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| **Servitization transformation process** | | | |
|  | **Central research questions in intro** | **Final Hyp. generated through analysis and discussion of cases** | | |
| About | Quotes from cases | Final hypothesis |
| 1 | *What stages does a manufacturer progresses in the processes of building and competing through a portfolio of advanced services?* | Exploration | ***S***[**earching**](http://dictionary.cambridge.org/dictionary/english/searching)***and***[**finding**](http://dictionary.cambridge.org/dictionary/english/finding)***out about competing through advanced services***   1. *We started to explore how our customers could save cost by properly managing their tyres. In specific, we started to explore (1) how much value could be created by properly managing tyres, especially air pressure and (2) how relevant technologies might help us creating such value* 2. *We started to explore what are the pain points of our customers – we found that it wasn’t the price of the truck at all; it was the cost of fuel as well as uptime. Then we tried to find out how we could address such pains through the sensors that were already installed on the trucks and the data that were coming back to our centre. We started to realise we can do a lot to address those pains.* 3. *We started by understanding the pains of our customers. We reverse engineer. So you start with the problem, and then come up with a solution. And then eventually you come to, “Oh, by the way you’ll need one of those, and one of those, and one of those. And you stick them together like this.” But we always start from the problem.”* 4. *We got our top ten operators into our boardroom to ask them how were they ... what’s the measurement for them and why they would buy a truck from us, you know. Or what are the five key things; if you were to measure a vehicle manufacturer or a vehicle supplier, what would be the key measurements for you? And it came down to two things; up-time and fuel. Fuel consumption because 40-45% of the cost of running a truck is fuel.* | As manufacturers interest is **triggered**, in a strategy of servitization through advanced services, then their initial activities will focus on the ***exploration of the concept and implications*** |
| 2 | Engagement  (traction) | [***Idea***](http://dictionary.cambridge.org/dictionary/english/idea) ***that advanced services are a valuable way to compete gains popularity and acceptance***   1. *We started to build alignment with the people inside the organisation for the advanced services initiatives. We followed some mechanism for doing that, which were both formal and informal mechanisms. So one of the formal things that had been set up was that they attracted platform sponsors. There was a sponsor for a group of three people who were business leaders who were sponsoring the Worry Free Mobility project. So partly it was keeping them in the loop, bringing them up-to-date with where the global team was doing and building relationships with them. They weren’t necessarily all the stakeholders but they were a set of stakeholders. Then, instinctively, sharing the story at the level of the CEO and the business, the regional presidents.* 2. *After nearly 14 months of identifying the right customer value proposition, validating and experimenting the offering with the right and relevant customers, the management of the global innovation team realised that there is a need to have stronger back from the board. At the same time, a new person joined the company as the Senior Vice President - Strategy and Business Development. He promoted a highly customer-centric form of business model innovation, identifying the customer’s pain points and how to create value for the customer. He started to work closely with the global innovation team and managed to create a strategy board (consisting of the CEO, and 7 other top directors) to meet every two month to discuss the strategic/technological initiatives. Soon, advanced services and servitization became part of the routine agenda, and this helped the company to gain an enormous acceleration in their move towards advanced services.* 3. *Develop the advanced services offering tailored for a specific industry, as one size don’t fit all. It’s individual; what works for some industries doesn’t work for others – let’s say pharmaceutical, because it’s regulated; they put it in, they don’t want to touch anything, forever, because they just want to make pills. Once they’ve got the certified product, that’s it, they don’t want to mess. But at some point you get to an issue with obsolescence; the kit breaks down – you can’t get it any more, how are you going to work around it? Every industry is different. And so what we do in the country has to be based on who’s there.”* 4. *They were 100% dedicated [to this initiative]…in hindsight I look back and I don’t think it would have succeeded had it not been a dedicated group. There was never a pressure to support the core business; the pressure was to go and prove the new venture to be successful’* 5. *The person globally in charge of the entire services…thought, “I see there is an opportunity… I’ll put it in a small business, as a small start-up, and actually what happens – if it fails, okay, I’m not going to have so much pain…Well, it didn’t fail, and we had a fantastic story out of it… that is probably the big strength of the entire thing, because it gives full focus [and] …visibility…So these project managers…they can become independent in their own little business…because the amount of day to day decisions is not huge, the impact on the company will not be so bad if they lose on some but then double on another project. So what I mean is that creates this entrepreneurship’* | As manufacturers become **convinced**, that a strategy of servitization through advanced services *is likely to have* ***net benefits,*** *then they shift from activities focused on* ***exploration*** *to activities focused on* ***engagement.*** |
| 3 |  | Expansion (acceleration) | ***You increate the range, scale, and geography of these advanced services***   1. *After the success of several rounds of experimentations with the selected customers (for nearly 18 months), we launched our first advanced services offering. It was initially called worry-free mobility, but later changed to Proactive Services. The offering focused on taking care of the entire tyre-related operation for the road haulage companies through sensor enabled monitoring of tyre pressure and alerts, based on a monthly service fee model) in Europe. A dedicated team from the global innovation, marketing, and sales came together to work closely in identifying new relevant customer across the continent.* 2. *We’ve had to instigate a complete cultural change. We have what we call service core process. So we actually have now a service core process that identifies every part of the process of handling customer service for a commercial vehicle. And right from the initial point of making the appointment with the customer to bring the vehicle in, to what happens when the vehicle comes in, to how it’s progress chased through the workshop and how we then either email or SMS and keep the customer informed of when his vehicle’s ready to go.* 3. *‘There’s nothing like having a successful project to start to open people’s minds…it became real for people at that point; they could see this project, this customer, these outcomes…here’s the financial performance of that transaction, how it fits into the P&L of the business…we would have roadshows where we would put together a…briefing package…we did a lot of internal marketing’* | As manufacturers **gain experience**, that advanced services offerings **can be** **commercially successful,** then they shift from activities focused on **engagement** to activities focused on **expansion** |
| 4 | Exploitation | ***You have a portfolio of services in place and you take advantage of this to dominate the market place***   1. *We’ve actually realised, recently – only within the last 12 months – that, rather than have an organisation for building the products, and an organisation for supporting the products – which we had previously – we now realise that we need to manage a product through life. The organisational structure has recently changed to reflect this. For example, we’ve got the value streams – for want of a better word – that look after the RAF and the UK customer, and then we have value streams that look after our export and potential export customers. Our teams are now set up to look through-life, rather than, as we traditionally were, the team that make the platform and then the team that support it. So the organisation has changed significantly to reflect that.* 2. *‘We knew long term that if this business was really going to grow it was very expensive to have a centralised team that had to jump on an aeroplane to go and call on a customer…we knew we needed the distribution organisation in all the geographies that we operated in to have capabilities on the ground in their respective portion of the marketplace’* 3. *‘The thing we’ve probably spent most of the last 10 years doing is learning how to become better at gathering service data, data mining it, crunching it and presenting it to a designer to say ‘I need that to last 20% longer than it did historically, these are the reasons why, historically, it’s failed or been rejected when we’ve inspected it…Not all data comes from sensors. You can get a lot by having people in overhaul facilities looking at why parts get scraped, what gets repaired, ‘We regularly take stuff back out of the scrap bin and go, ‘So what was wrong with that?’ Also from looking at invoices for maintenance, field service reps feedback…It’s not easy to do but it’s essential. If you want to change the design of the product for the better, you need to know in what way it is or isn’t working today’ (Andrew Harrison, Rolls Royce)* | As manufacturers **gain experience**, that advanced services offerings are **commercially successful**, then they shift from activities focused on **expansion** to activities focused on **exploitation** |
| 5 | *How do these stages align and combine as a transformation process for a manufacturer competing through a portfolio of advanced services??* | Process structure | 1. *The transformation towards becoming an advanced services provider is a non-linear journey – I’m more realising that we do go back to earlier stages for confirmation about the objectives, and just to re-check if we are in the right track.* | In their journey of servitization through advanced services, manufacturers will experience four characteristically different stages of maturity, and ongoing interplay and reiteration in this transformation process. |
| 6 | *What forces affect the progression of a manufacturer to compete through advanced services?* | Readiness | 1. *You can’t begin to focus on more advanced services if you don’t have reliable products: RR* 2. *A truck is a truck – mind you our truck is a very good truck* 3. *We build reliable truck, so we can provide a platform of services* 4. *We want to look at pay-per-use contracts for ‘compressed air’ at dental surgeries, but our compressors are only reliable 89% of the time, we have to fix this first.* 5. *We can’t start adding services to that <product range> because we’re still testing those engines and improving their efficiency:* | Manufacturers are more likely to progress with servitization through advanced services when - ***their products and services are increasingly reliable.*** |
| 7 | Market pull | 1. *One of our big challenges is customer education and engagement <lack of, is reason why we can’t make progress>* 2. *Customer engagement was not a problem - they we’re demanding this stuff from us* 3. *It depends on the structure of the customer base: big mines demand outcome contracts as as this (maintenance services) is not their core business, where family owned ‘ma and pa’ shops are much more conservative* 4. *If you want to sell forklifts into container ports; you have to offer outcome contracts* 5. *When they ring up a customer (about ischia) the customer thinks they are trying to sell something, when I ring up a customer they speak to me because they see me as helping to transform their business* 6. *Our customers started to ask us for more, because they were under enormous pressure to save costs. And, tyres were a very big portion of their operational costs.* | Manufacturers are more likely to progress with servitization through advanced services when – ***their customers are increasingly demanding transformative value propositions.*** |
| 8 | Technology push | 1. *Microlise unlocked this opportunity for us, it meant that we could now see how our customers drivers were treating our trucks* 2. *We started doing this stuff (more advanced services) before the current ‘distraction’ of technology, but there is no doubt that subsequently remote monitoring helped us take away a great deal of the risks* 3. *The technology change brought about a new realisation that we had to do more. It was no longer enough for us to say this is the product, this is the component, this is the features and the benefit, and we had to start proving the performance. Yes, exactly, we then had to start total cost of ownership or total cost of operation* | Manufacturers are more likely to progress with servitization through advanced services when - ***technologies are increasingly available that enable visibility of products and services within customer operations*.** |
| 9 | Value network | 1. *Our customer is not who we thought it was; we’ve always treated the independent distributor as our customer, but he doesn’t make the buying decision, it’s the architect. But the architect isn’t responsible for the life-time costs of the heat-pump, it’s the owner of the building, but when the building is leased out it’s the tenant. It’s complex.* 2. *Who you have to work with in the value network changes as your service proposition develops* 3. *When we started our basic service performance was poor, we had to radically restructure our relationship with dealers so we could get control and direct access to customers* 4. *One of the key reasons for realisation of this is the existence of the technology providers within the ecosystem, who could provide better, cheaper, and more effective tools to enable the company’s product to be smarter and provide a wide range of offerings to their customers. Although there is a great deal of resistance in partnering with a technology/software company, the key stakeholders have realised that in order to gain power inside the ecosystem, and create and capture more value, partnering with such software company who could provide a wealth of data is inevitable.”* | Manufacturers are more likely to progress with servitization through advanced services when – ***the structure of their value network enables increasingly direct engagement of the actors (customers, vendors, financiers, etc.) necessary for value co-creation processes?***  Nb: we are saying that ecosystem structure is critically important, but that within this the customer and technology players are most influential/ unlocking |
| 10 | Org. commitment and resources | 1. *We need to get the board committed, and to put some resources into this, before we can move forwards* 2. *Our leadership couldn’t envisage the benefits of advanced services compared to selling things* 3. *I could only do this because I was able to declare UDI, and run the UK operations autonomously* 4. *Getting Organisational buy-in was a real challenge; I had to go around lighting lots of little bush fires.* 5. *We had to change the people or change the people.* 6. *Our services strategy failed. A principal factor was the redistribution of services revenues into the services part of the organisation, it aligned the production culture, and ultimately brought about its downfall* 7. *We have recently moved towards a shared service business model. The company is developing a shared service to manage the data across different segments. We’re now working on the technology and the methodologies that the shared service would use to manage the data. So what algorithms do you need; what type of storage do you need; what data do you actually need off the platforms or within the service to… so we can start to get sensible answers out of all the data we have winging round us… People understanding the benefits. Cultural issues around it, because people have been used to their own cottage industries and working their own spreadsheet, Access databases etc. So, the fact that we’re now hoping to start into managing data centrally, hopefully we’ll do away with all of those cottage industries – all the local requirements for managing data locally in those methods. But people have always done it that way, so it’s almost a hearts and minds type thing to show them the benefits and how it will benefit them.* | Manufacturers are more likely to progress with servitization through advanced services when – ***the internal organisation is increasingly committed to aligning supportive structures, resources, processes and culture.*** |