

# Manufacturer's servitization towards Advanced Services: a transformation perspective



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# Outline

- ‘Squaring the circle’:
  - Research **with** industry
- ‘Disentangling the concepts’
  - Servitization, advanced services, IOT
- ‘Capturing the dynamics’
  - Snapshot vs. transformation

- A centre of excellence at Aston Business School, Aston University
- Providing education, training, research and a global network of like-minded professionals around advanced services and servitization
- Helping global manufacturers and technology innovators to develop services-led strategies



[www.advancedservicesgroup.co.uk](http://www.advancedservicesgroup.co.uk)



The centre of excellence in research and practice on servitization and advanced services



### Research

Leading thinking and practices



### Programmes

Qualifications and certification



### Partnership

A community of likeminded executives



### Advisory

Professional advice & guidance



## Latest News

### Unlock Your Insight



Complete this game to get a personalised

### New Honorary Professor



Andrew Harrison of Rolls-Royce appointed

### Skills for Servitization Course



Personal professional development in



# THE ADVANCED SERVICES PARTNERSHIP

## One-to-one engagement

- Understand the partners' challenges
- Provide guidance
- Feed into our research agenda

## Network roundtables

- Three roundtable events per year
- Held at partners' facilities or onsite at a leading provider of manufacturing services

## Research

- Benchmarking of actions and performance
- Investigation of the challenges
- Mapping of the transformations made by the partners





# The Advanced Services Group



## Purpose:

- A fully-subsidized programme for SMEs in the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) region.
- The partnership provides 10 days of support to manufacturing and technology-focused SMEs in the transformation process of adopting a service-led strategy.

## Processes:

- 1.On-site support
- 2.Three Roundtables: Spring, Autumn, Winter
- 3.Financial Support: Lloyds Bank plc
- 4.Legal Support: Trowers & Hamlins LLP
- 5.Advisory Board

### ERDF Project Target

**(2016 – 2018):**

SMEs Supported: 80

GVA: £19,200,000

Jobs Created: 70



# The Advanced Services Group







# The Advanced Services Group

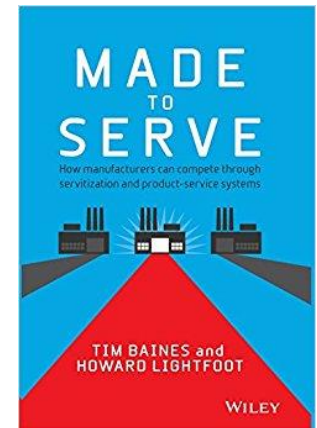


## **Focus: Servitization & Advanced Services**

- Organisational change and business model innovation
- Performance measurement
- Value network and business ecosystems

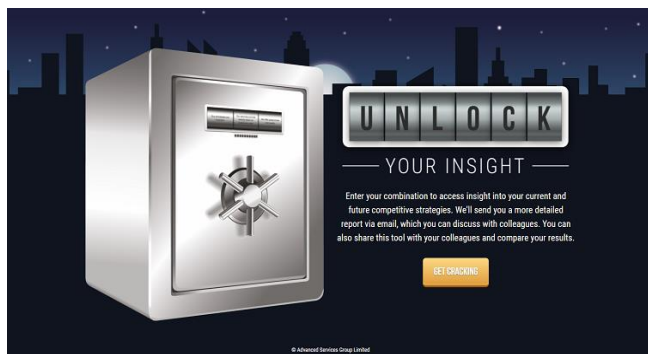
## **Business communications and blogs:**

- EPSRC Case Study (Aston's project as a best practice)
- Actively features in industrial magazines (e.g. The Manufacturer, The Conversation, Field Services News, FSD, etc.)
- White papers on road transport industry, IoT, and Megatrends
- LinkedIn blogs



## Tools and games:

- Innovative way of dissemination and reaching to executives
- Developed **3 games**; *Unlock Your Insight* (w/ Microsoft and Columbus), *Drilling for Success*, and *Servitization Boardroom*
- Online-based Performance Measurement tool to benchmark manufacturing organisations in the servitization journey





## Why Fleets Aren't Getting Full Value From Telematics

We asked operators, manufacturers and technology providers about the barriers to getting value from telematics in the road transport industry



Industry culture doesn't embrace change or collaboration and isn't attracting enough new talent with digital skills

Missing standards create substantial difficulties in day-to-day operations and constrain the innovative use of the data



There is uncertainty about how to calculate the return on investment in telematics

Other investments are often prioritized over digital technology, which is considered more risky



The range of available systems, and lack of joined-up offering from providers is overwhelming and difficult to manage

Operators don't see all of the opportunities to use data effectively integrating it into their business strategies



[www.advancedservicesgroup.co.uk/transport](http://www.advancedservicesgroup.co.uk/transport)

## Availability Services

The IoT allows real-time access to product data, which enables remote diagnosis and efficient response times

Manufacturers offer their customers guaranteed up-time, managing and controlling their risk thanks to the visibility of the product provided by the IoT

## Business Optimisation

Manufacturers use IoT technology and their product expertise to provide critical business capabilities to customers

Healthcare technology manufacturer Abbott uses IoT to provide diagnostic capabilities to healthcare organisations worldwide

## Process Optimisation

Manufacturers gain data and insight about how their products are used

They use this to advise customers how to improve the processes in which the product is used

GE Aviation advises customers on navigation, fuel management and take-off angles



## Business Transformation

Manufacturers use technology to provide new value propositions to address the root cause of customer's service requirements

Xerox uses IoT to help customers optimise their content management workflow, reducing their printing needs

Aston Business School  
Birmingham



## OF SERVICIZATION

### IMPROVES COMMERCIAL RESILIENCE



Strengthens cash flow and customer relationships, and locks out competitors

### BENEFITS SOCIETY



Localised value capture, employment and skills development

### ENVIRONMENTAL BENEFITS



Promotes dematerialisation and enables investment in, and adoption of, cleaner technologies

### SCALABLE

Can be applied equally to small, medium-sized and large companies



ADVANCED SERVICES AND TELEMATICS:  
IMPROVING PERFORMANCE AND PROFITABILITY ACROSS THE ROAD TRANSPORT INDUSTRY

## Focus:

- an understanding of *servitization* and *advanced services*
- an understanding of the diversity of manufacturers' service business models
- an understanding of the role of IoT in service business models



## Advanced Services

*Manufacturers provide product and services that support the use of the product as a single offering*

- support the customer (instead of the product)
- develop long-term strategic relationship with customer (instead of short-term transactional sale)
- take on greater risk for product performance, availability and reliability

## Servitization

*Process of transforming towards becoming an Advanced Services provider*

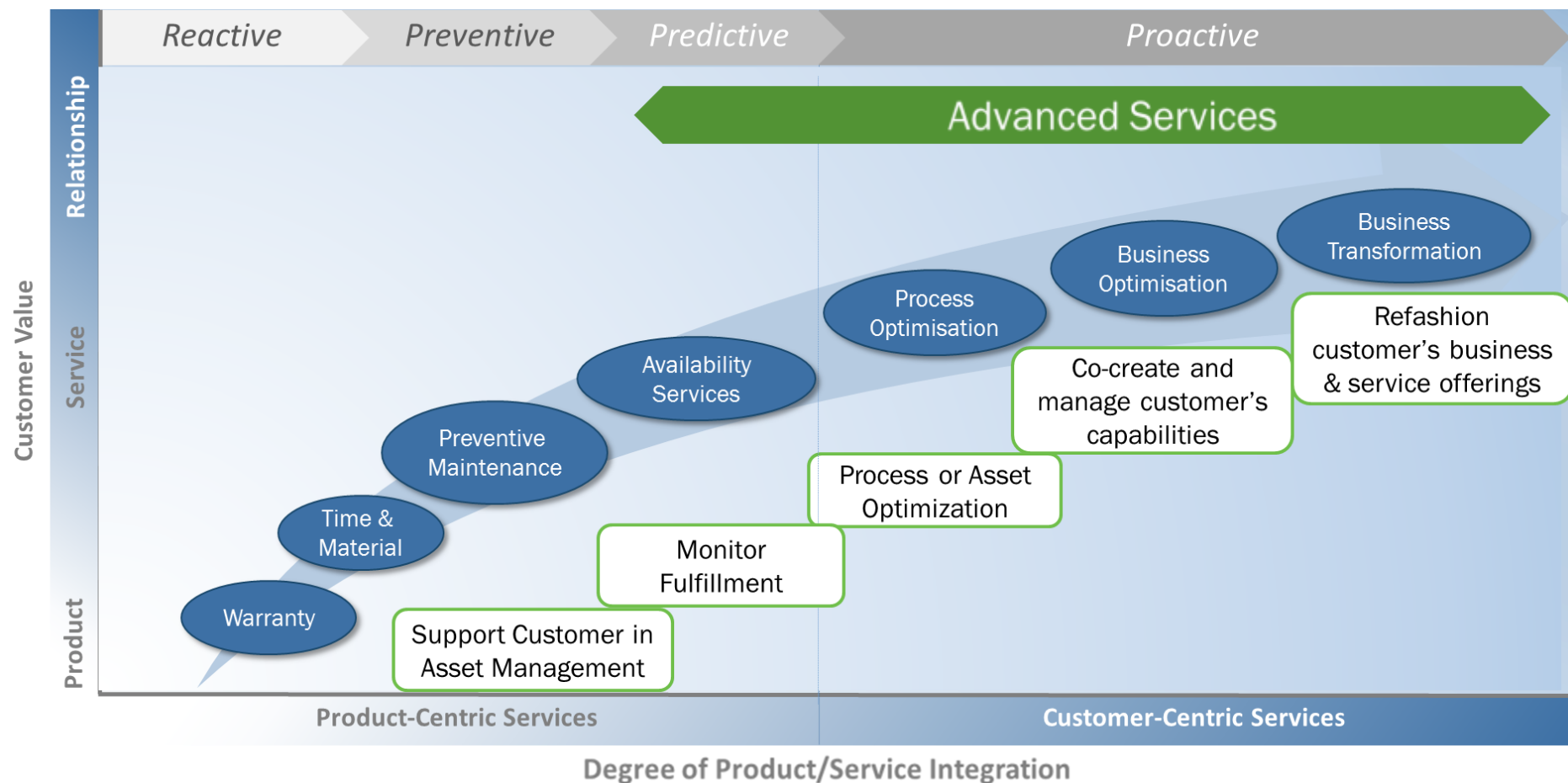
- adoption of service-led competitive strategy
- innovation of organisational capabilities

*“Manufacturers provide product and services that support the use of the product as a single offering”*

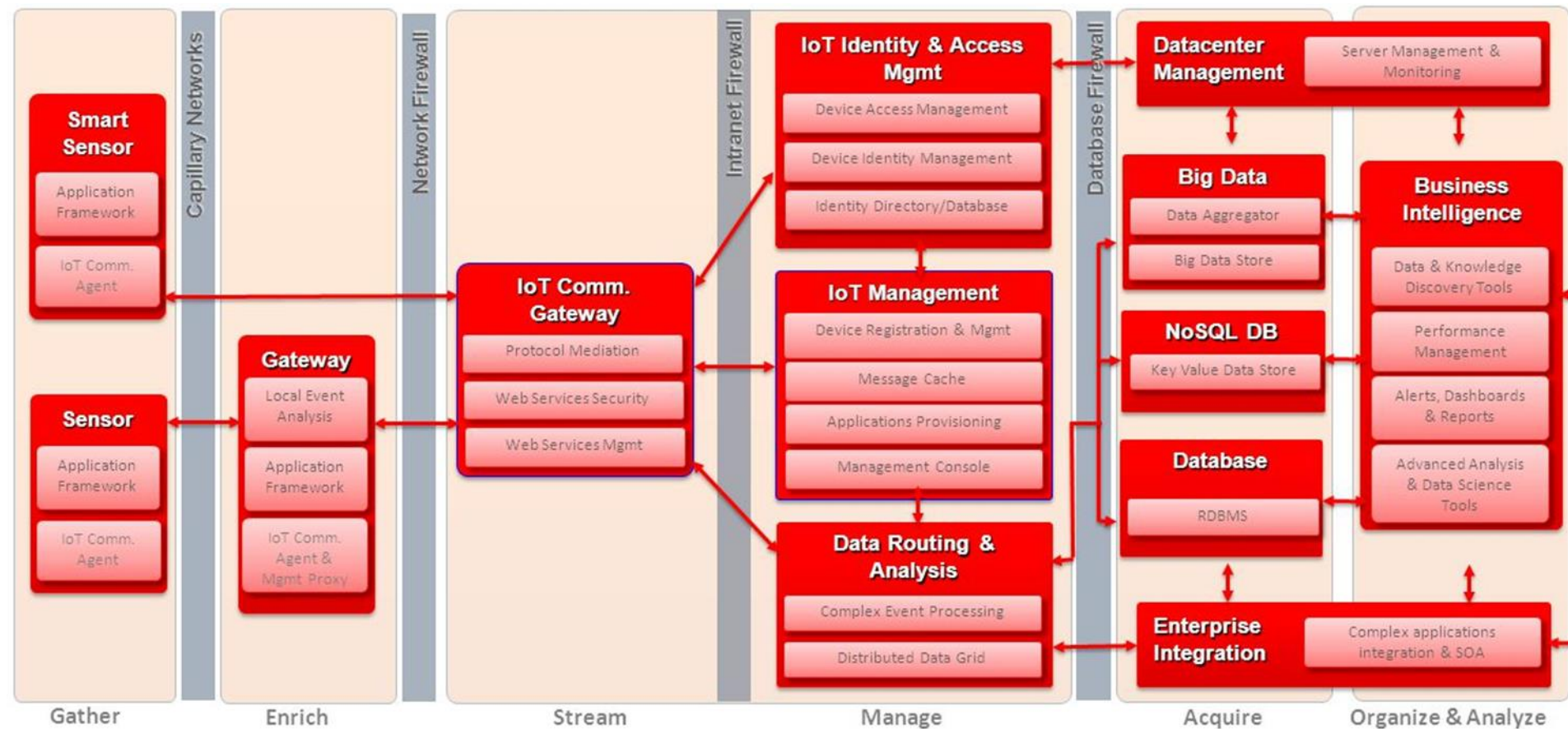
Advanced Services opportunities:

- differentiation from product & service competition
- developing additional revenue sources
- utilizing & extending core manufacturer's expertise
- capitalizing on product quality & innovation
- complementing (not replacing) the product business

# The Service Continuum



# The IOT model



# Preventative Maintenance Service

## ***Focus of preventative maintenance***

- inspections, parts replacements (often bundled with break-fix responsive services).

## ***Opportunity for manufacturer***

- extend the relationship, understand customer needs
- showcase expertise for additional repair or upgrade services

## ***IoT role***

### ***Remote diagnostics at Terex Port Solutions:***

- remote repair opportunity
- technician with right skills and parts is dispatched

**->reduce diagnostic time & repair efforts**





## ***Focus of availability services***

- guarantee continuous uninterrupted product-utilization
- transfer of operational responsibilities and risks

## ***Opportunity for manufacturer***

- capitalize on product-quality, expertise and spare-parts access

## ***IoT role***

## ***Availability services at Agfa HealthCare***

- remote availability services
- specified uptime guarantees

**->offers customers to monitor, respond and maintain equipment, manage the risk**



# Process Optimization Service

## *Focus of process optimization service*

- improve customer's business context to optimize business value of product.
- optimize customer's use of product.

## *Opportunity for manufacturer*

- create and provide unique insights.

## *IoT role*

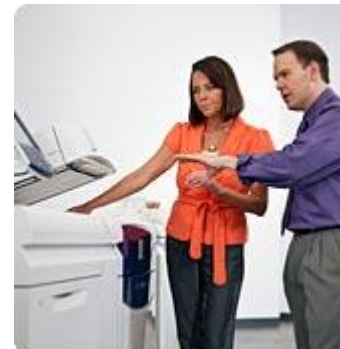
### *GE Aviation Flight Efficiency Service*

- engine data to advise on precision navigation
- portal to provide continuous analytical insights



### *Newfield IT: Xerox's independent consulting and analytics service*

- device & network data to identify printing needs and optimization
  - arm's-length operation to ensure product-independence
- > offering new data-driven consulting services**



# Business Optimization Service

## ***Focus of business optimization service***

- provide customers with critical business functions and product-related capabilities

## ***Opportunity for manufacturer***

- leverage product quality and create unique insights
- long-term relationship

## ***IoT role***

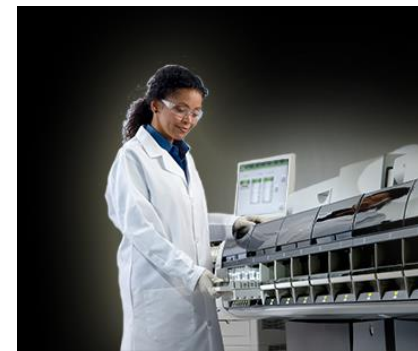
### ***MAN UK pay-per use***

- assist customers with analysis of driver-behavior
- ensure trucks operate at optimal performance

### ***Abbott Healthcare***

- diagnostic capabilities as a pay-per-use service
- predictive algorithms foresee malfunctions,
- avoid unplanned down-time

**-> IOT as core-enabler of service offering**



# Business Transformation Service

## ***Focus of business transformation service***

- alter the root cause of the customer's service requirements

## ***Opportunity for manufacturer***

- fend off commoditization

## ***IoT role***

### ***Xerox 'Managed Print and Content Services'***

- optimize content management and workflow capability to effectively reduce printing needs

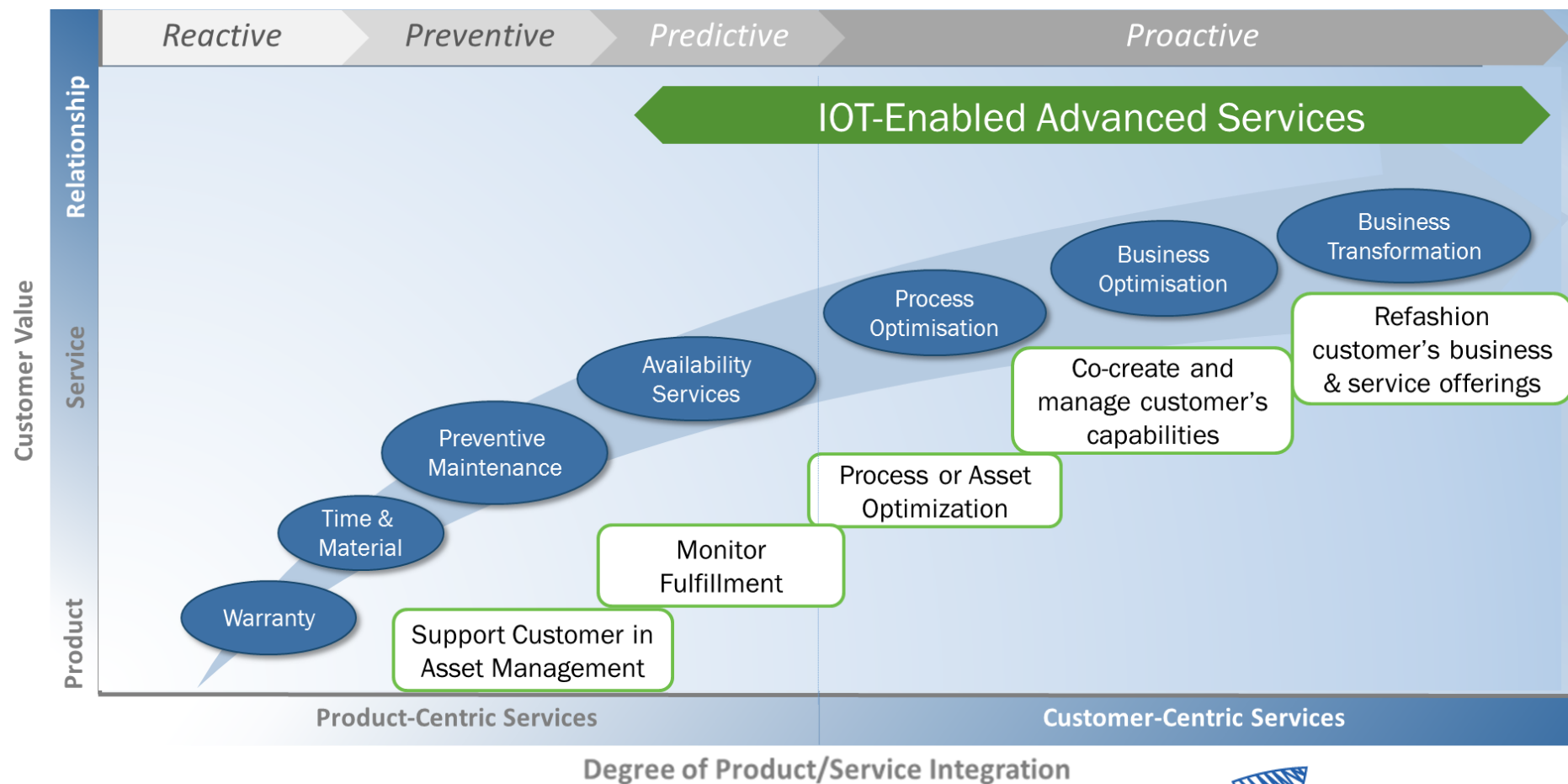
### ***Wincor-Nixdorf's 'Cash-Cycle Management'***

- performance data to assure ATM availability but also manage cash requirements

**->IoT insights extend traditional product or service scope**



# The service continuum





# IoT role in Service Business Models

- IoT is key for service **development & delivery**
- IoT **extends not replaces** manufacturer's base services
- IoT supports **service & product** business
- IoT creates service **efficiency**
- IoT extends the service **reach**
- IoT strengthens business **risk assessment**

*“Manufacturers provide product and services that support the use of the product as a single offering”*

Advanced Services opportunities:

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# ‘Capturing the dynamics’

## 2. TRACTION

“Advanced Services as valuable way to compete gains popularity and acceptance”

- Advanced Services Unit with distinct KPI’s
- Focus on developing services, not generating revenue
- Develop value propositions with customers, pilot test
- Capture lessons learned

## 3. ACCELERATION

“Increase in speed of innovation and implementation of advanced services”

- Develop team to ‘sell services’
- Communicate success stories throughout organisation
- Tailor services to industry & region

## 4. EXPLOITATION

“Advanced services form the basis of competitive advantage”

- Integrate service and product business
- Design for service
- Structure the organisation around Advanced Services

## 1. EXPLORATION

“Searching and identifying opportunities for competing through advanced services”

- Understand the value chain
- Identify own competitive advantage as service provider
- Develop a business case for Advanced Services

# Organisational transformation towards Advanced Services



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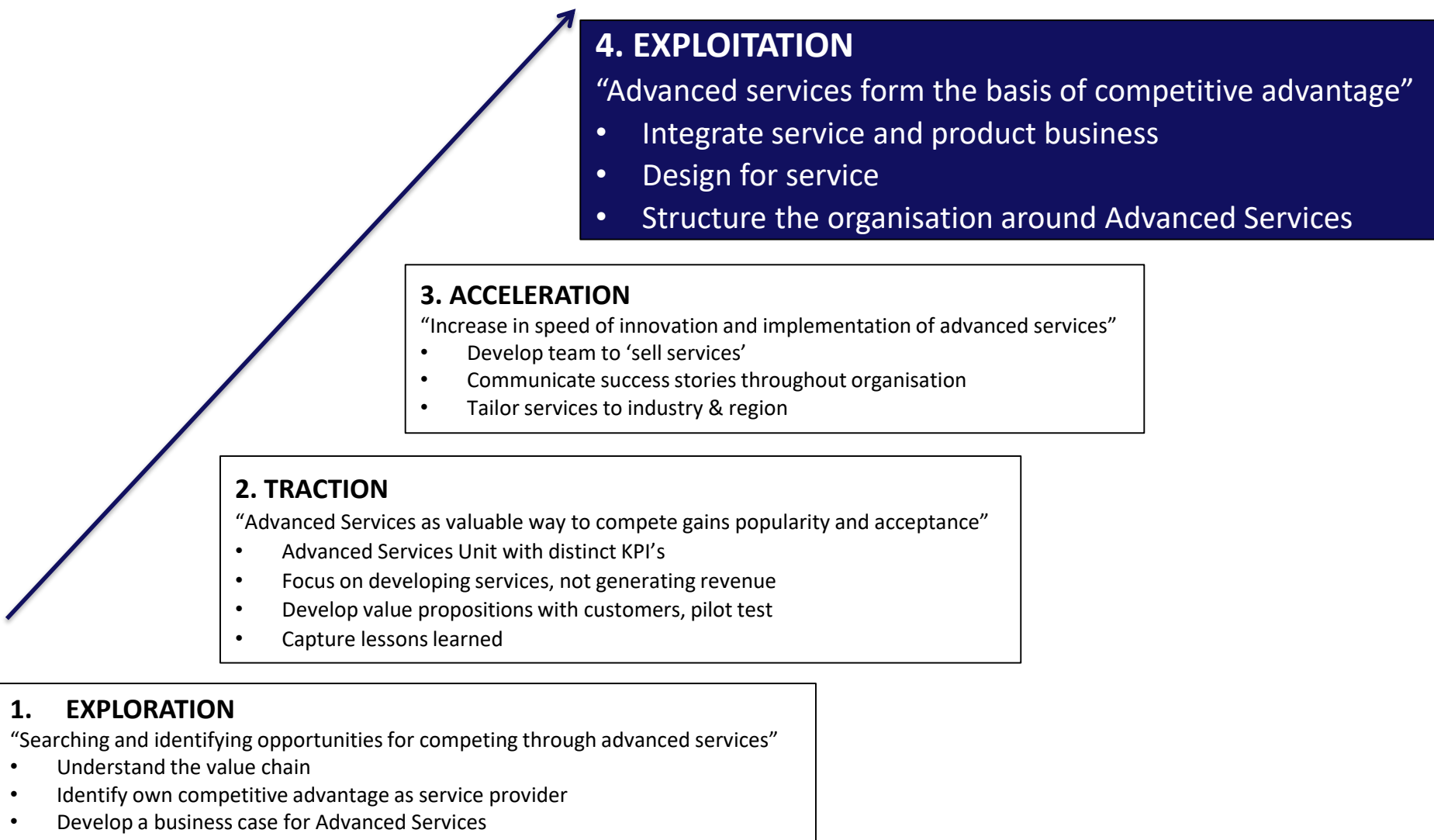
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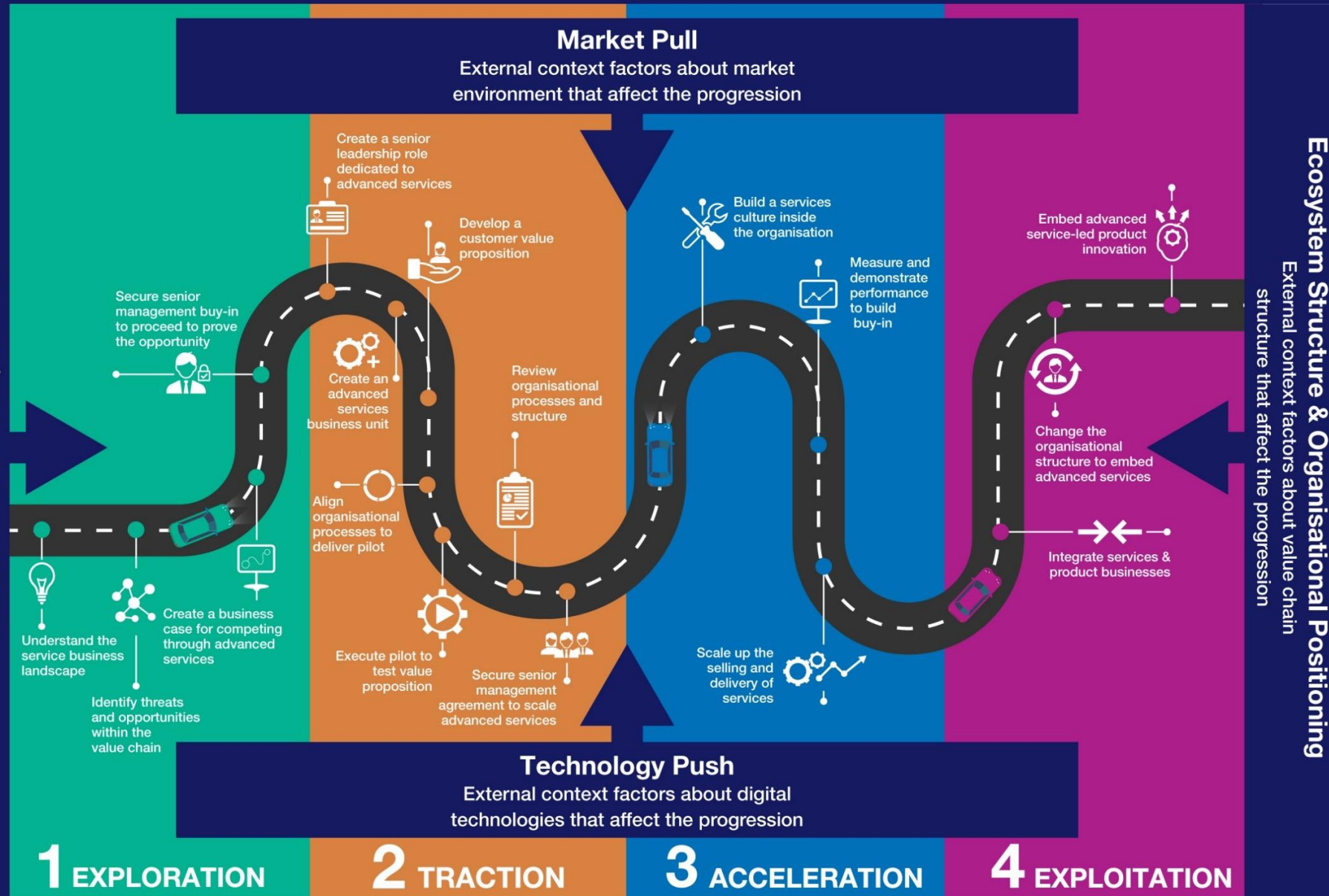
# Organisational transformation towards Advanced Services



# ADVANCED SERVICES TRANSFORMATION ROADMAP

## Organisational Maturity & Readiness

Internal context factors about the organisation that affect whether or not the process start



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