Wir sichern Ihren Vorsprung

AFSMI – Verband der Führungskräfte in High-Tech-Servicebranchen

DIE MENSCHLICHE VERBINDUNG IST DER SCHLÜSSEL
ZUM PERSÖNLICHEN UND KARRIERE-ERFOLG

Paul J. Meyer, Founder of SMI (1928 – 2009)

„Are You Ready for Servitization"
101. Chapter Meeting
The Non-Profit Service Organization

AFSMI
German Chapter e.V.

101. Chapter Meeting - Details

AFSMI
German Chapter e.V.

Tuesday 11th December - Agenda

- *09:00 – 10:00 Registration & Networking Breakfast (KIC/CTC)*
- 10:00 - 10:15 Welcome from AFSMI
- 10:15 – 11:00 A structured process can help develop value-add digital services (Nick Frank)
- 11:00 – 11:45 Heidelberg goes digital: Subscription Economy: New business model for Heidelberg Druckmaschinen (Dr. David Schmedding)
- 11:45 – 12:15 Key Learnings for Servitization from SaaS "Software as a Service" (Dror Avieli)

- *12:15 – 13:15 Lunch & Networking*

- 13:15 – 13:45 Predictive Maintenance as a service (Jürgen Thurner)
- 13:45 - 14:15 Servitization - People, how SAP starts to address the challenge (Christian Müller)
- 14:15 – 14:45 HealthCare and new business models (Wolfgang Krenkler)
- *14:45 – 15:15 Coffee Break & Networking*
- 15:15 - 16:15 Servitization - How to make it happen (Workshop, Round Table & QA Session)
- 16:15 – 16:30 Wrap Up and Closing
- *16:30 – 17:00 Networking*

AFSMI
German Chapter e.V.

Our objective

- ❏ What we deliver
  - ❏ Excellent speakers from different countries, businesses but with experience on Servitization
  - ❏ 50 % from 9-5 is networking and workshops
- ❏ What you get
  - ❏ Direction for you and your business future
  - ❏ New insights and aspects of Servitization
  - ❏ Extension of your network
  - ❏ Fun

Potential questions we will discuss at Chapter Meeting? Which questions do you have?

- Software Industry has moved last few years into X-asa Service model! With digitization every industrial equipment, medical instruments becomes equipment is running on IT.
    - What lessons from Software industry can we learn, what not?
    - Can we expect a similar direction as in the IT industry or not?
    - Why?
- With digitization subscription based services get a revival as now it is possible to charge by outcomes, what possibilities are ahead of us?.
- What is the best approach for a journey to servitization?
- Looking at successful servitization examples, what were the critical success factors?
- How to identify the right value proposition for successful services?
- Growth of servitization and business model, like subscription based services depend on high-level of digitization and automation, can we really trust enough against cyber security threats?
- What is the impact on sales (organization, roles, responsibilities)?
- How can we get our employees to embrace this change?

Speaker - Information

Nick Frank

## A structured process can help ….

- The increased accessibility of digital technologies is accelerating the shift from product to service led growth strategies.

- The problem is that many leaders are confused by the jargon and unclear how to leverage these opportunities

- Successful companies starting along this 'Digital Servitization' route, typically commence their journey with the following three basic steps:

- Discovery Solutioning Developing

Nick Frank has a track record in developing services businesses within high value manufacturing & technology companies.

To stay on the leading edge of service thinking, Nick Frank has worked with professor's from Köln, Insead and IMD. He is currently a visiting lecturer on Service Innovation to MBA and MSc students at the Henley Business School and Warwick University.

AFSMI
German Chapter e.V.

Nick in Action
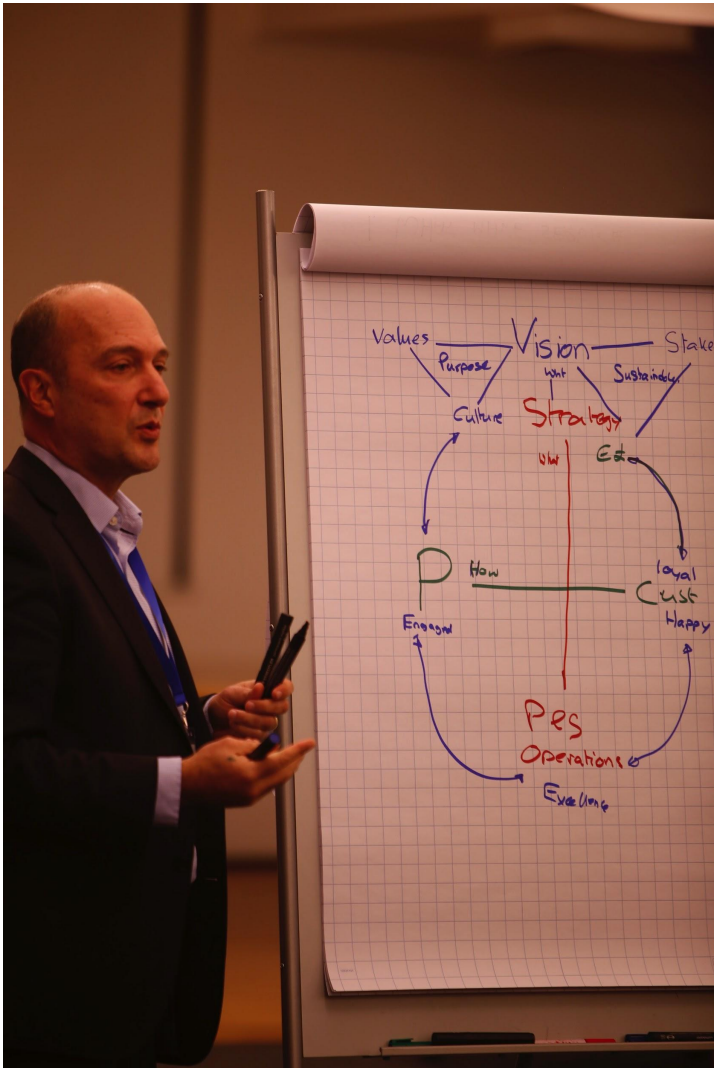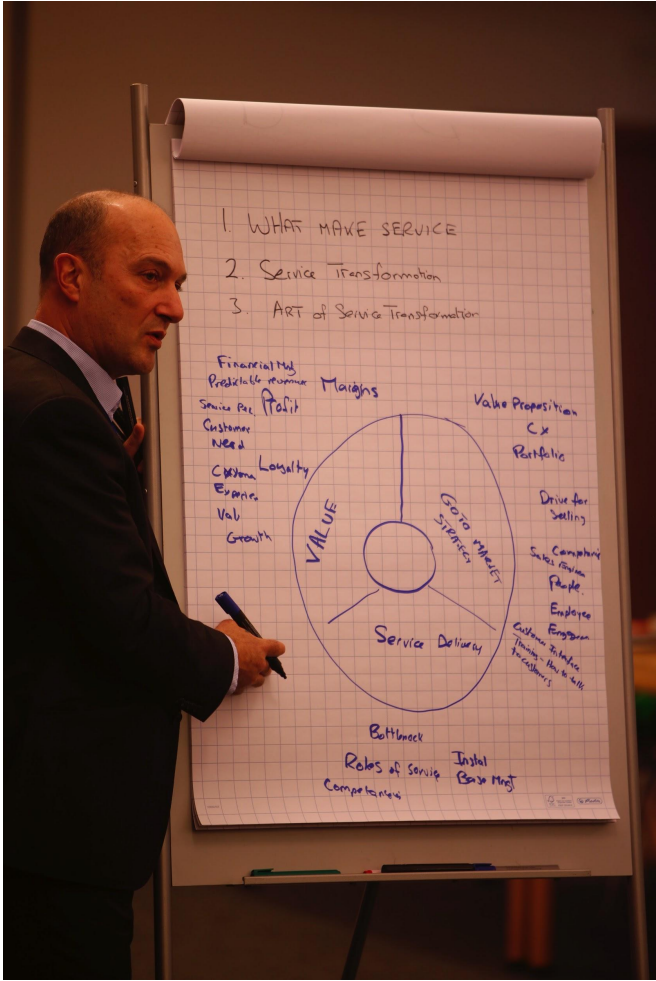
Dr. David Schmedding

Heidelberg goes digital!

- Subscription Economy - New business model for Heidelberg Druckmaschinen AG

- Successful strategic reorientation

- Big Data provides the basis for digital revenue models

- Heidelberg Subscription

Dr. David Schmedding, Head of Customer Segment Management & Subscription Business

AFSMI
German Chapter e.V.

Dr. Schmedding in Action

Dror Avieli

Software as Service (SaaS): Servitization success / challenges from Software business

- Setup of SaaS in B2B-Software
- What worked well, what not
- Key Learnings for SaaS success
- Can this be transferred to other industries?

Managing Director Israel and
VP Customer Success at Consensys
With more than 20 years of experience, Dror has
a wealth of knowledge from leading successful
customer service organizations in the software
industry. Dror previously started Hewlett
Packard's Customer Success organization during
the early days of the transformation to SaaS &
Cloud offering.

AFSMI
German Chapter e.V.

Dror Avieli in Action

Juergen Thurner

Predictive Maintenance as a Service

- A service, which provides usage data of key equipment, which help to optimize maintenance windows and reduces cost and increases availability

- Other servitization presentations from the manufacturing world

- He will describe key success factors and challenges of those servitization projects

Juergen Thurner brings 29 years of expertise in various senior management. He lectures International Operations Management at the European School of Business at Reutlingen University. Main subjects are Industry 4.0, Internet of Things and Digital Transformation. Other areas of expertise cover Supply Chain Design, Operations Strategies and the Smart Factory.

AFSMI
German Chapter e.V.

Jürgen Thurner in Action

Christian Müller

How to get your people into Servitization

- Shift from on premise to the cloud requires new challenges for each employee

- Christian Müller will discuss, how SAP has started this journey, where they are today, what he recommends to the AFSMI community

Christian Müller has over 25 years expertise in IT. He is VP Sales for Software Maintenance whether on Premise or Cloud for DACH

AFSMI
German Chapter e.V.

Christian Müller in Action

German Chapter e.V.

Wolfgang Krenkler

Servitization and Organizational Challenges

- Exploring Organizational & Operational Challenges for Servitization

- Servitization in Health Care Diagnostics business shown on a global project with various partners

- Challenges inside and outside of this project and my learnings and recommendations

- Ending with Q&A session and a Expert Round table in the afternoon for further questions.

- Knowledge and experience sharing is the key message of this presentation

Wolfgang brings more then 40 years of Service Business experience and knowledge from different Industries. Worked across EMA and globally with companies such as Sartorius , Coherent, Zeiss and Becton Dickinson. Expert in Global Service Strategies, Distributor Support Modelling and Strategic Talent Management. Project's with NGO's such as WHO, Clinton foundation in the Health Care environment

AFSMI
German Chapter e.V.

Wolfgang in Action

You want to join AFSMI as a member or be part of AFSMI newsletter?

- Click on [Mitglied werden](#) an register either as
  - Member or
  - Interessent
- As Interessent you will be informed on next chapter meetings and get other AFSMI news
- As member you are invited to all Chapter Meetings for free and be part of this strong non-profit service association!
- Inform your peers around AFSMI and invite them to join

AFSMI
German Chapter e.V.

Servitization Background collected by Manfred to prepare for the meeting

AFSMI
German Chapter e.V.

Definition: Servitization described by Prof. Ulaga

"B2B companies have always delivered services to their customers, but in recent years they shifted their strategic focus to revenues from services and solutions as a new revenue source. This trend is described as **Servitization**, Service Infusion or Service Business Model Innovation…"

Click on pictures for more details

AFSMI
German Chapter e.V.
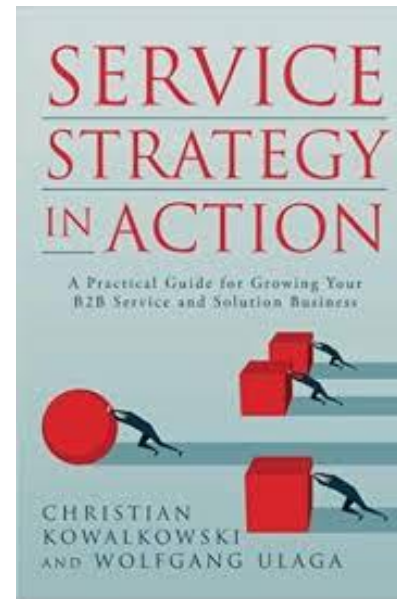
Do you as a consumer feel the change - Will it influence B2B?

- ❏ Models start with Freemium and move to paid services
- ❏ Not only use contract period to monetize new triggers coming
- ❏ Do you feel it in your personal pocket already?
- ❏ How do Millennials behave differently?
- ❏ Will this influence B2B?
- ❏ How will digitization and automation influence this business model in B2B?

New research from VansonBorne

77% believe Gen Z (those born between the mid-1990s onwards) will be the last generation to experience an economy dominated by products alone without any embedded services or outcomes

AFSMI
German Chapter e.V.

B2B Service Classification Framework

- Clustered by
  - Service oriented toward
    - Supplier's Good (PLS, AES)
    - Customer's Process (PDS, PSS)
  - Promise to
    - Achieve Performance ("outputs") (AES, PDS)
    - Perform a Deed (PLS, PSS)
- This drives business models, monetization ...

Figure 2:2
The B2B Service Classification Framework

Source: Adapted from Ulaga and Reinartz (2011), p. 17

Service Strategy in Action (Kowalkowski, Ulaga) p. 33
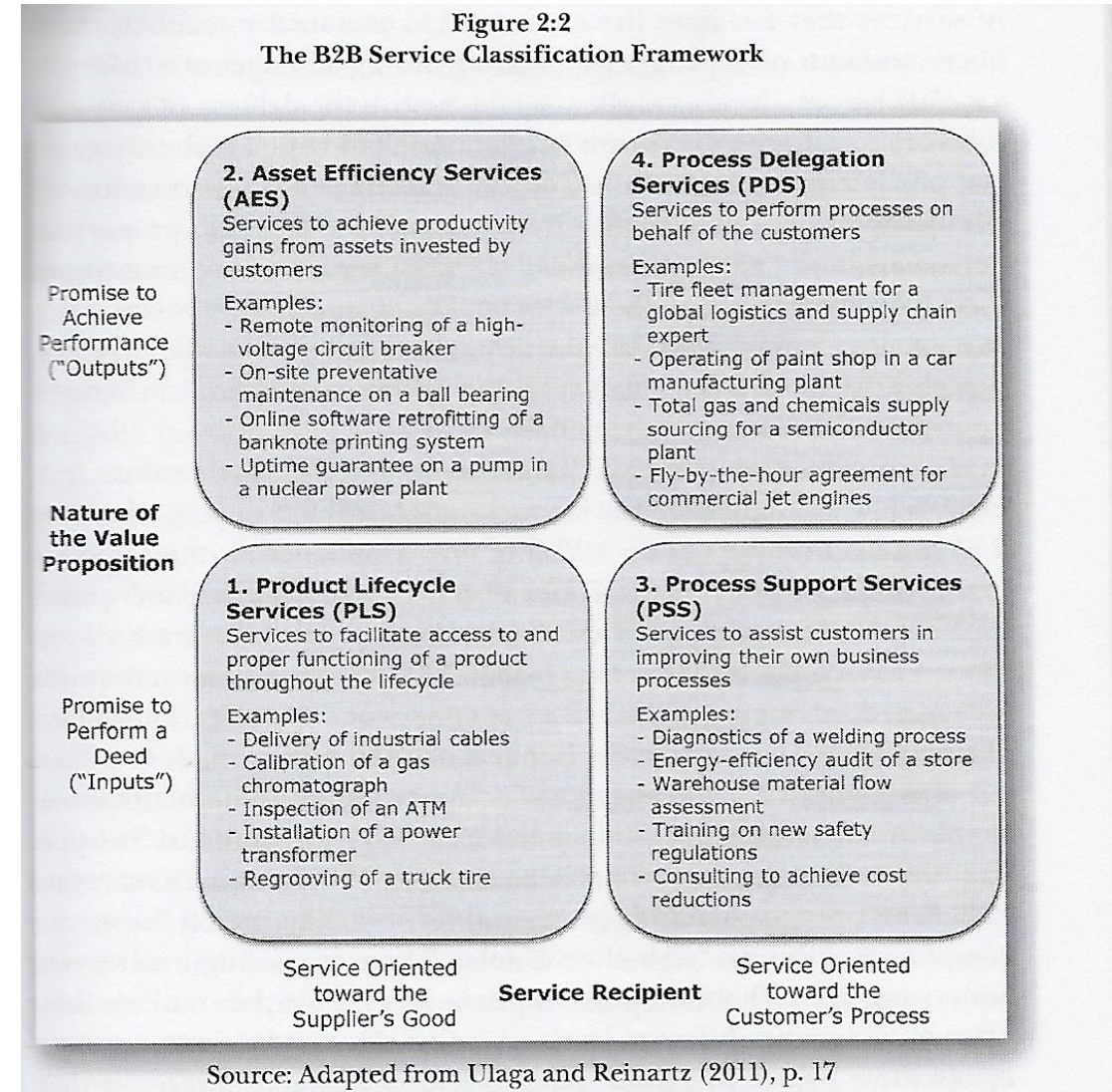
B2B Service Classification Framework

- ❏ Change of business models needs to be done carefully.
    - ❏ Don't move from PLS to PDS (see left) in one shot - seldom successful (see Ulaga/Reinartz)
- ❏ Best Practice is to move from PLS to AES!
    - ❏ Every equipment becomes a Smartphone on Engine/Machine…
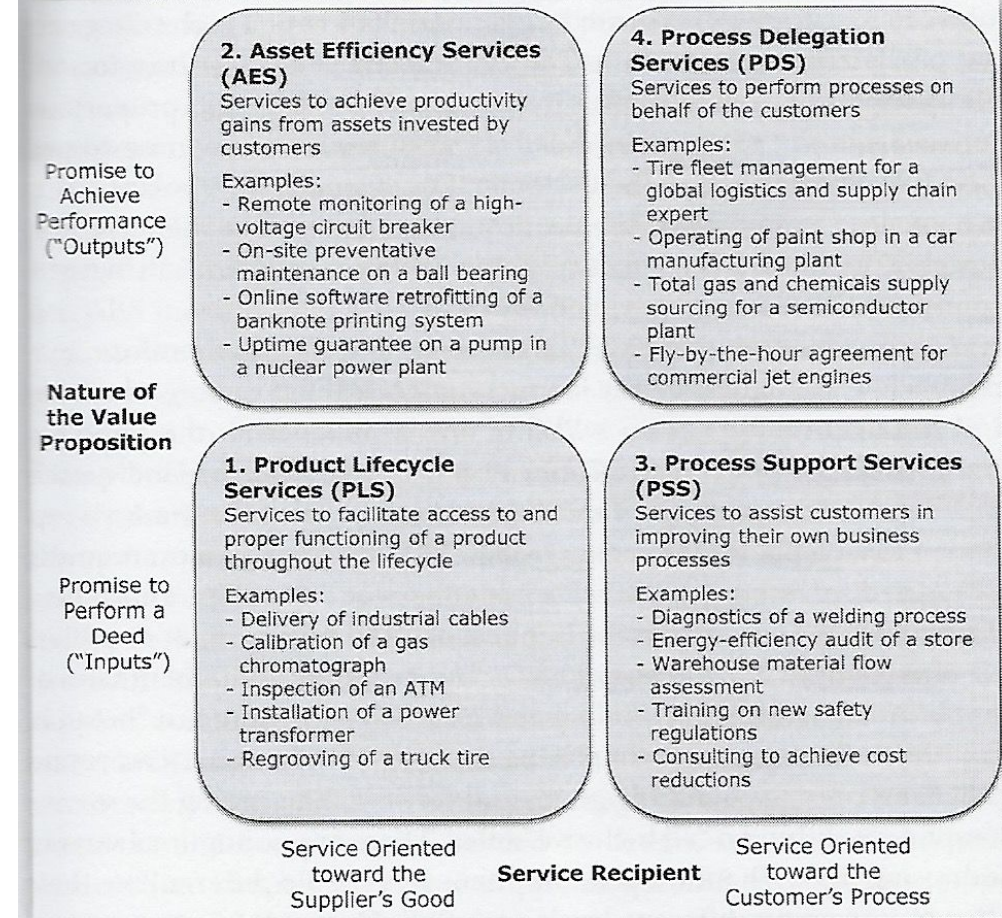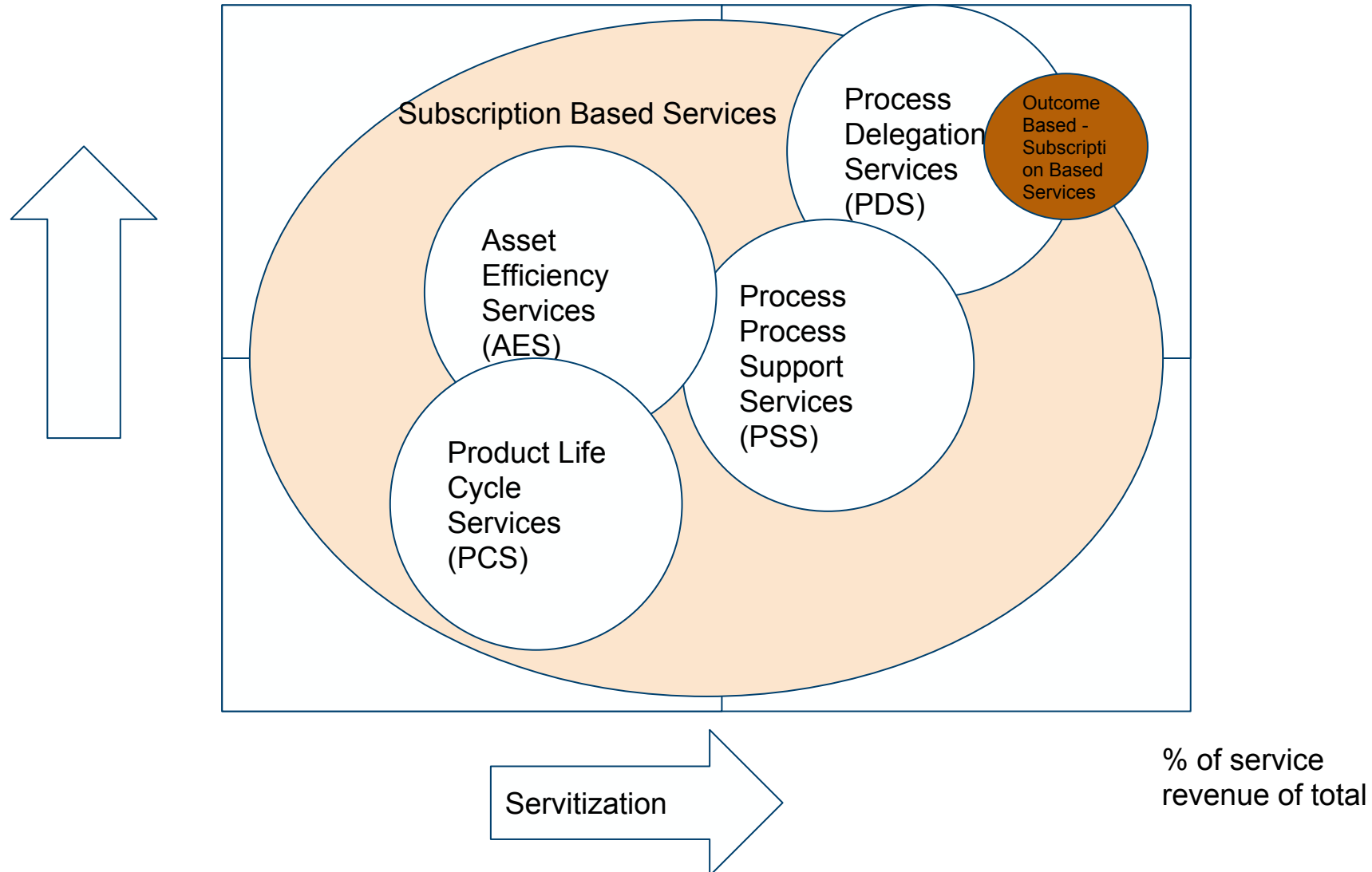   - ❏ Digital Services to drive availability, adoption and performance

Figure 2:2
The B2B Service Classification Framework

Nature of the Value Proposition

Promise to Achieve Performance ("Outputs")

2. Asset Efficiency Services (AES)
Services to achieve productivity gains from assets invested by customers

Examples:
- Remote monitoring of a high-voltage circuit breaker
- On-site preventative maintenance on a ball bearing
- Online software retrofitting of a banknote printing system
- Uptime guarantee on a pump in a nuclear power plant

4. Process Delegation Services (PDS)
Services to perform processes on behalf of the customers

Examples:
- Tire fleet management for a global logistics and supply chain expert
- Operating of paint shop in a car manufacturing plant
- Total gas and chemicals supply sourcing for a semiconductor plant
- Fly-by-the-hour agreement for commercial jet engines

Promise to Perform a Deed ("Inputs")

1. Product Lifecycle Services (PLS)
Services to facilitate access to and proper functioning of a product throughout the lifecycle

Examples:
- Delivery of industrial cables
- Calibration of a gas chromatograph
- Inspection of an ATM
- Installation of a power transformer
- Regrooving of a truck tire

3. Process Support Services (PSS)
Services to assist customers in improving their own business processes

Examples:
- Diagnostics of a welding process
- Energy-efficiency audit of a store
- Warehouse material flow assessment
- Training on new safety regulations
- Consulting to achieve cost reductions

Service Oriented toward the Supplier's Good — **Service Recipient** — Service Oriented toward the Customer's Process

Source: Adapted from Ulaga and Reinartz (2011), p. 17

Service Strategy in Action (Kowalkowski, Ulaga) p. 33

AFSMI
German Chapter e.V.

Where are services within Servitization journey?

Complexity of services

Subscription Based Services

Asset Efficiency Services (AES)

Process Delegation Services (PDS)

Outcome Based - Subscription Based Services

Process Process Support Services (PSS)

Product Life Cycle Services (PCS)

Servitization

% of service revenue of total

Subscription Based Services a huge revival of service contracts: Key Elements are

- ❏ Subscription based Revenues and Profit are main driver for service growth
- ❏ Customer Value Centricity
- ❏ Customers have subscription ID, service contract or defined Account
- ❏ Customer can choose from defined services menu
- ❏ Pricing/Price/Monetization is time and outcome based
- ❏ CAPEX at service provider

https://www.zuora.com/resource/subscription-economy-index/
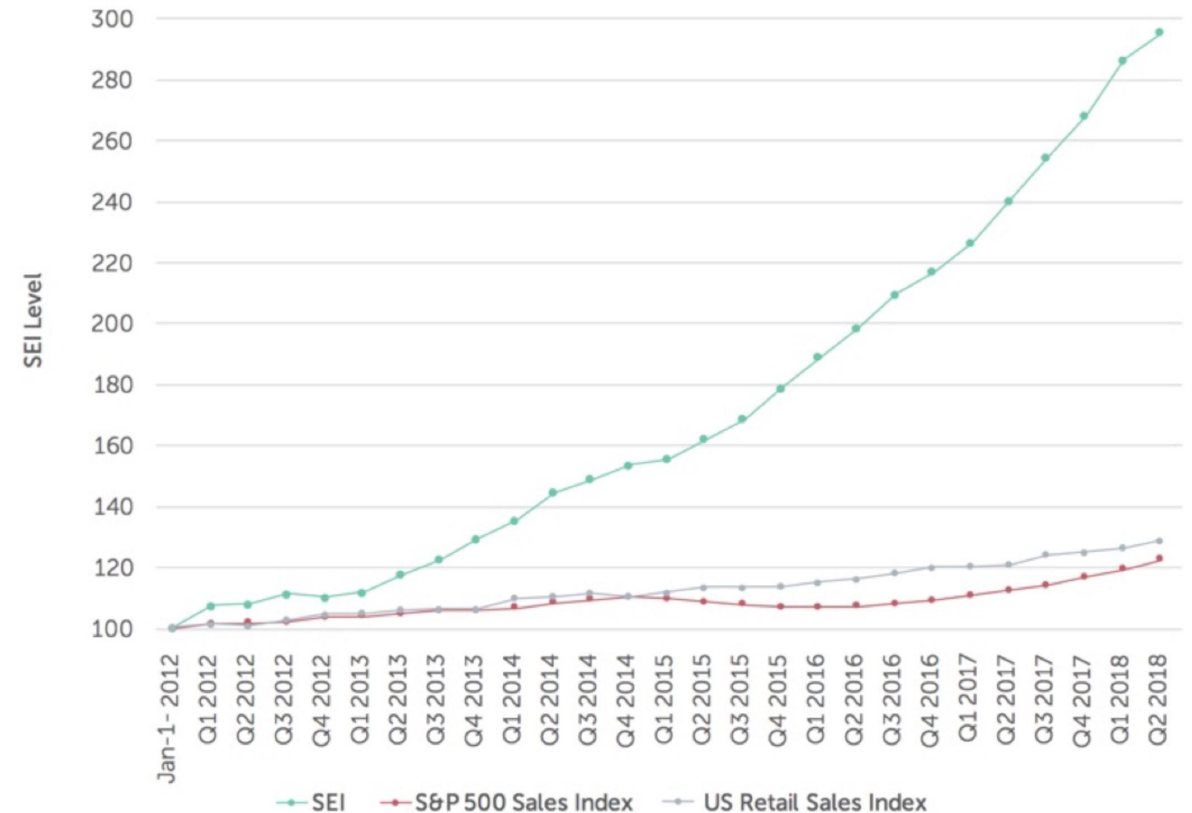
Servitization: How to adapt our business model?

- ❏ Sales Model: How to adapt to higher transaction qty and lower value?
- ❏ Marketing Model? How to change our 4P Model? Pricing?
- ❏ Financial Model? Recurring, CAPEX ...
- ❏ Operation Model? Customer Touch AND efficiency?
- ❏ Can I buy some time and wait? (I make currently money with the legacy system)?
- ❏ Recession and Millenials, what will happen?

AFSMI
German Chapter e.V.

Servitization: Value for customer and for my service business

❏ Customer
  ❏ Higher productivity
  ❏ Agility due to reduced complexity
  ❏ Focus on core competency
  ❏ Reduced CAPEX

❏ My Business
  ❏ Recurring steady growing profitable revenues
  ❏ Enables to drive new innovations and new value added services
  ❏ Partnership with customers and keeps competitor out

AFSMI
German Chapter e.V.

Servitization: Value for me as an service expert

- We can leverage our strength we developed in the past
  - Service Design, Service Portfolio Management, Service Marketing
  - Value Added Services Sales
  - Service Delivery
- Service Business Knowledge is now essential Board Level Skill

We waited for this opportunity! Do we take it?

AFSMI
German Chapter e.V.

Key Success Factors for Servitization

❏ Strategy supported by CEO and CFO
❏ Value Proposition
❏ Independency from legacy business
❏ Customer Success Management
❏ People: Mindset, Change Management, End-To-End View
❏ Price Level, Pricing, Monetization
❏ Avoid legacy IT as much as possible
❏ Digitization and dependency on cyber security

AFSMI
German Chapter e.V.

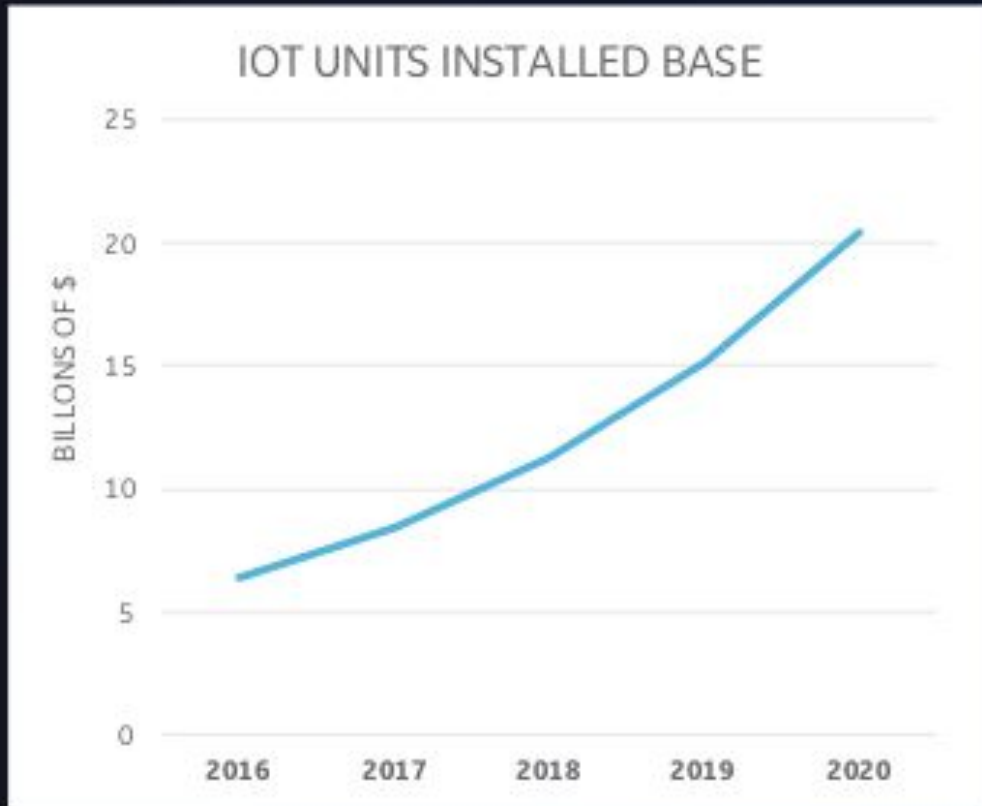# Who are role models and servitization stars in B2B and IOT

CATERPILLAR

"The key to any successful company is being customer-centric. As we work with our customer base, it's driven us more into a service business." Tom Bucklar (Director of IoT and Digital, Caterpillar)

HEIDELBERG

https://www.heidelberg.com/global/en/index.jsp#video-1248960

AFSMI
German Chapter e.V.

RISK: How to avoid to invest for no return?

IOT UNITS INSTALLED BASE

Source: Gartner press release

Unfulfilled promise of IoT

$2.9 Trillion
IoT spending in 2020

- Lot of money is being spent
  Where's the value?

- More data creates more burden
  We need actionable insights, not more data

- Recurring value
  IoT + BI result often in a one-time benefit

AI·SMI
German Chapter e.V.

Information, Literature

[AFSMI Website in Servitization (Links to Books, Websites, Webinars)](#)

Books I recommend to read

Click on pictures for more details

Q&A

AFSMI
German Chapter e.V.
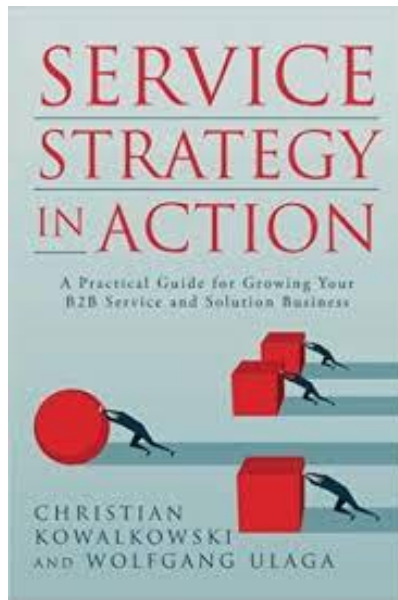
Next Chapter Meetings - Save the date

- 22/23rd January at PTC in Sindelfingen - Knowledge Management
- 31 January Regional Meeting - How to find, keep and develop employees
- 28 March(tbd) - Service Barcamp
- 4/5th June at Fraunhofer in Nürnberg - Service Business Models
- 24/25 September at Go! Express & Logistics in Niederaula - Service Logistics
- 23/24th October - Stuttgarter Messe
- 12/13th November (Pandacom, Dreieich) - People in Service

AFSMI
German Chapter e.V.