



How do I successfully transform from product supplier to total supplier?

CREATING A BALANCED REVENUE STREAM WITH SERVICISATION

A servitisation strategy creates a more balanced revenue stream, sets you apart from your competitors and builds customer loyalty. But how do you implement this new strategy into your business? And how do you ensure that it will be successful?

In our previous whitepaper, we discussed the need to transform from a product supplier to a total supplier and the steps that should be avoided when undertaking this process. In this whitepaper, we discuss the important aspects of a successful transformation.

1. What is your added value?

It is important that you identify what is perceived as added value for your customers. What service concepts do they consider to be important? The best thing is to start small, for example, a simple maintenance contract. Offering a total solution needs to go beyond just repairing faulty goods, which many customers view as standard. People look for quality, value and a positive experience from service for it to be deemed true added value¹. You could consider providing training and advisory services, transportation, consulting and outsourcing.

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2. Implementation of a new strategy

Seek internal support. It is important that top management and key users are behind the new strategy because they are the ones that have to facilitate the implementation. Where possible, establish how the additional services align to the organisation's long-term goals, and what the benefits of the new strategy are to the employees and customers. Ensure regular communication to update everyone on progress, as resistance will be greater if people aren't kept in the loop.

Once you have chosen a servitisation strategy, you can start planning. A new strategy cannot simply be implemented in a matter of months, so set a three to five-year plan that has full management support. Ensure

that each phase of the project is clearly defined and create a multidisciplinary project team with representation from all departments, including top management, to make the changes.

Imagine taking a good financial plan. What is the budget for the rollout of the new servitisation strategy? Who is involved and who should be involved? Often, additional staff and materials are required to implement and support the provision of added services.

Staff will need a change in mindset. For example, the sales team. Instead of 'What products can we offer our customers?' rather, 'What do our customers want?' and 'What do our customers need?' Market research is a useful way of establishing this and also gaining further insight into whether the new service is already offered in the market, what added value the company offers, and how to tackle the competition.

Providing a service is more than just creating a new offering. Staff require additional skills and a service-oriented attitude; think long-term relationships and the customer is king. This means existing employees need to receive training² and it is quite likely that new staff will have to be recruited, creating an anticipated 500,000 UK job in the next 10 years³.

3. Lead the pack

Make the most of the data available to your business and extrapolate insight in order to best predict peaks and troughs in demand, planning resource accordingly.

If you put customer needs first, it is important to let them know what you are doing and what you can do. Stay one step ahead and anticipate customer requirements, renewing your service offerings to match.

Involve your suppliers in this process as they may also be able to help provide added value for your customers.

4. Optimal customer service

Customers like to have access to their important suppliers. Make sure you offer it 24/7, whether it is through a call centre, website, or via customer portals. Call centre agents should be service-oriented and knowledgeable about the complete solution so that customers receive a prompt response.

All customers have their preferred means of contact, and often use more than one method. Therefore, it is important that the experience is seamless across-channel⁴

Remember, every customer request is an opportunity in disguise. Studies show that if an issue or request is dealt with correctly a customer's satisfaction level will actually be much higher than if no problem had occurred at all.

5. Can your IT platform take the strain?

You are now working strategically, and that means thinking long-term. Where will your business be in five to ten years? Will your IT platform be able to grow with you?

For your servitisation strategy to be as successful as possible, you will need access to business information. Having a single integrated system, rather than a number of disparate ones, means all of the company data is held centrally and information is readily available, reducing the probability of errors and duplication, and providing real-time insight into KPIs (Key Performance Indicators). You also have a complete view of the customer - outstanding items, delivery times, service calls and appointments.

However, the key to any such system is data quality, with this being a frequently sighted reason for the 50% of CRM failures⁵.

An integrated system is more manageable and scalable, ensuring your growth plans are not restricted by your IT platform. It should support multiple business operations, so not only your previous core manufacturing business but also the new services you will offer - rental, logistics, service and maintenance.

If your IT platform does not meet these requirements, then it is worth considering how an ERP system is able to support your servitisation strategy. There are a number of factors you should look for when selecting a supplier: choose a company with extensive knowledge and experience and several references in your industry, a financially stable business that is leading the market in ERP and CRM implementations with international or global coverage in line with your growth strategy and will be a partner for the long-term.

To get a better understanding of a successful implementation of a servitisation strategy, read the case study:

"How Minkels increased its value by transforming into a knowledge-driven, total supplier."

Minkels is a leading provider of complete and partial solutions for datacentres, which in recent years has undergone a huge transformation.

Sources:

¹Cronin, Brady and Hult, Assessing the Effects of Quality, Value and Customer Satisfaction on Consumer Behavioural Intentions in Service

²Neely A, Exploring the Financial Consequences of the Servitization of Manufacturing, Operations Management Research, Volume 1 (2), 2008

³CBI, Energy Costs and Skills Crisis Must not be Allowed to Stop Britain's March of the Makers, via www.cbi.org.uk, 9th December 2014

⁴Rosenbloom, Multi-Channel Strategy in Business-to-Business Markets: Prospects and Problems, Industrial Marketing Management, Volume 36 (1), pg 4-9, January 2007

⁵Trillium Software, Data Quality Challenges at the Border of Your Business-CRM, 2015, via www.trilliumsoftware.com

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