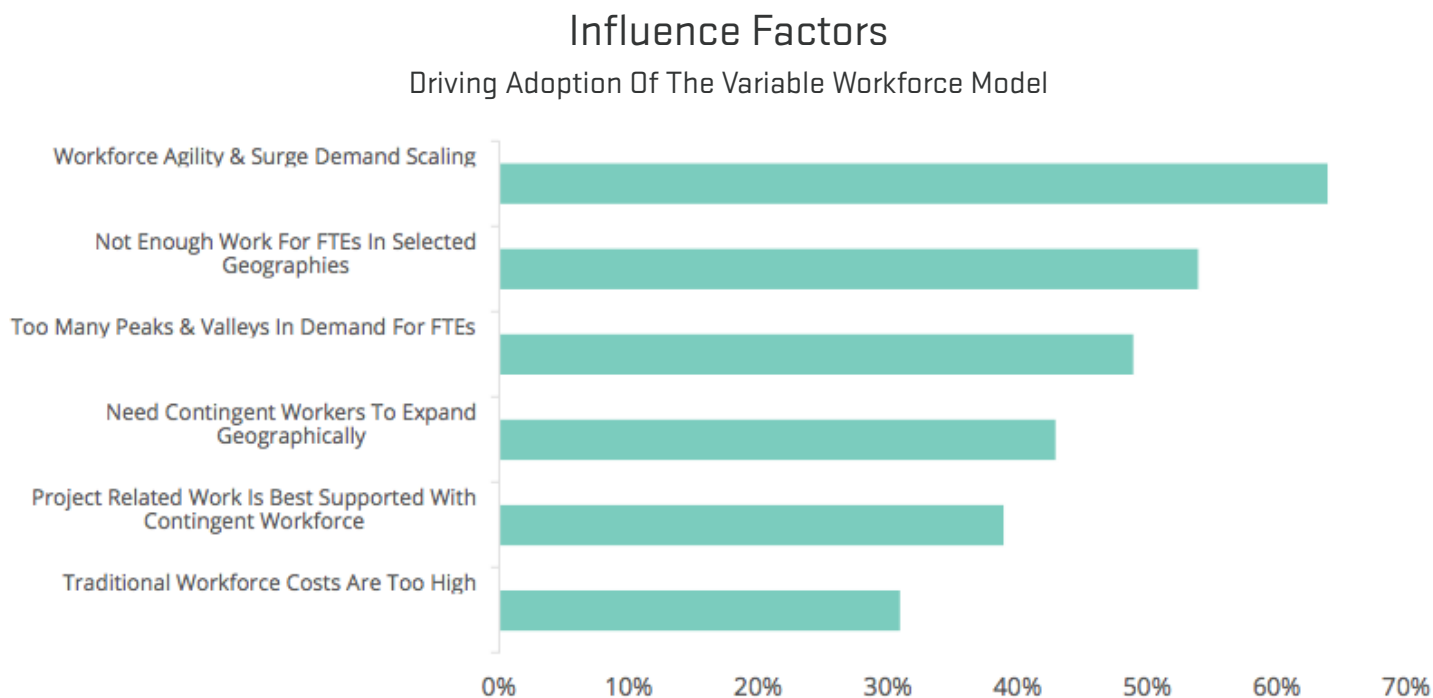
Variable Workforce Model Users – Who Are They?

Over three-fourths (77%) of the respondents in the study use some type of Variable Workforce Model. Approximately two-thirds are Third Party Maintainers (TPM)/ Independent Service Organizations (ISOs) or Original Equipment Manufacturers (OEMs).

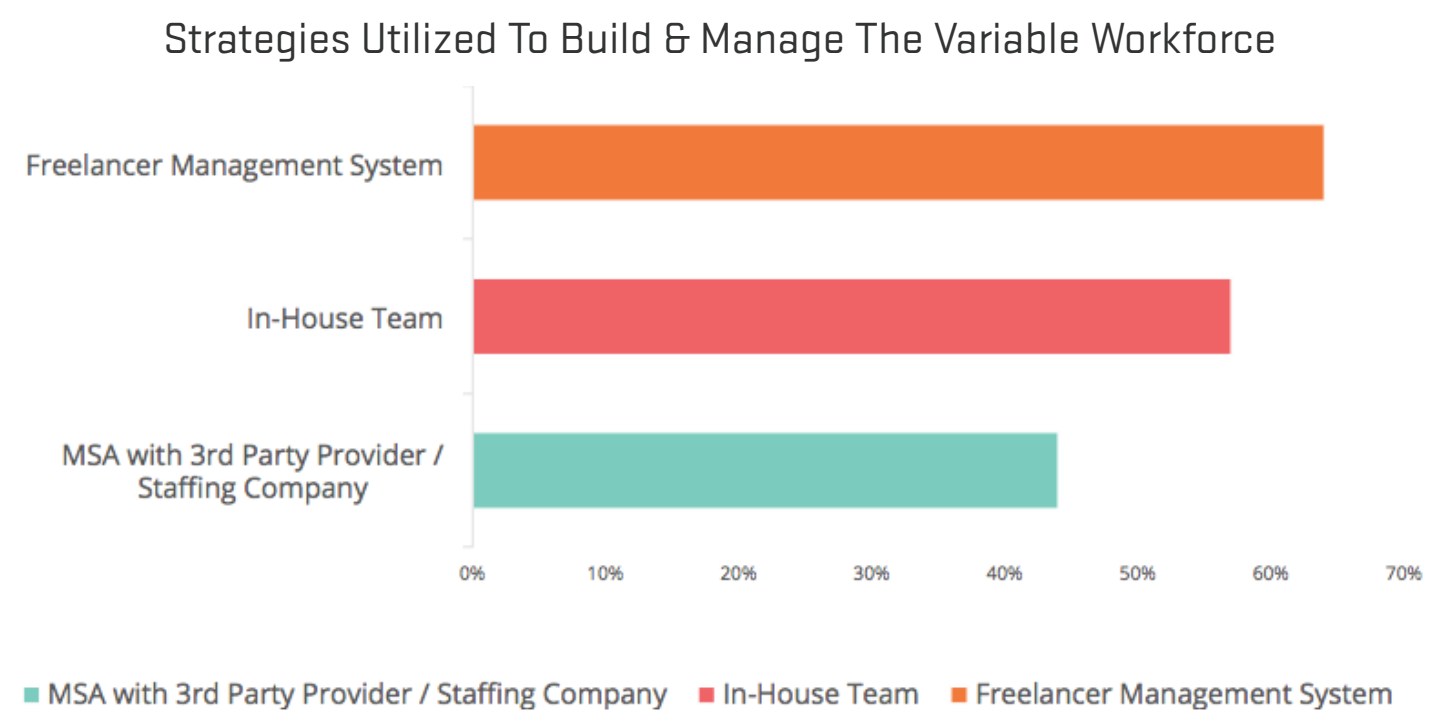
These Variable Workforce users tend to support more types of technology on average than companies who do not use a Variable Workforce (4 types of technology vs. 1.8 types of technology). The research suggests that this is due to the fact that the Variable Workforce model enables companies to scale their workforce and expand into new geographies and technologies. It also indicates a clear expansionary trajectory for service organizations with Variable Workforce companies being able to support more technologies than their traditional workforce peers.

Factors that influenced decision to utilize a Variable Workforce Model

The ability to be agile and scale their workforce based on customer demands was the most important influencer for Variable Workforce users in this survey. Over half agreed that “We didn’t have enough work in selected geographies to justify hiring a fulltime Field Service Engineer.” And for almost all, controlling labor costs was a significant motivator.



Among those respondent companies who use a Variable Workforce model, nearly two-thirds use a Freelance Management System, either alone or in combination with an in-house team. A significant number (44%) use a MSA with a third party provider or staffing company.

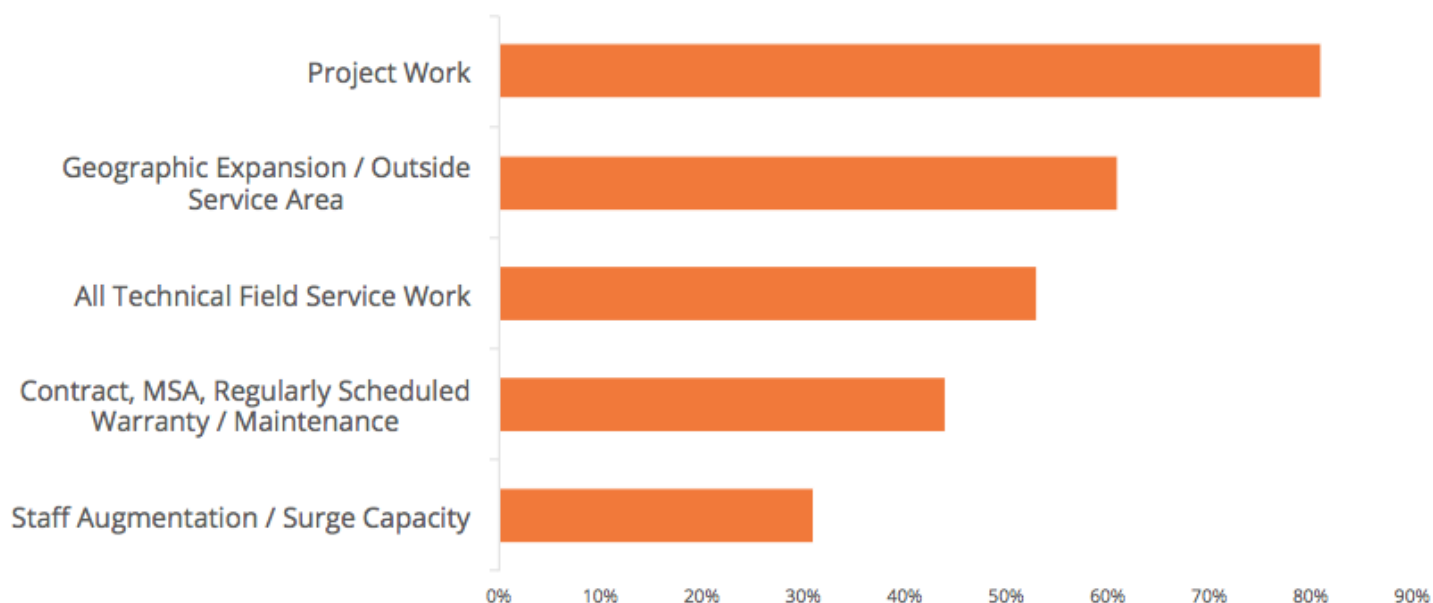


Freelance Management System Users – Who Are They?

Nearly two-thirds of the Variable Workforce users participating in this research are Freelancer Management System users. Almost all have been using it for at least one year, 60% for three years or more. Approximately two-thirds are either Third Party Maintainers/ Independent Service Organizations or Value Added Resellers.

The top three kinds of work in which the FMS users in our sample typically engage their contingent or contract labor force are project-based (81%), geographic expansion work, and technical field service in general.

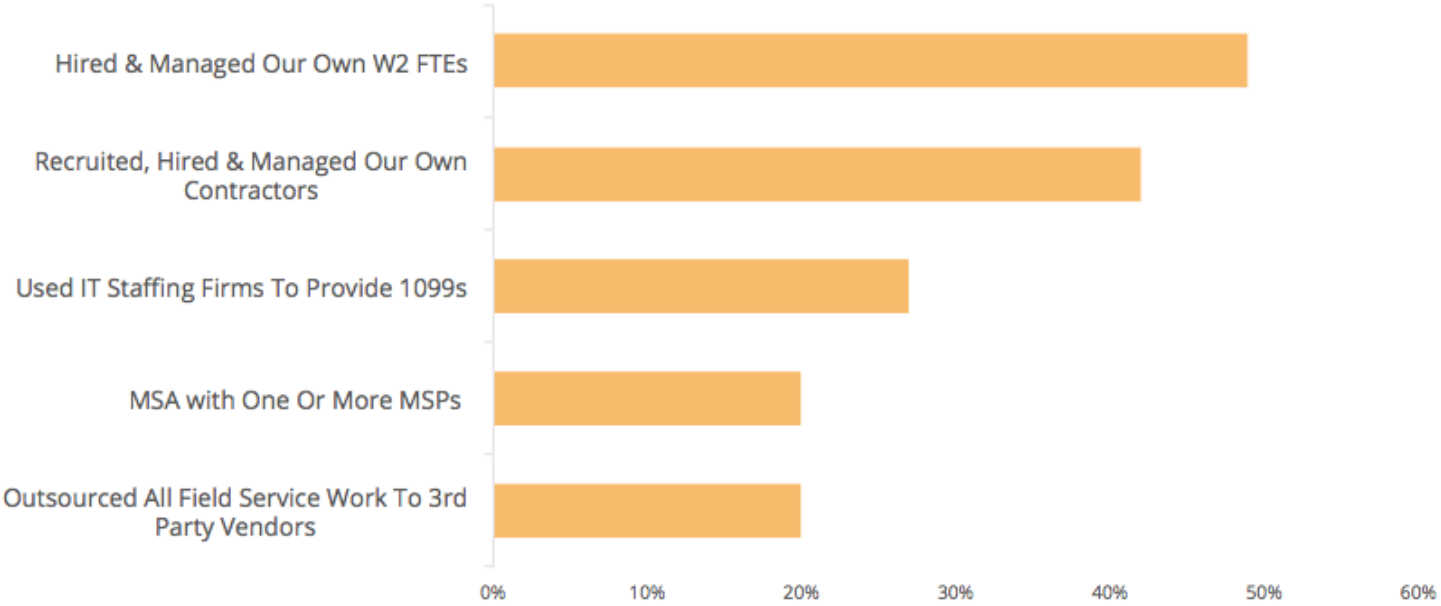
Type of Work Assigned To The Variable Workforce



Interestingly, these FMS users are able to support more types of technology on average than companies who do not use a FMS (4.3 types of technology vs. 2.8 types of technology), most likely due to the need for more types of specialized engineers. This furthers the conclusion that FMS users sit at the apex of disruptive expansion; being able to support more technologies than other variable workforce service organizations.

Prior to using a FMS platform, these companies either had permanent W-2 employees or used 1099 contract employees (either recruiting and hiring themselves or using an IT staffing firm) — usually a combination of both. One fifth contracted with a Managed Service Provider. Twenty percent outsourced all Field Service management to a third party.

Field Service Labor Management Practice
Before Engaging A Freelance Management System



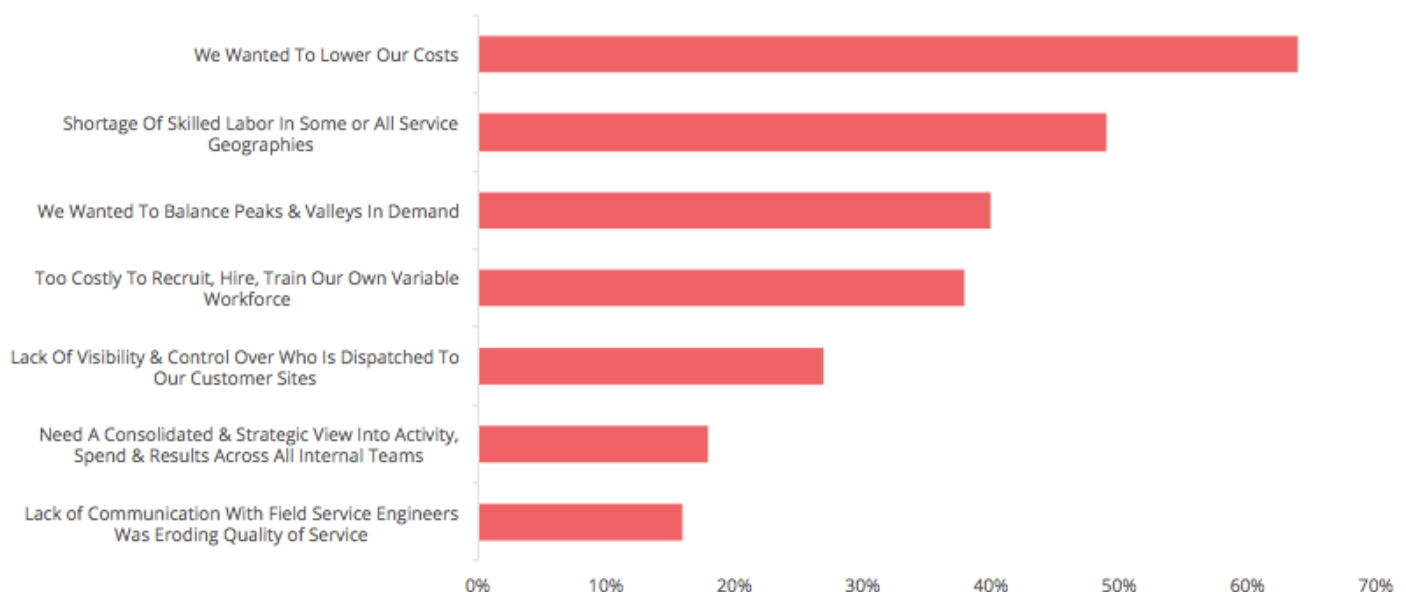
These companies ultimately considered switching to FMS because they were facing major challenges common to most field service operators.

Among them were:

- The need to reduce costs. Labor costs are often the single largest expense for these companies. Retaining full-time technical service professionals for every contingency is just not economically viable today. Insufficient workloads to justify retaining full-time employees and limited geographic coverage can add to the problem. In addition, it is costly and time consuming to recruit, hire, and train a Variable Workforce internally.
- How to balance out the peaks and valleys in field service demand.
- A shortage of skilled Field Service Engineers (FSEs) in some or all geographic areas serviced.
- Management of Field Service Engineers – either W-2 employees or contingent labor – can be difficult. Oversight and direct communication with FSEs can be time consuming and/or difficult, with negative impact on costs and quality of service. And with shifting, often complex deployments, accountability can be sub-optimal.

Business Challenges

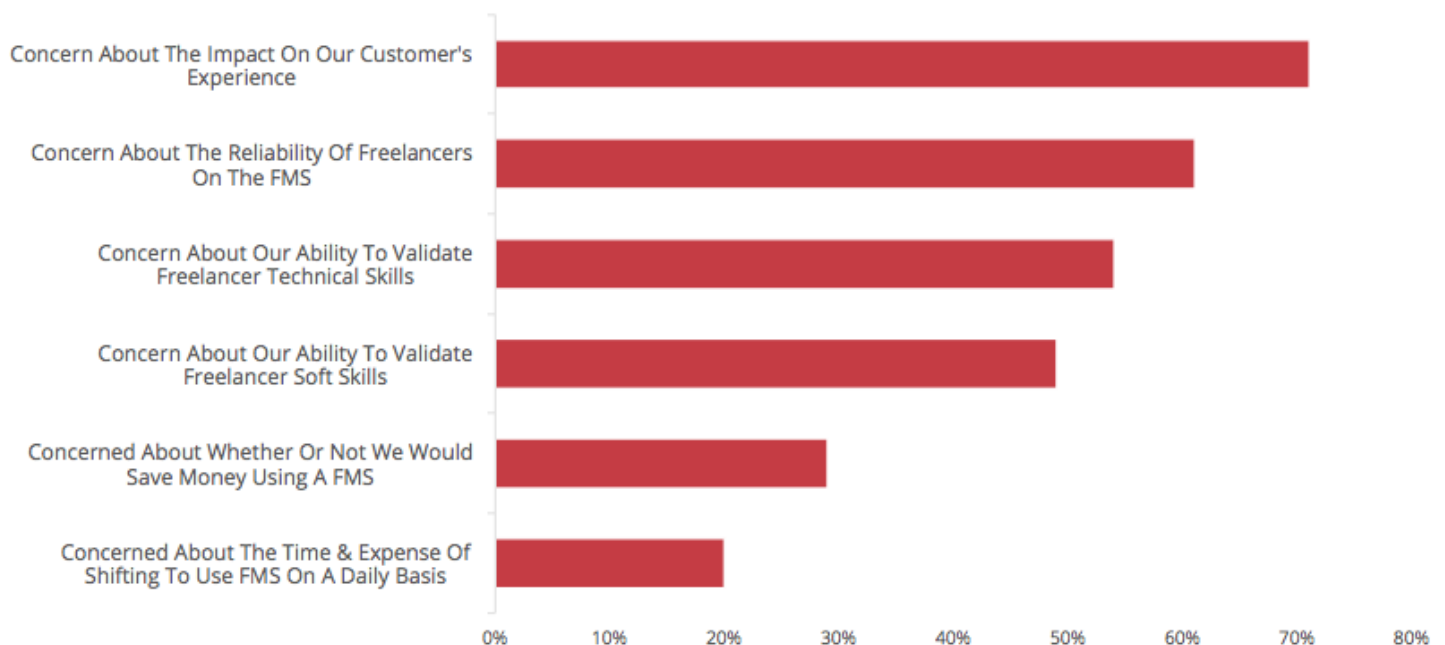
That Motivate & Accelerate The Switch To A FMS Platform



Making the Switch to FMS

Switching to a Freelance Management System was not without its concerns for these respondents. The largest concern was the potential for negative impact on their customers. The reliability and technical capability of previously unknown technicians recruited from the FMS pool was also a fairly significant concern. A lesser worry was the realization of anticipated cost savings. Because of these concerns, organizations who successfully adopted a FMS platform are very intentional about qualifying, onboarding and managing ongoing expectations with professional freelancers with whom they engage.

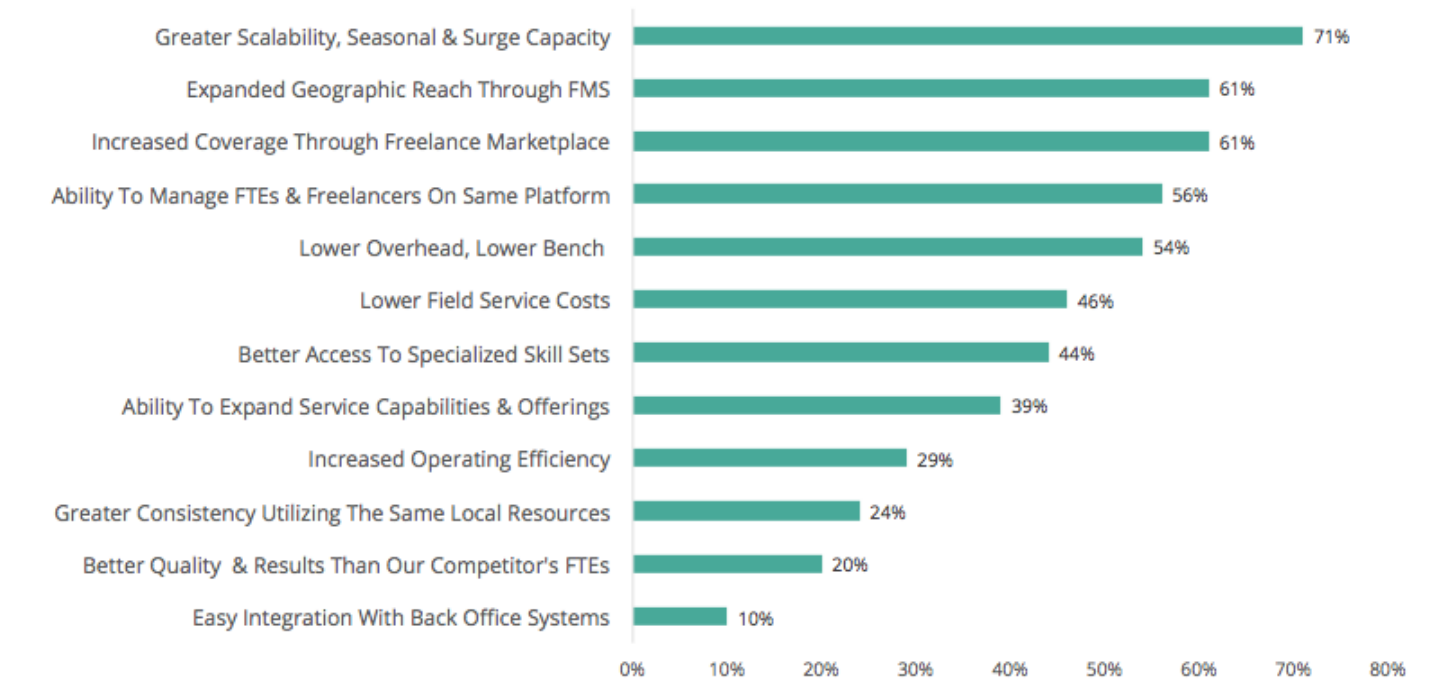
Concerns About Switching To A Freelance Management System



Despite these reported concerns prior to making the switch to FMS, ultimately, these respondents decide to test the efficacy of FMS.

The largest motivator to switch was the FMS platform’s agility, enabling users to scale up and down very quickly with demand. The ability to manage surges in capacity demands without the overhead of bench time and fully-burdened employment costs while maintaining consistency of service levels combined to drive a shift to FMS. Increased coverage and expanded geographical reach are also very strong motivating factors.

Top Business Drivers
To Utilize A Freelance Management System



Future Demand for Freelance Management Systems Expected to Increase

Most of the respondent companies using FMS anticipate increasing demand for Field Service work issued through FMS platforms. In fact, 76% reported increased demand for this past year — most by at least 15%. New service lines or customers were cited as reasons for this increase, along with geographic expansion.

A majority of these respondents feel their usage level of FMS platforms will continue to increase over the next 12 months, stating:

“ Increased revenue and additional customers [are] driving volumes! ”



Results Achieved by Freelance Management System Users:

“The FMS platform is our business model.”

Have FMS users in this survey experienced improved performance since switching to FMS? The answer is “yes,” on several fronts.

FMS has enabled these users to gain more business and expand.

Respondents confirmed this:

“Use of FMS’ has dramatically increased our ability to win field service and project contracts from multi-site (chain) businesses with wide geographic coverage and complex infrastructures.”

“Ability to win more contracts, work with cheaper workforce, and able to fill the gaps in the places and spaces without travelling teams into the market at significant costs.”

“Our ability to manage a core group of FSE’s globally has allowed us to increase our service quality and expand business consistently.”

“We have a greater number of technical staff available to us and our sales people are able to sell outside of the region we have our own W-2 employees.”

For these respondents, it is also clear that FMS has facilitated greater throughput, leading to an increase in field service work.

Again, a sampling of their comments verifies this:

"We understand the platform and are able to push more projects through in a shorter amount of time."

"[We are] Able to accommodate more work requests."

"Greater familiarity with the system and greater confidence in the quality of resources."

"Improvements to the stability of our offering and the sourcing of quality FSEs."

"As we continue to learn more about the platform we are able to take on more customers and manage our technicians accordingly."

"We continue to use FMS' to expand our product offerings at a strategic level."

"Continued efficiencies and the ability to garner more work through the maintenance of lower costs."

Measuring Impact of FMS on Key Performance Indicators (KPIs)

Rather than relying strictly on anecdotal information, Field Nation and Blumberg Advisory Group wanted to quantify the impact of Freelance Management Systems on companies' performance. Overall, results demonstrate that use of FMS platforms results in materially better field service performance. In summary:

- SLA Compliance: 98.2% for Best in Class companies who use FMS versus 81.1% for Overall Average
- FSE Utilization Rate: 96.0% for BIC companies who use FMS versus 94.5% for BIC who do not
- FSE Productivity: BIC companies who use FMS complete the same number of calls per day (6) as BIC companies who do not
- First Time Fix Rate: 96% for BIC companies who use FMS versus 77.8% for Overall Average

Digging deeper, respondents were asked to rate their companies on 17 Key Performance Indicators relating to field service operations:

- Service Level Agreement (SLA) compliance (%)
- Field Service Engineer (FSE) Utilization Rate (%)
- FSE Productivity (i.e., average # of field service calls per FSE per day)
- First Time Fix Rate (%)
- Time to first response (hours)
- Onsite resolution time (hours)
- Gross Margin per Field Service project (%)
- Gross Margin per service call (%)
- Monthly recurring revenue
- Time to onboard FSEs (days)
- Time to train FSEs (days)
- Time to recruit and hire FSEs (days)
- Customer Satisfaction and/or NPS (Net Promoter Score)
- Geographic Service Area
- Industries, Verticals or Service Categories Able To Deliver
- Number of RFP and Deal Wins
- Total Service Revenue

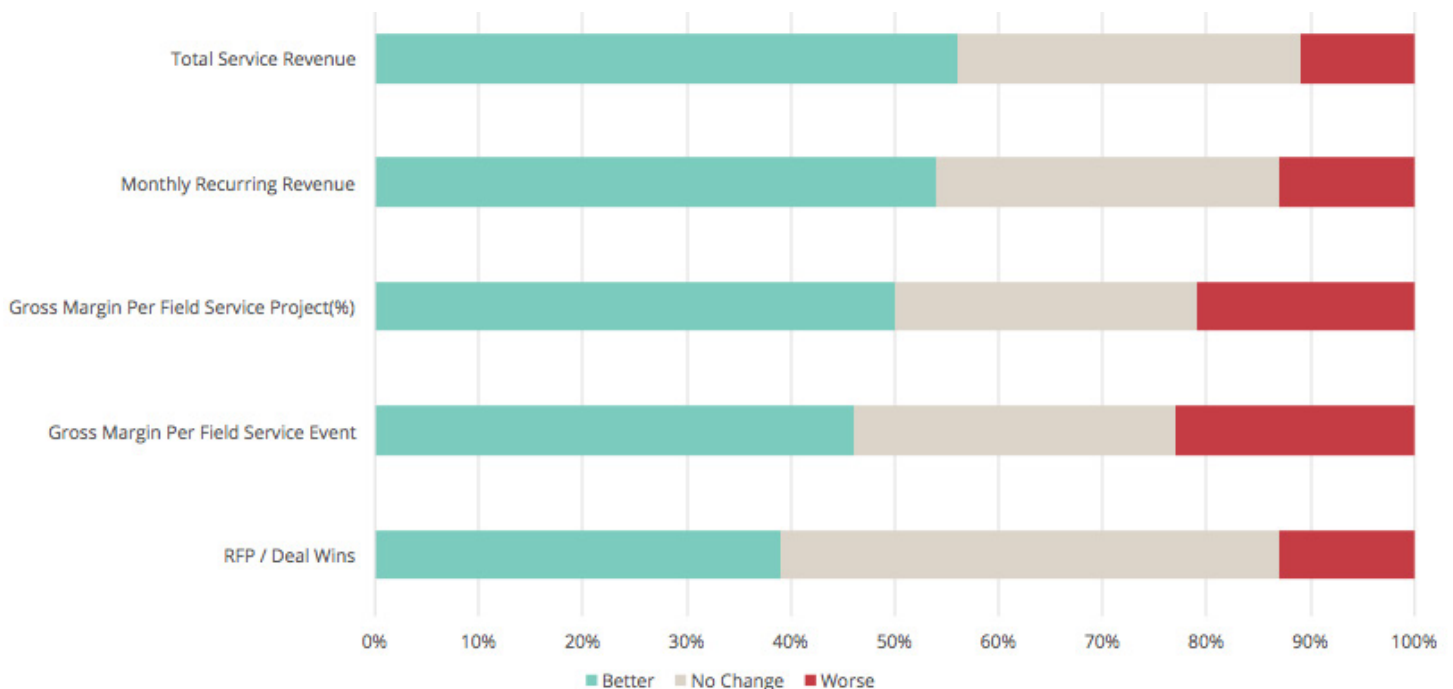
Respondents were asked if their Key Performance Indicators had changed since their switch to FMS. Their answers were affirmative: *approximately one-third of the sample reported a 15% or more improvement for the following KPI measures:*

- Geographic Service Area
- FSE Productivity (i.e., average # of field service calls per FSE per day)
- Field Service Engineer (FSE) Utilization Rate
- Total Service Revenue
- Monthly recurring revenue
- Service Level Agreement (SLA) compliance
- Gross Margin per Field Service project

The KPI measure showing the *most* improvement was “Geographic Service Area” — 52% of the sample reported a *15% or more* improvement, with 76% reporting at least a 6% improvement. Across all KPIs, respondents indicating measurable positive impacts to their business from switching to a FMS outweighed detractors.

Field Service Revenue KPI Improvements

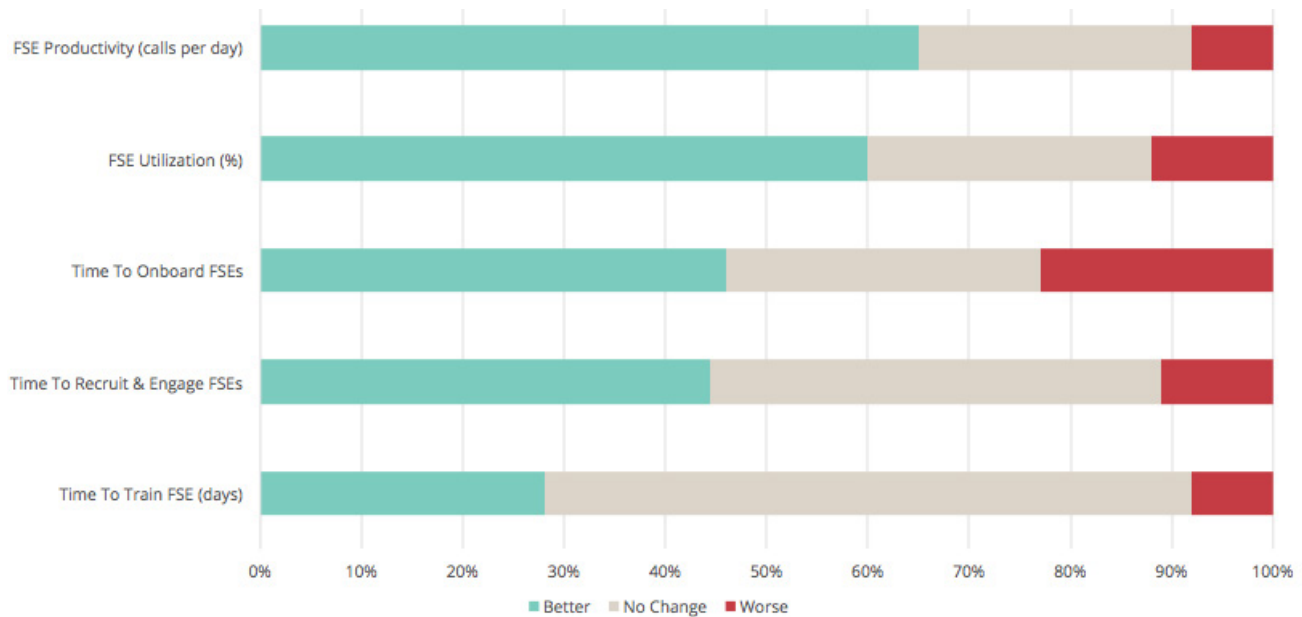
Delivered By Switching To A Freelance Management System



Five of the KPIs measured deal with revenue and deal wins. Respondents were asked to rate if their performance was better, worse or no different after the switch to a FMS. Clear majorities reported that both Total Service Revenue and Monthly Recurring Revenue improved after adopting an FMS.

Field Service Engineer Utilization KPI Improvements

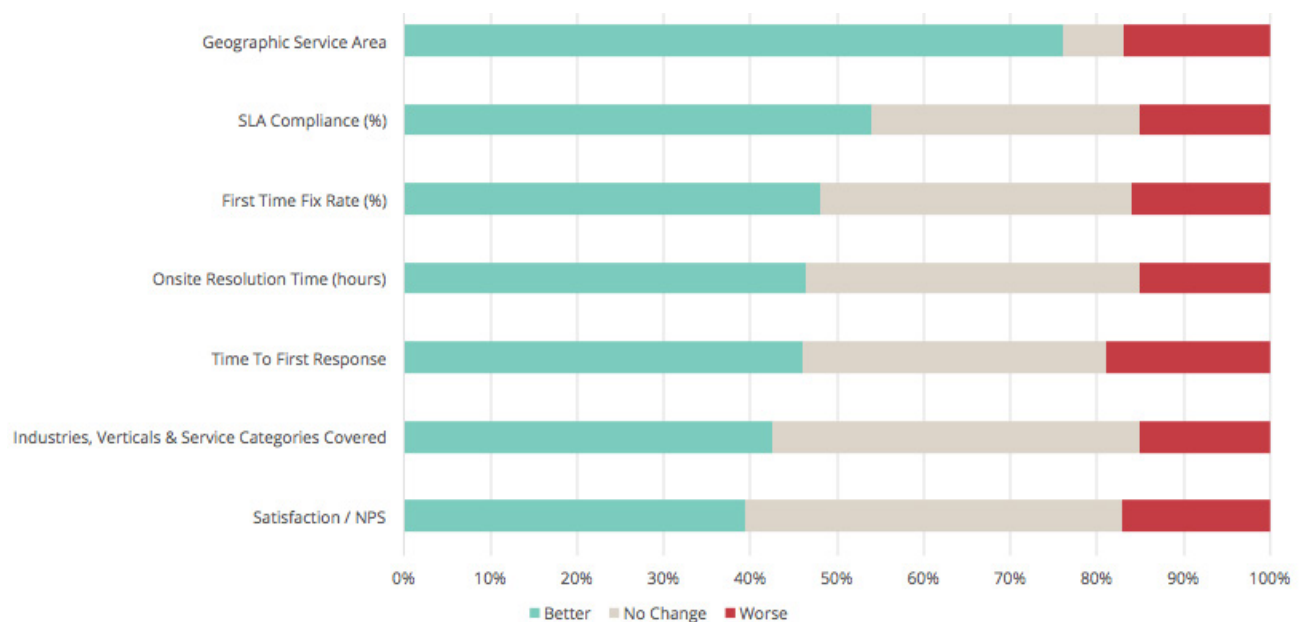
Delivered By Switching To A Freelance Management System



Five of the KPIs measured Field Service Engineer utilization and productivity. Again, clear majorities reported improvement in productivity and utilization.

Field Service Reach & Quality KPI Improvements

Delivered By Switching To A Freelance Management System

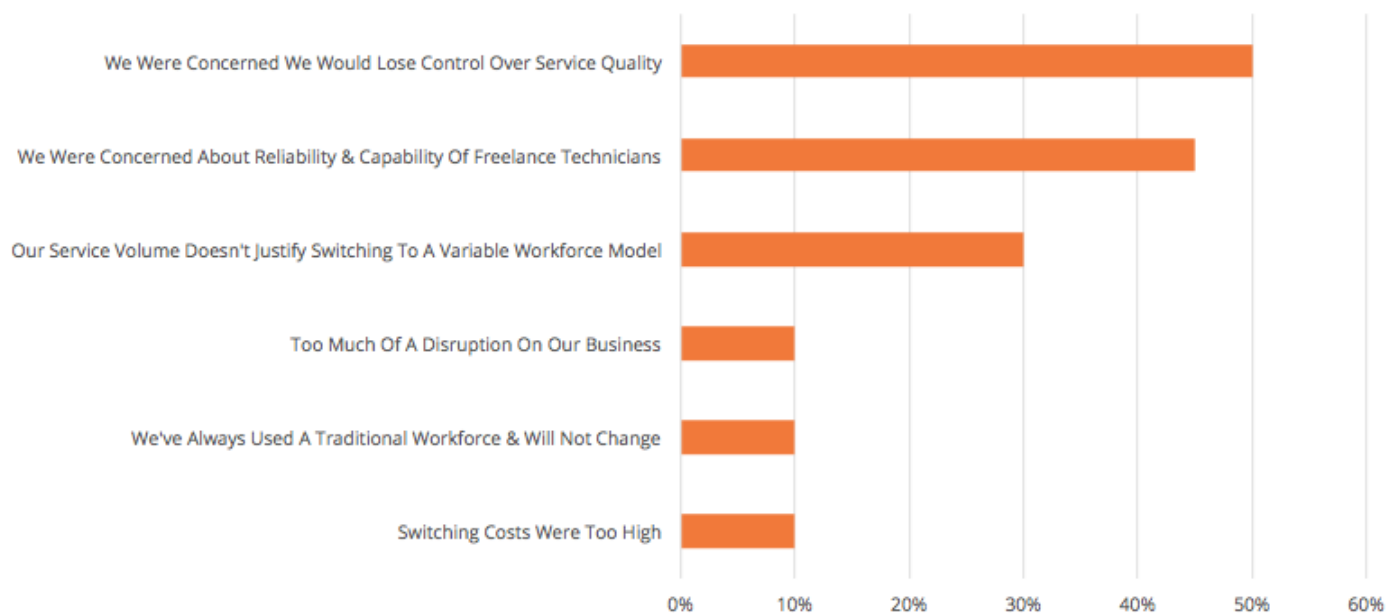


Seven of the KPIs measured the reach of organizations and quality of the services rendered. There was clear and compelling agreement that geographic reach and SLA compliance are strong advantages delivered by FMS. In all KPIs, more respondents indicated that the FMS delivered net beneficial quality, coverage and response rates.

Non-Variable Workforce Users' Concerns with Variable Workforce Models

About a quarter of the sample are non-Variable Workforce users. They expressed similar concerns about Variable Work Force models as did FMS users prior to the latter's switch. Again, their main concern was loss of control over service quality, coupled with concern about the reliability and capability of freelance technicians (45%). About a third of this group felt that their volume of service calls doesn't justify switching to a Variable Workforce model. And 10% stated "We've always used a traditional workforce and will not change."

Reasons Companies Consider But Reject FMSs



"Other" reasons included:

- *"Training and certification cost are high."*
- *"Our service requires very specialized expertise. Most do not have the training or experience required."*
- *"Training and system complexity."*

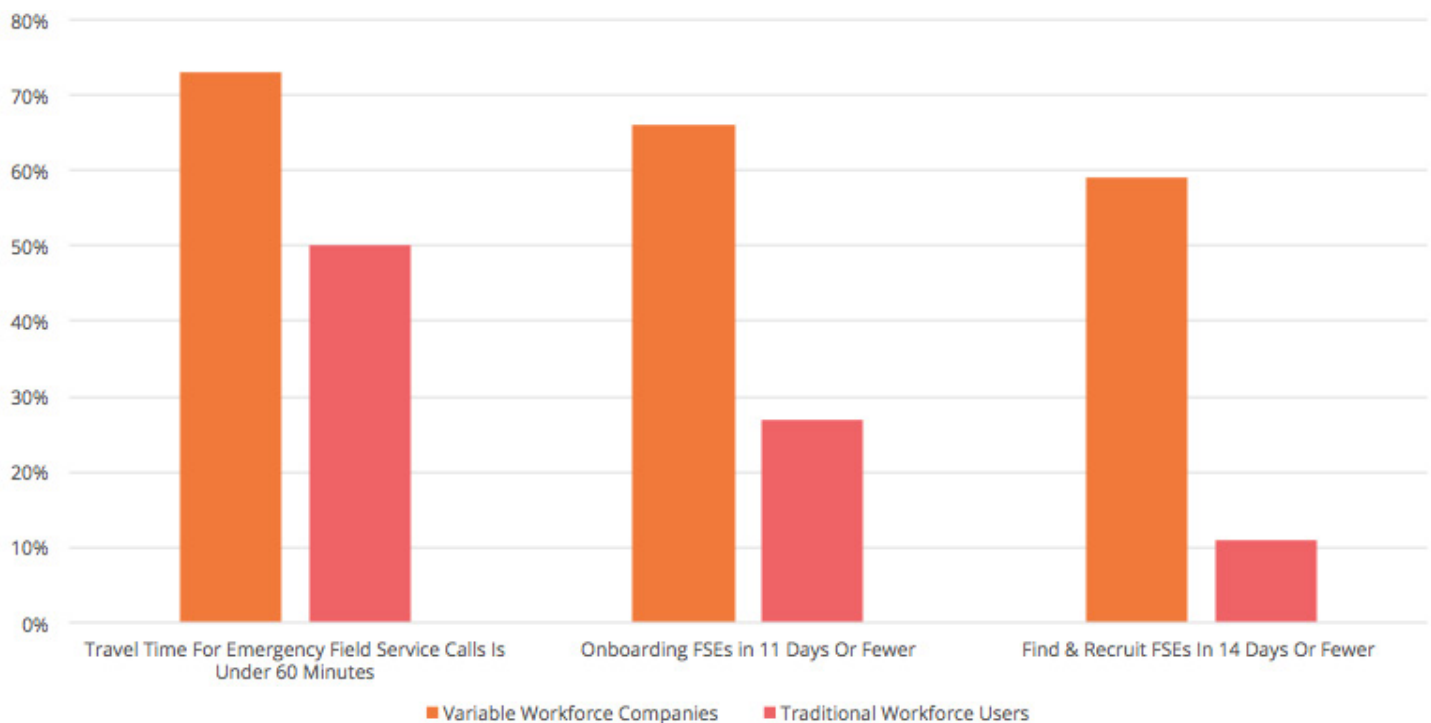
For respondent non-Variable Workforce users, their concerns continue to outweigh the potential benefits of switching. For these reasons, most of them did not consider FMS in the past year.

Variable Workforce Models Proves to be Faster, Less Expensive, and More Efficient Than Traditional Workforce Models

The greater efficiencies of using a Variable Workforce model also contribute to faster integration and utilization of Field Service Engineers. Three measures where companies in this survey who use a Variable Workforce are superior to non-Variable Workforce users are:

- Three quarters of Variable Workforce users experience shorter travel time than non-users: Average travel time for emergency service calls is 60 minutes or less for 73% of Variable Workforce users vs. 50% of non-users
- A majority of Variable Workforce users take less time to onboard FSEs than non-users: Average time to onboard FSEs is 11 days or less for 66% of Variable Workforce users vs. 27% of non-users
- Over one-half of Variable Workforce users recruit and hire FSEs in less time than non-users: Average time to recruit and hire FSEs is 14 days or less for 59% of Variable Workforce users vs. 11% of non-users

From Finding & Recruiting To First Response, FMS Is Faster

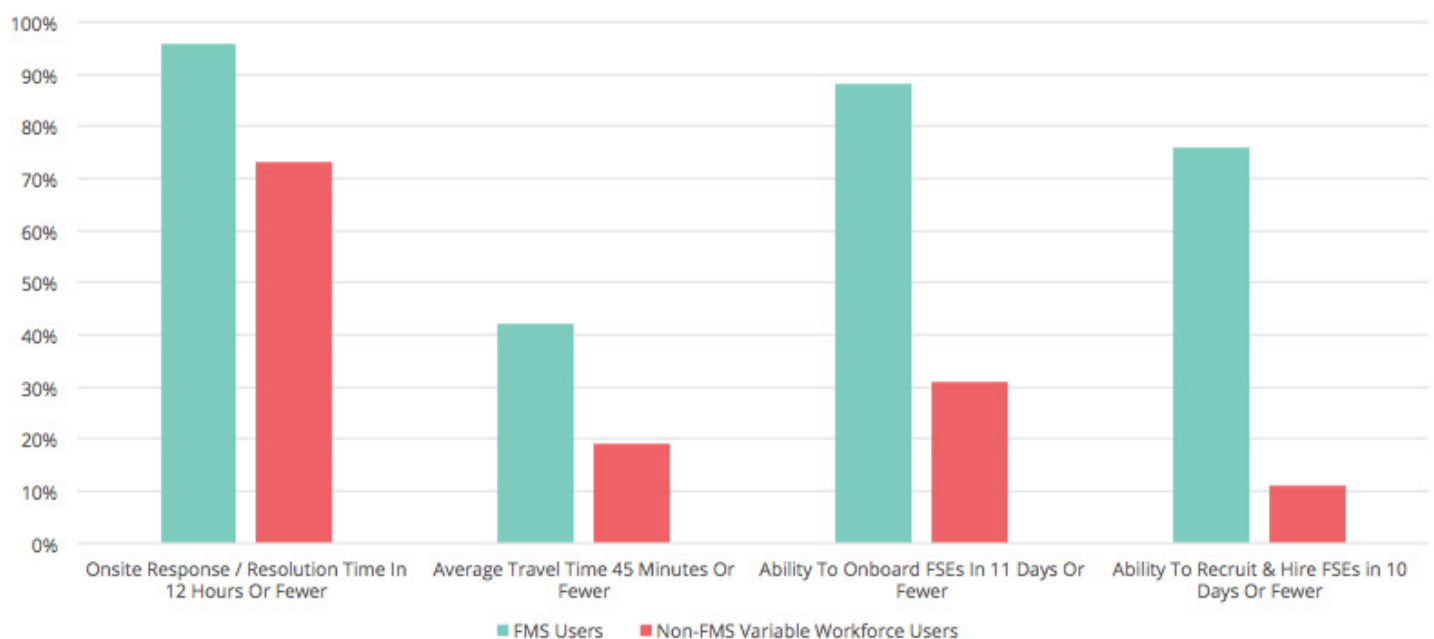


FMS Platforms are the Fastest, Least Costly, and Most Efficient Way to Implement a Variable Workforce Model

Finally, we compared the KPI scores of companies who use any type of Variable Workforce (excluding FMS) to those who use a FMS. The following measures are where FMS users excel over other types of Variable Workforce:

- FMS users experience a faster on site response time for emergency service calls: Average onsite response time for emergency service calls is 12 hours or less for 96% of FMS users vs. 73% of users of other types of Variable Workforce
- FMS users experience faster travel time for emergency service calls: Average travel time for emergency service calls is 45 minutes or less for 42% of FMS users vs. 19% of users of other types of Variable Workforce
- FMS users onboard FSEs much faster than other forms of Variable Workforce: Average time to onboard FSEs is less than 11 days for (88% of FMS users vs. 31% of users of other types of Variable Workforce
- FMS users recruit and hire FSEs faster than other types of Variable Workforce: Average time to recruit and hire FSEs is 10 days or less for 76% of FMS users vs. 11% of users of other types of Variable Workforce

Freelance Management Systems Are Faster Than Other Variable Workforce Solutions



Conclusions

The use of contingent labor for Field Service operations can benefit companies in many ways, not only through cost savings – although that can be a primary driver – but also in increased flexibility and agility, with the ability to expand service coverage quickly when or where needed. Variable Workforce Models, particularly the sophisticated Freelance Management Systems like Field Nation, enable companies to manage and scale their contingent workers from recruitment and hiring, through payroll faster than other solutions, systems or processes.

This recent research conducted with field service managers and executives in diverse companies shows that despite their initial fear over possible diminished service quality and control, companies who have switched to a Freelance Management System report strongly positive results. Strong majorities report an increase on Key Performance Indicators since using FMS — notably for geographic service area coverage, productivity and utilization.

Companies without the internal resources to maintain a full roster of specialized full-time field service executives stand to benefit significantly from a Freelance Management System. However, large companies in our survey population are also experiencing benefits from using an FMS. Cost savings is a universal motivator, but greater agility and better deployment of technically-trained field service professionals also have across-the-board relevance for service quality and operational efficiency.

Companies who are in an expansionary mode can also reap significant benefits from FMS. FMS enables faster, more efficient, and better focused ramp-up than would hiring and training full-time W-2 employees. On the other hand, companies who prefer to utilize a blended workforce of W-2 and 1099 employees can alleviate challenges associated with oversight and communications with FSEs through an FMS platform since it facilitates greater visibility, accountability and control.

Finally, an additional category of companies who stand to benefit from FMS are those who have to service several different technologies, as they can better access specialized talent from FMS' pool of freelancers.

About The Author

Michael R. Blumberg is a Certified Management Consultant (CMC) and president of Blumberg Advisory Group, Inc. His firm focuses on providing client with strategic and tactical assistance for improving the overall profitability and quality of service. Michael is a results oriented, business leader with unequaled background in the Field Service & Reverse Logistics arena. He is highly skilled at developing innovative business strategies that effectively respond to industry trends and market requirements, and leverage internal systems and processes resulting in improved financial and operation performance for his clients. Mr. Blumberg is a prolific author and frequent speaker at industry events and conferences.

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About Blumberg Advisory Group

Blumberg Advisory Group, Inc. is a leading research & consulting firm to the Reverse Logistics and Field Service Industry and a pioneer in helping companies manage service as a strategic profit center. Through their relationships and expertise, Blumberg has consistently demonstrated its ability position its clients strategically to meet current challenges and new growth opportunities. Blumberg strives to remain on the forward cutting edge of industry trends and technology developments. Its principals and consulting staff work diligently to improve client profits through strategic service, assisting in development and implementation of profitable business strategies. For more information visit www.blumberg-advisor.com



About Field Nation

Field Nation (www.fieldnation.com) is the most complete Freelancer Management System (FMS) and SaaS-based project-management solution available. The company is headquartered in Minneapolis, has more than 100 employees, and was listed on the 2013 and 2014 Inc. 500 list of fastest growing companies. In 2015, the company recorded \$100 million in marketplace transactions. With more than 65,000 service providers in its network, Field Nation serves as a catalyst for business growth and ensures successful collaborations around the world.

