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Service Infusion in Manufacturing – A Business Model Approach

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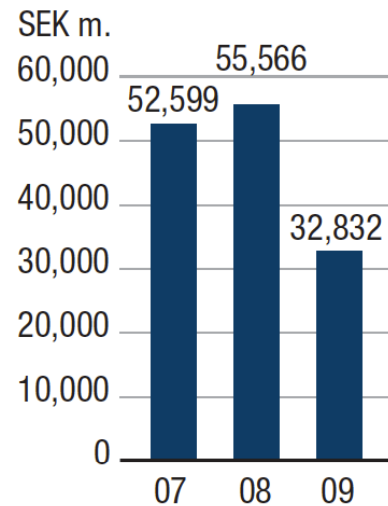
Manufacturers are increasingly infusing services



The example of Scania

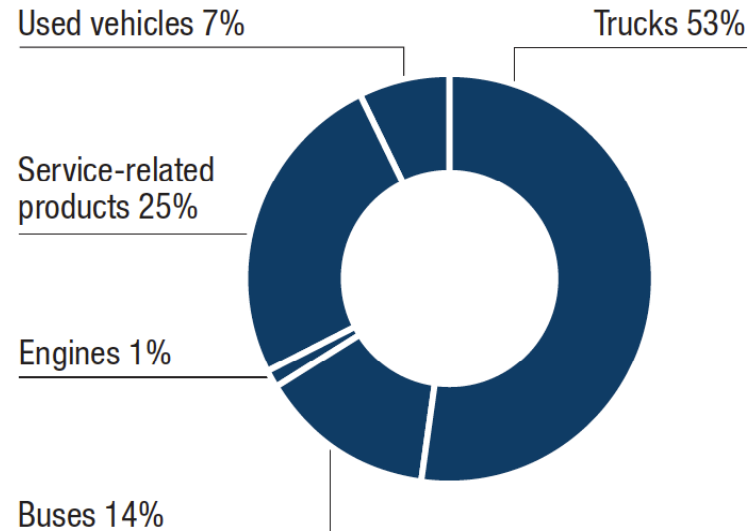


Trucks, net sales



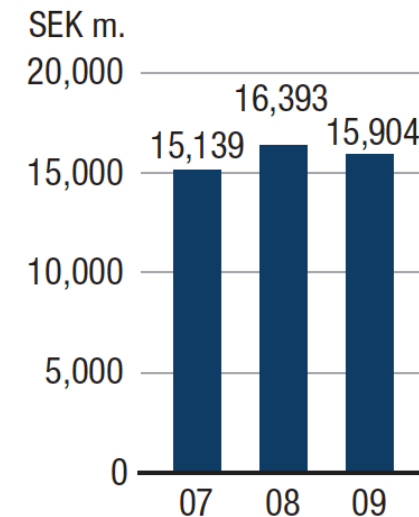
In 2009, net sales decreased by 41 percent.

Net sales by product area, 2009



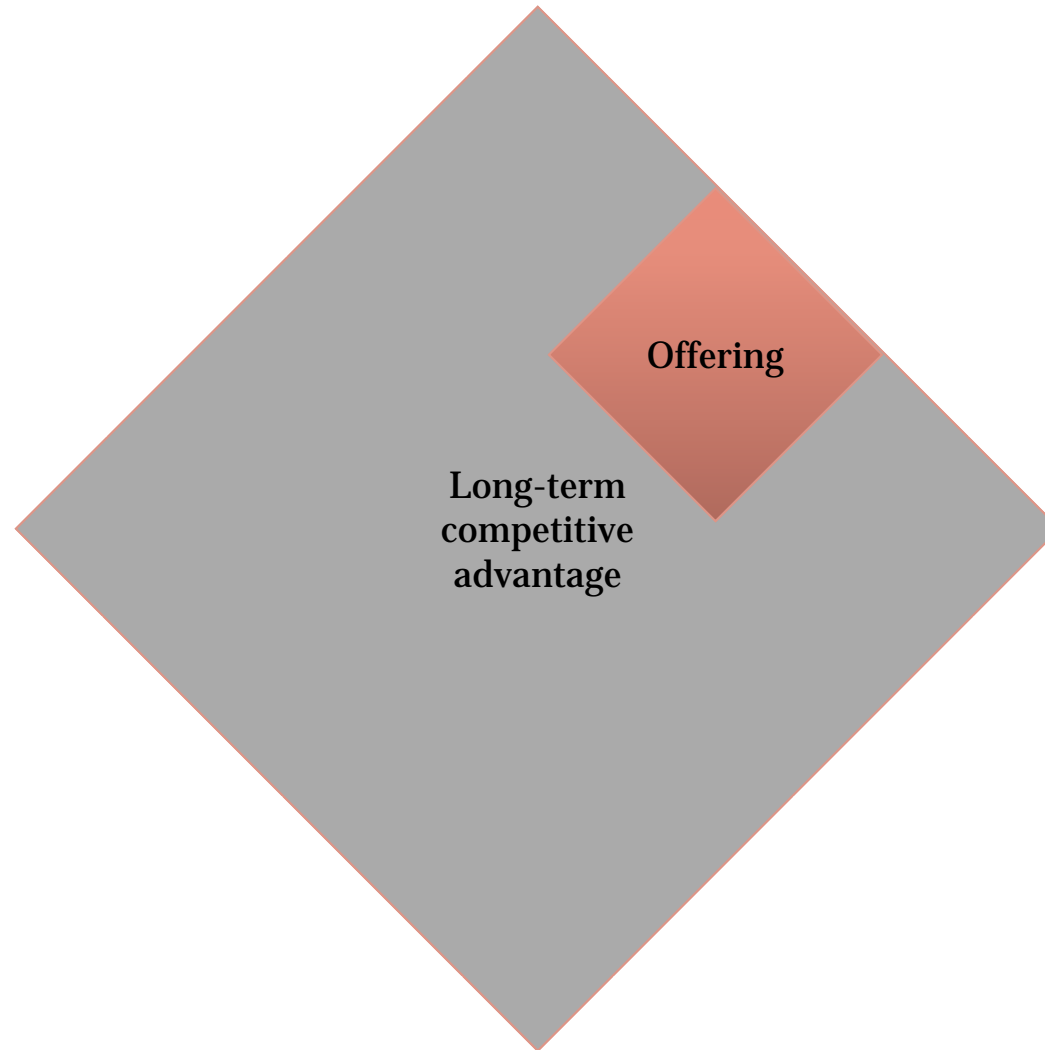
Source: Scania

Services, net sales



Net sales declined by 3 percent during 2009.

A business model approach to service infusion



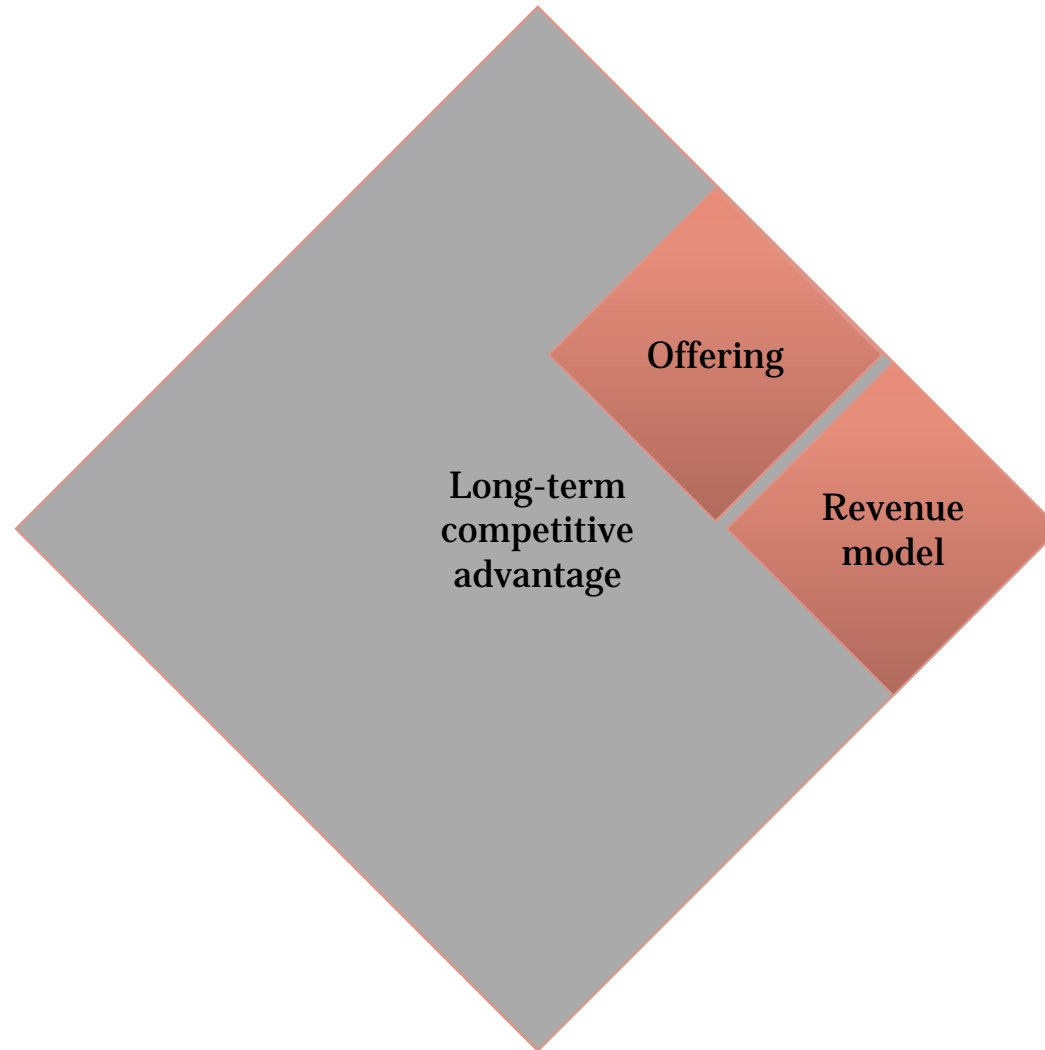


What services are/should be offered?



- » Service focus
 - » Supplier's products
 - » Customer's processes
- » Value proposition
 - » Input-based: recovery or support
 - » Output-based: availability or performance
- » Decide what range of services to offer
- » ICT enables new services
- » Integrated solutions: synergies between product and service components required

How should the firm charge for the services?



Managing dual revenue logics



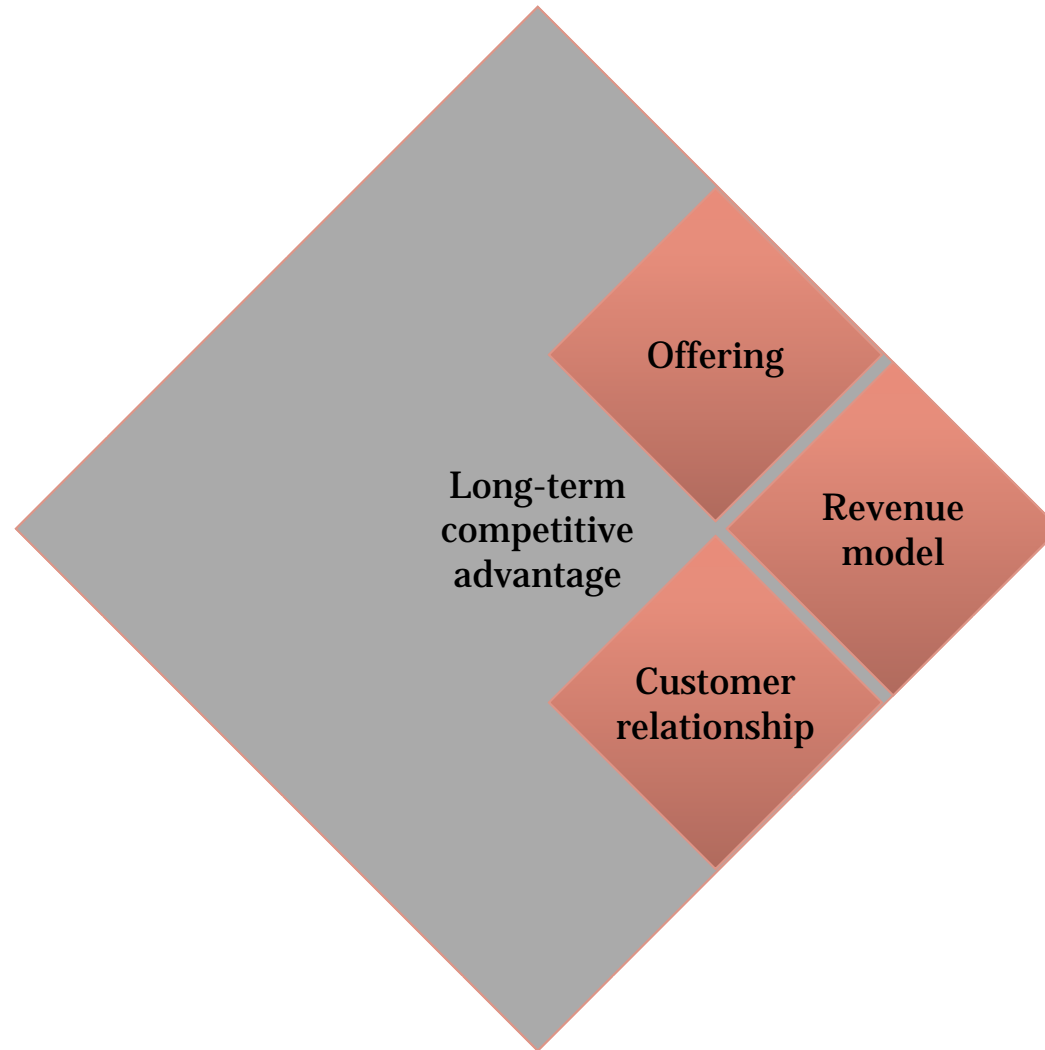
Input-based revenue models

- Variable
(e.g., service hours,
parts sold)

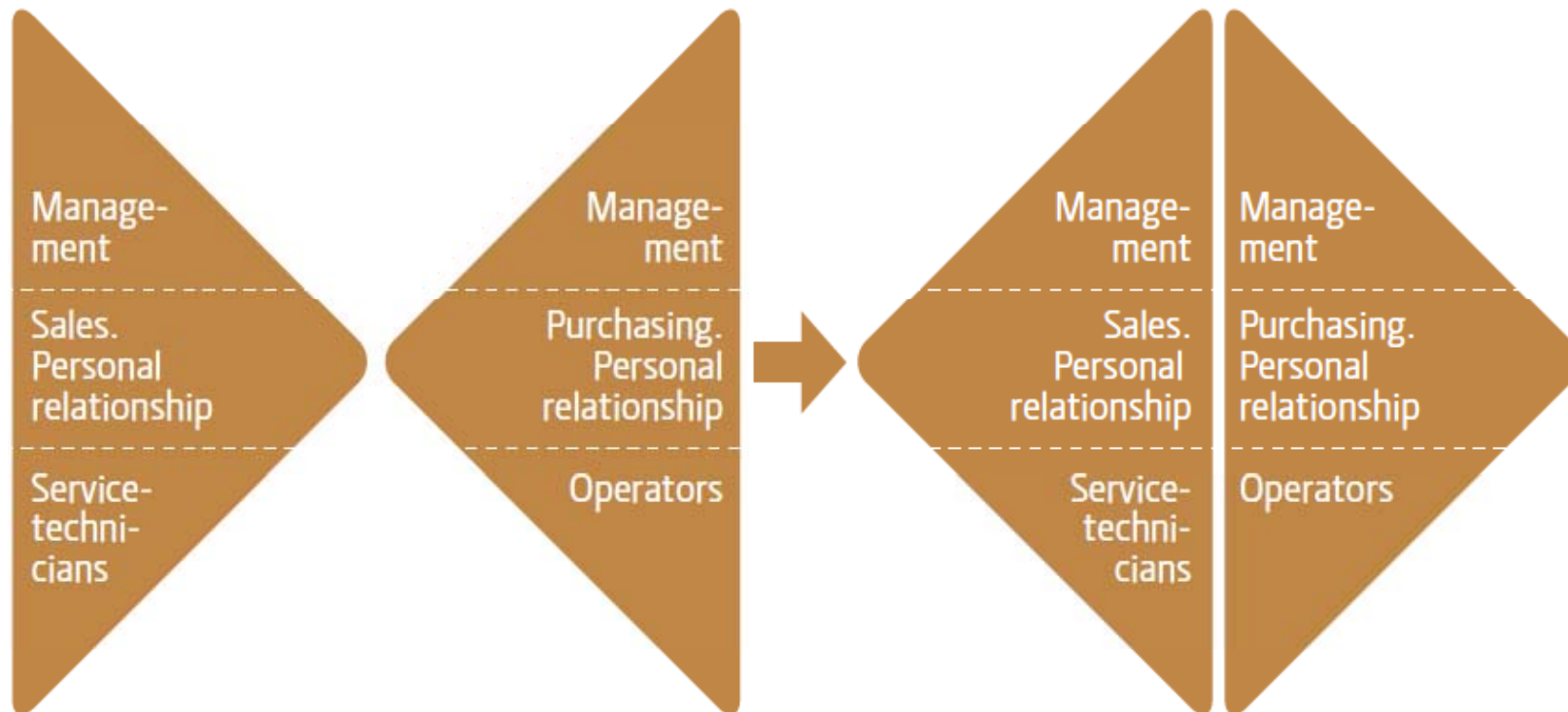
Output-based revenue models

- Fixed
- Dynamic
- "Value based"

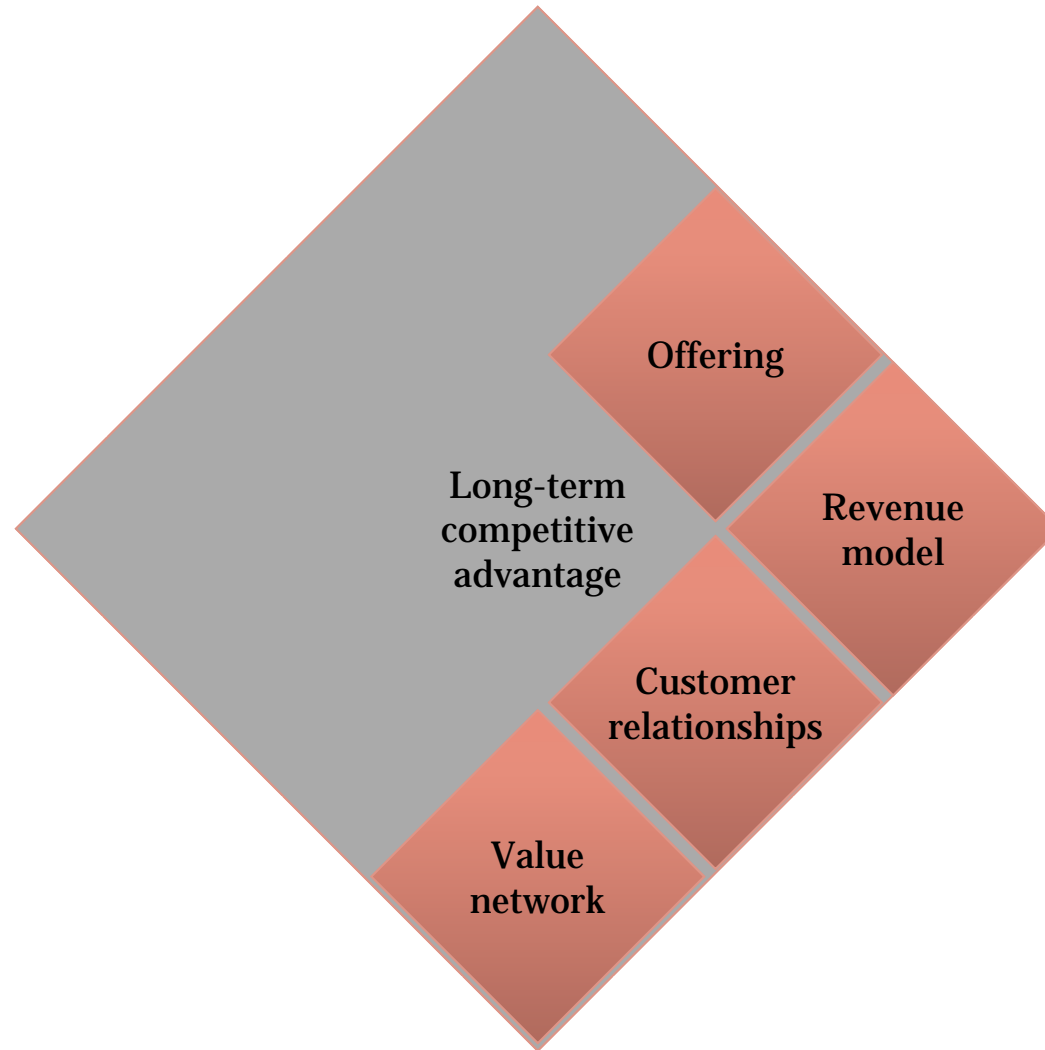
New services influences the customer relationship



Several touchpoints on many levels



Looking beyond the customer relationship



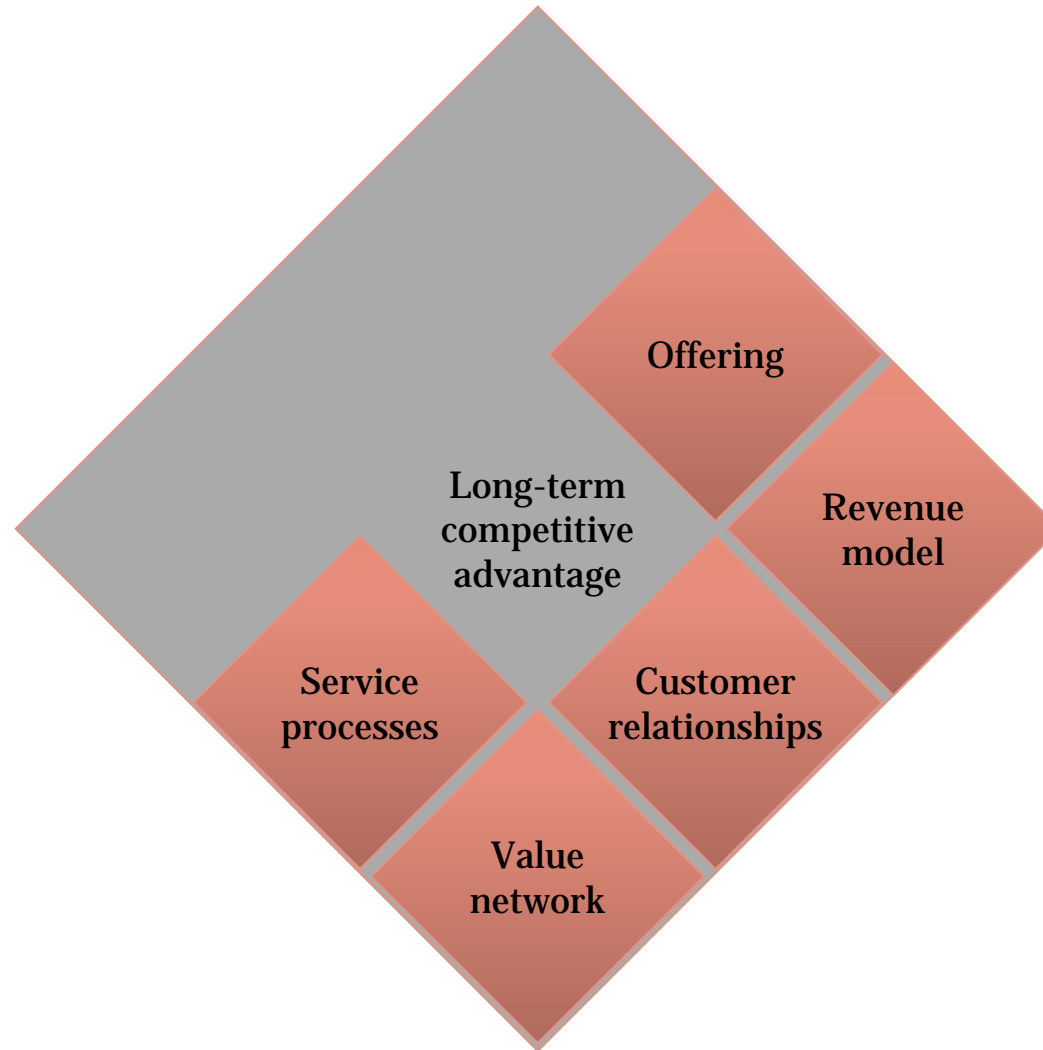


Strengthening the value network

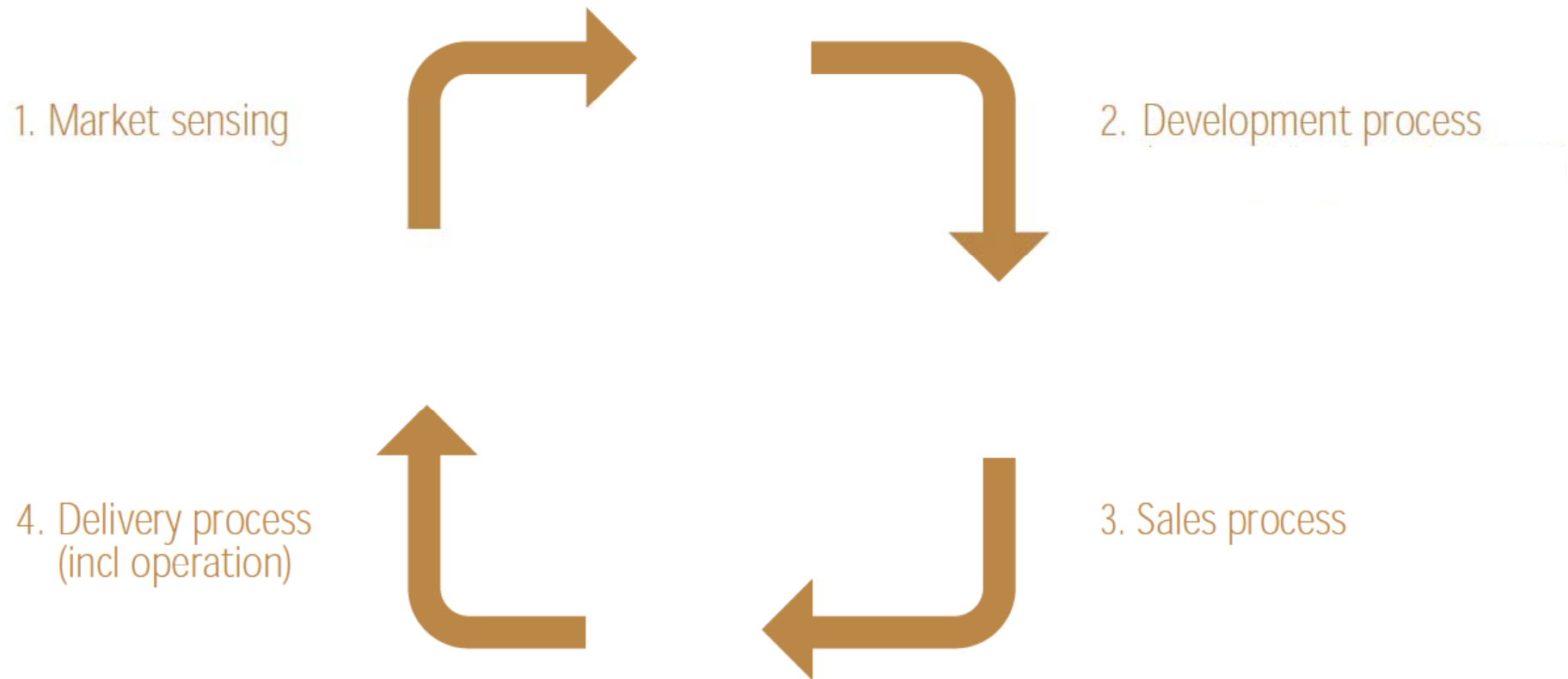


- » Relationships with dealers, distributors, and service partners
 - » Commitment
 - » Competence
- » Increased importance of specialist partners
- » New value constellations may be required, particularly for SMEs

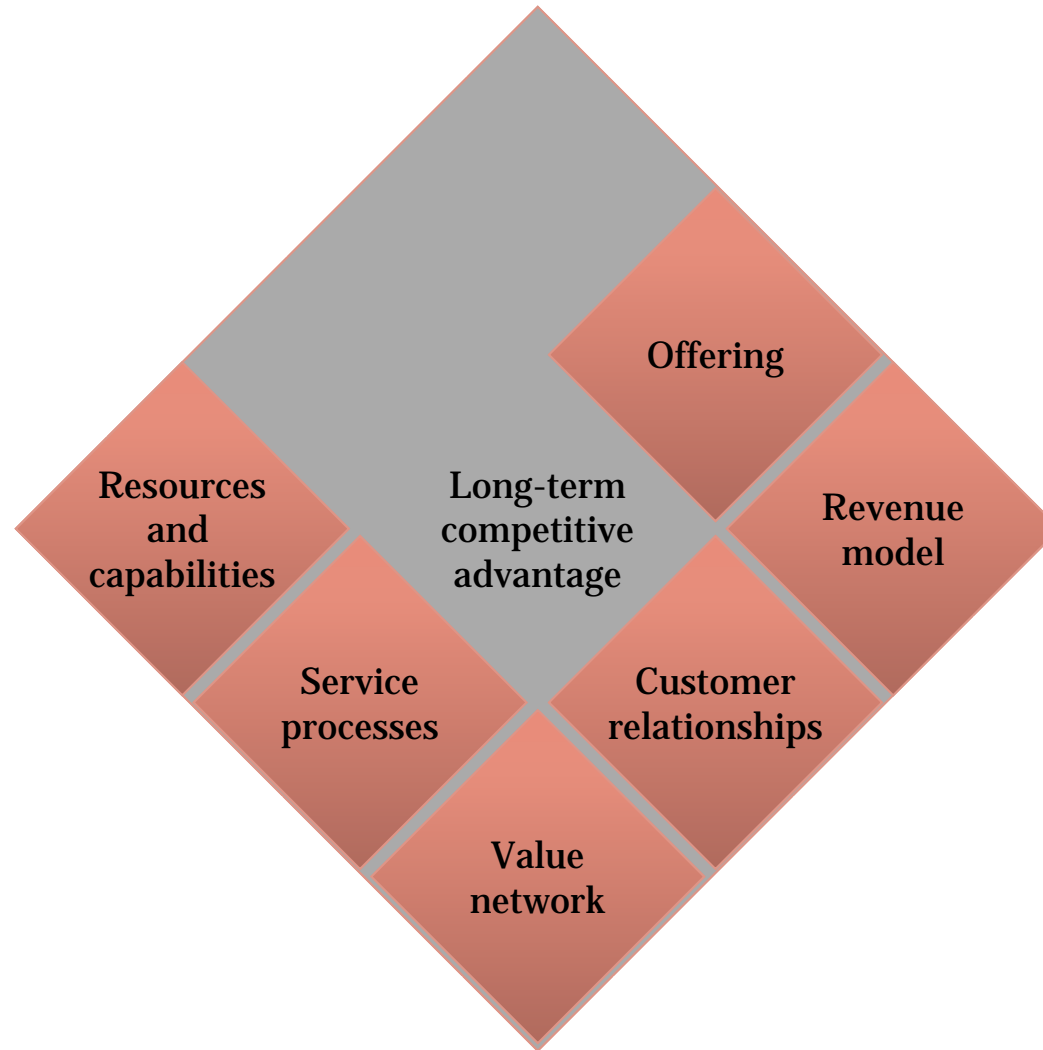
New requirements on development, sales and delivery



A broad view on service innovation



Exploit existing and explore new service-based capabilities



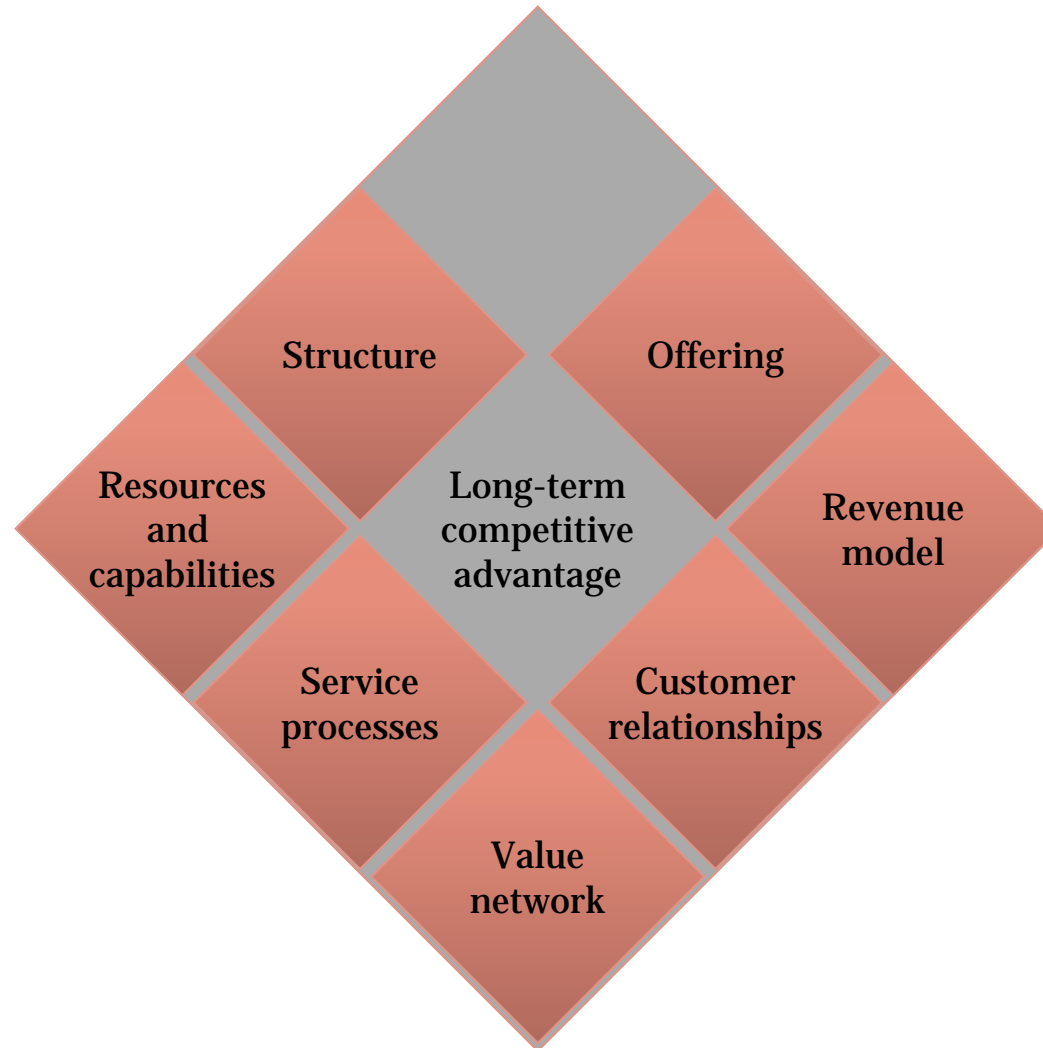


Capabilities for service innovation - examples



- » *Sensing and seizing* opportunities and threats
- » *Reconfigure* the resource base and business model elements
- » Product and process data analysis
- » Risk management
- » Design-to-service
- » Balancing product and service-related assets
- » Creating a service-oriented mental model
- » Identify and overcome core rigidities

An organisation to support the transformation



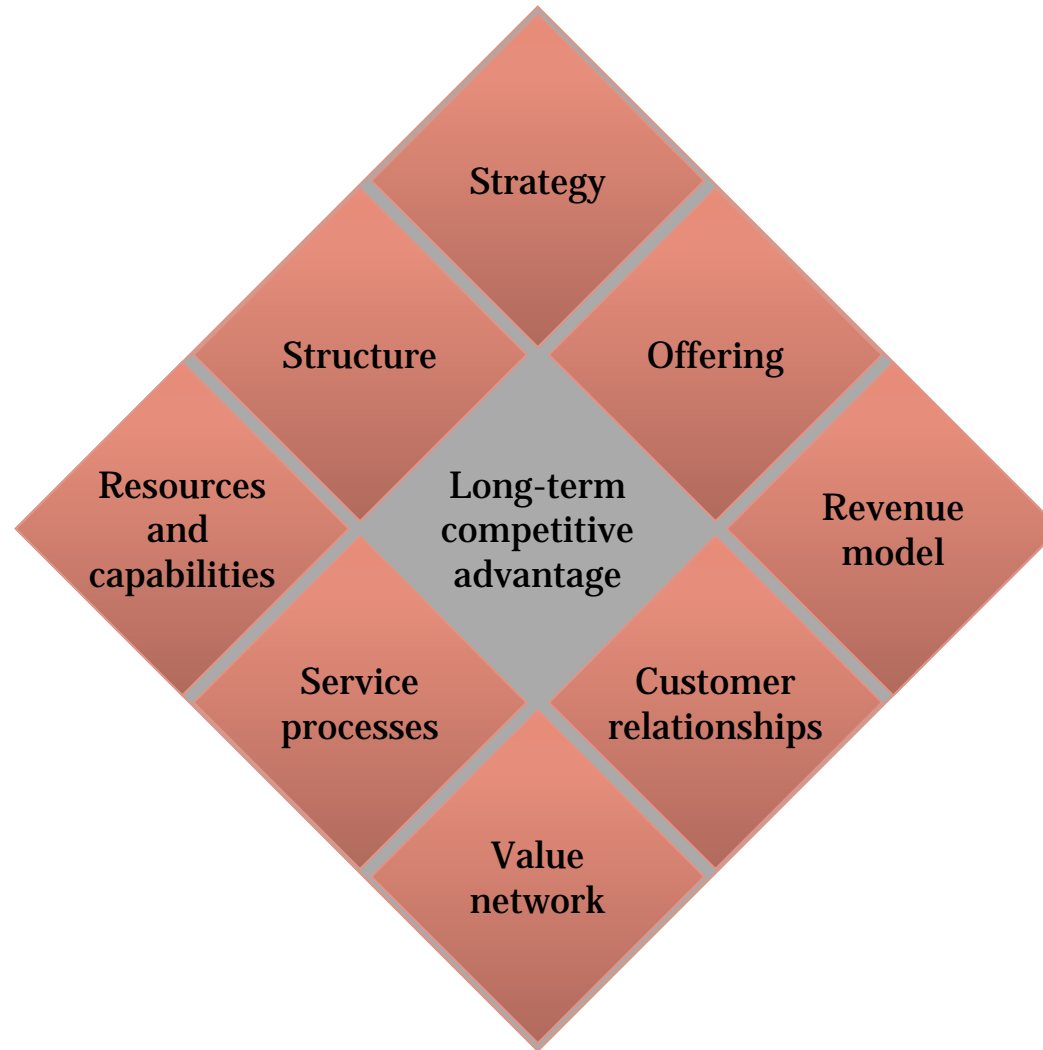


Organising for services and solutions



- » Separation followed by integration is a common pattern
- » There is no "one-size-fits-all" structure
- » The division between products and services becomes ever more blurred
 - » An increasing need for cooperation between the service and product organisations

A strategy to support the transformation



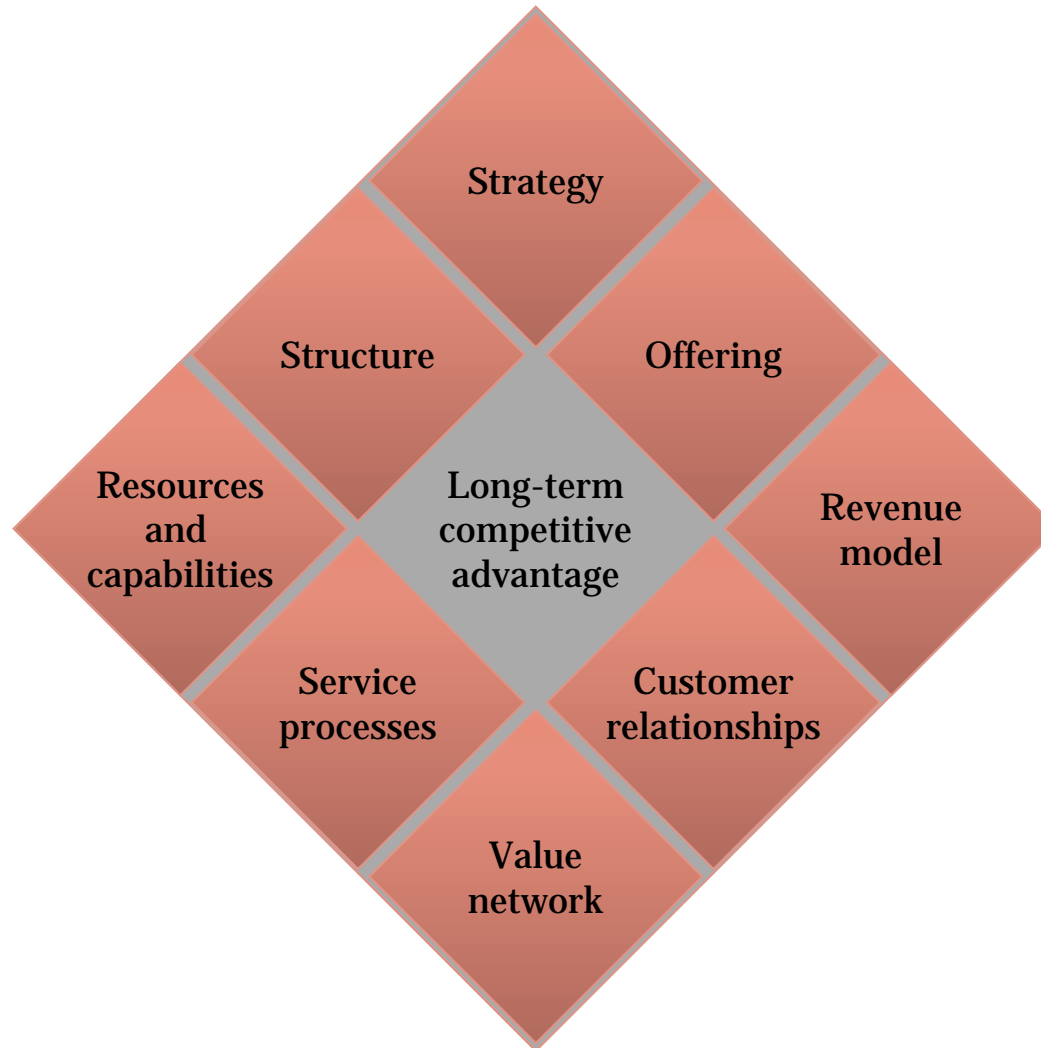


Service strategies



- » Defend and enhance the product business or expand an independent service business?
- » Services on own products or services on multi-vendor products?
- » Create a sense of urgency
- » Managers frequently underestimate complexity and time needed
- » Long-term commitment
 - » Both top management focus and local enthusiasts are needed

A business model approach



Thank you for your attention!



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Key references



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