Servitization: Stories of Entrepreneurs and Guardians

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Thesis research on Maselma

Interorganizational Innovation in Service Logistics

http://www.dinalog.nl/project/maselma-1/

SERVICE LOGISTIEK
MaSeLMa

Geïntegreerd onderhoud en servicelogistieke concepten voor maritieme bedrijfsmiddelen
innovatieve benadering van de integratie van onderhoud, servicelogistiek en samenwerking binnen de aanleverketen
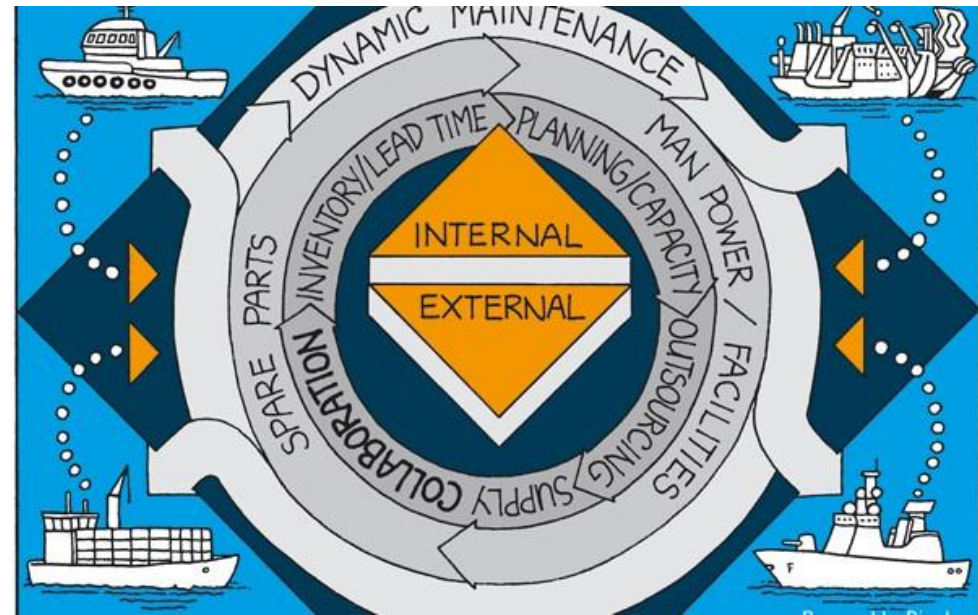
Programma

- 12:30-13:00u Ontvangst
- 13:00-13:10u Opening
- 13:10-14:00u Servitization of Thales Hengelo (Marco Ekkelkamp, director Customer Services & Support)
- 14:00-14:45u Rondleiding bij Thales
- 14:45-15:00u Koffie break

- **15:00-16:00u Servitization: Stories of Entrepreneurs and Guardians**
  Paul C. van Fenema en Sander Dito

- 16:00-16:45u Groepsdiscussie
- 16:45-17:00u Afsluiting
- 17:00-18:00u Hapje en drankje

Outline

1. Servitization

2. Cooperation across organizations

## 3. Challenges for your organization

4. Debate

Value

- Primacy of value-in-use, not only product-based value
- Supplier should 'perform the intended functions', focus on best value, not lowest bid

Product	Service
Tangible	Intangible
Storable	Perishable
Control Quality with Data	Define Quality by Experience
Measure Output	Measure Outcome
Repeatable	Very Difficult to Repeat
Bonus	
Can be Patented	Very Difficult to Patent

Products -> services -> solutions -> **focus on customer needs**

- Singularity University Co-Founder Peter Diamandis
- 6 D's of Exponentials: Digitalization, Deception, Disruption, Demonetization, Dematerialization, and Democratization

Democratizing

Demonetizing

Dematerializing

Disruptive

Digitized

Deceptive
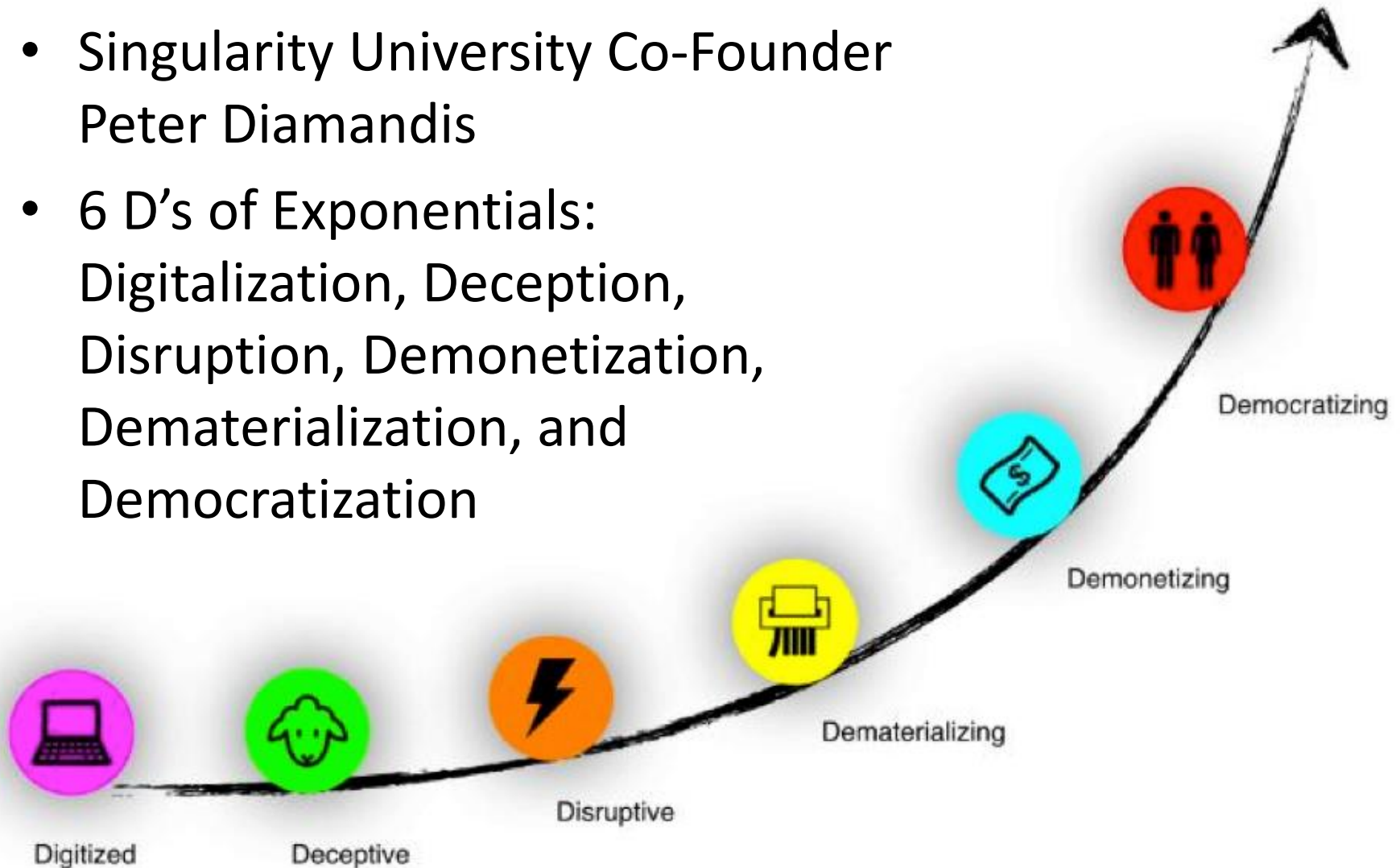
Servitization? What's in it for whom?

- Bare product

- Product, and service aimed at product

- Product as a service, e.g. leasing

- Long term performance/ availability/ replacement service: *continuity of (relevant) fulfillment of a customer's required function*, e.g. Heineken * package supplier. Co-innovation (Apple-Foxcon, ASML-Zeiss)

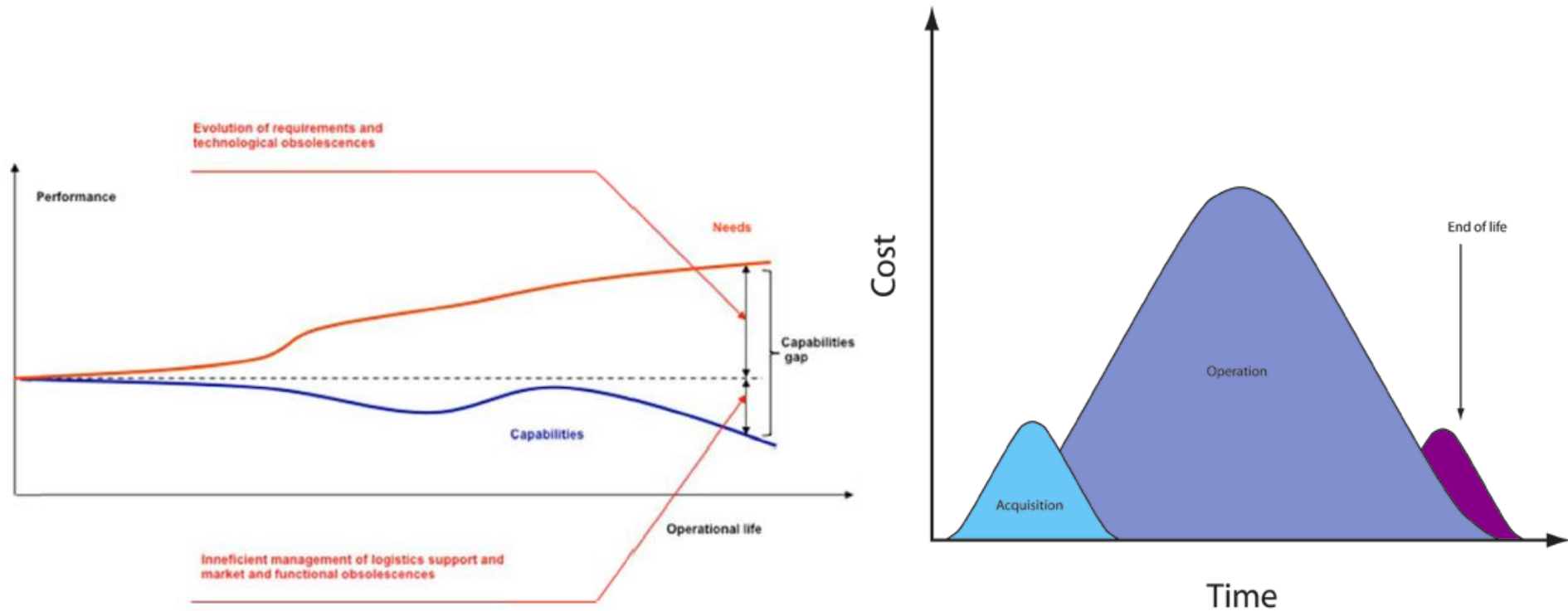# Dynamic view on customer __needs__

- B2C: Depending on customer (preferences, use): update/ upgrade/ replacement program

- Vouchers .. lock-in of customers .. win-win?

- B2B?

Customer view: value =

Life time benefits   -/-   Life cycle costs/TCO

Reflection?

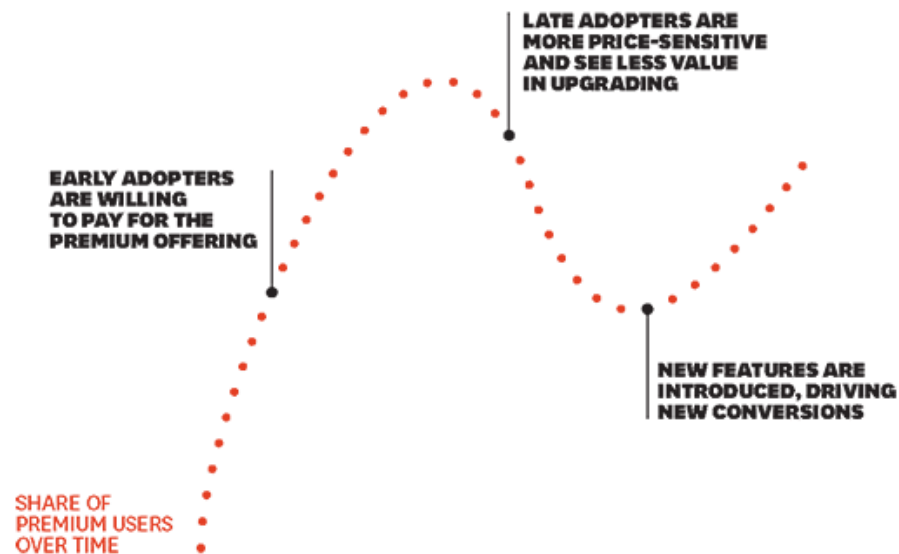# Towards performance as long-term service

Spanish Navy's goal: "To keep the F-100 Frigate performing for the next 30 years, in relative terms, as it performs today"
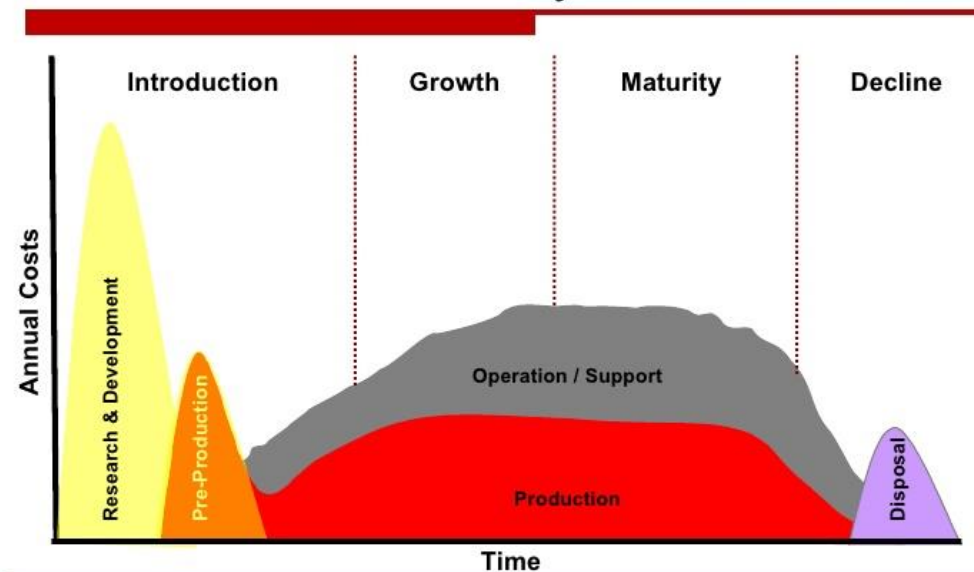
Availability-capability-costs

Supplier view: value =
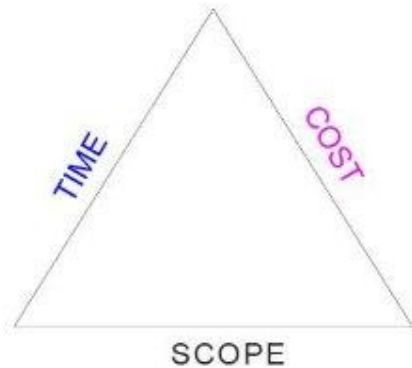
Life time revenues   -/-   Life cycle costs

Reflection?

Servitization:
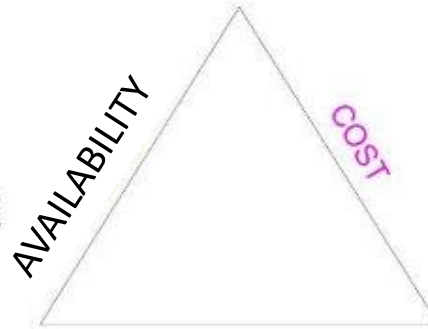# Re-synchronize for win-win?

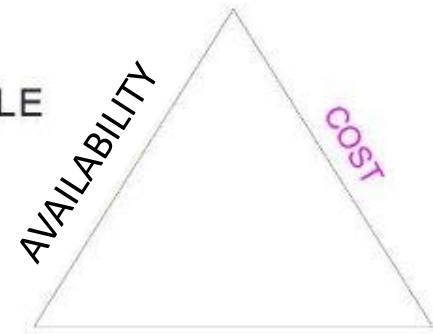|	*Customer* Benefits	Costs
Supplier Benefits	Current situation Servitization advantage?	Current situation Servitization advantage?
Costs	Current situation Servitization advantage?	Current situation Servitization advantage?

Performance orientation
Supplier shift from project-based towards product towards service-based

Win-win of innovation?
Matching the journeys

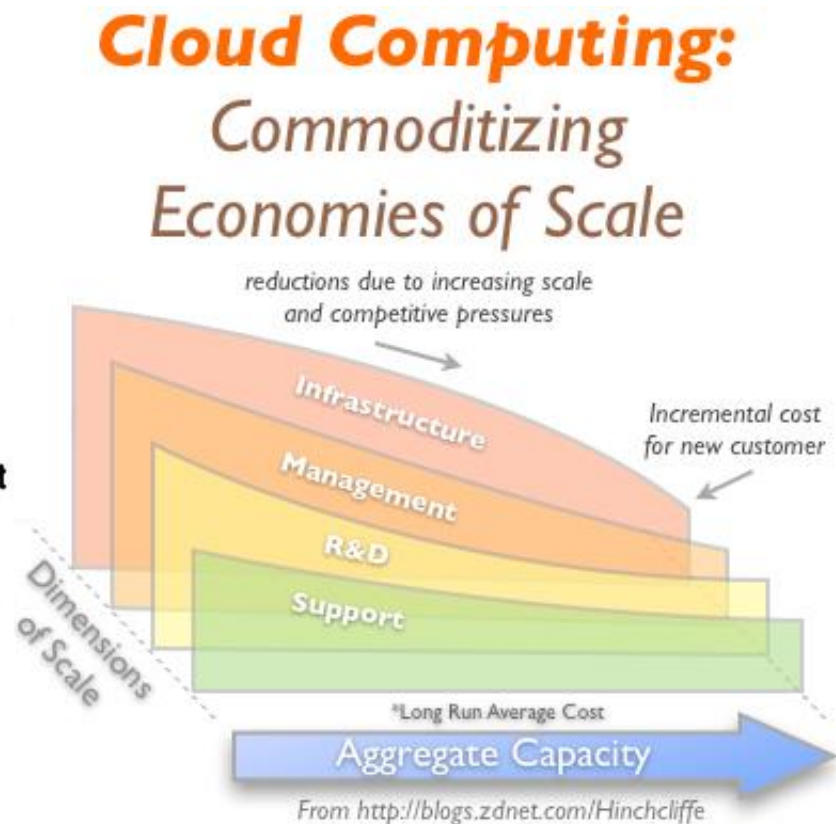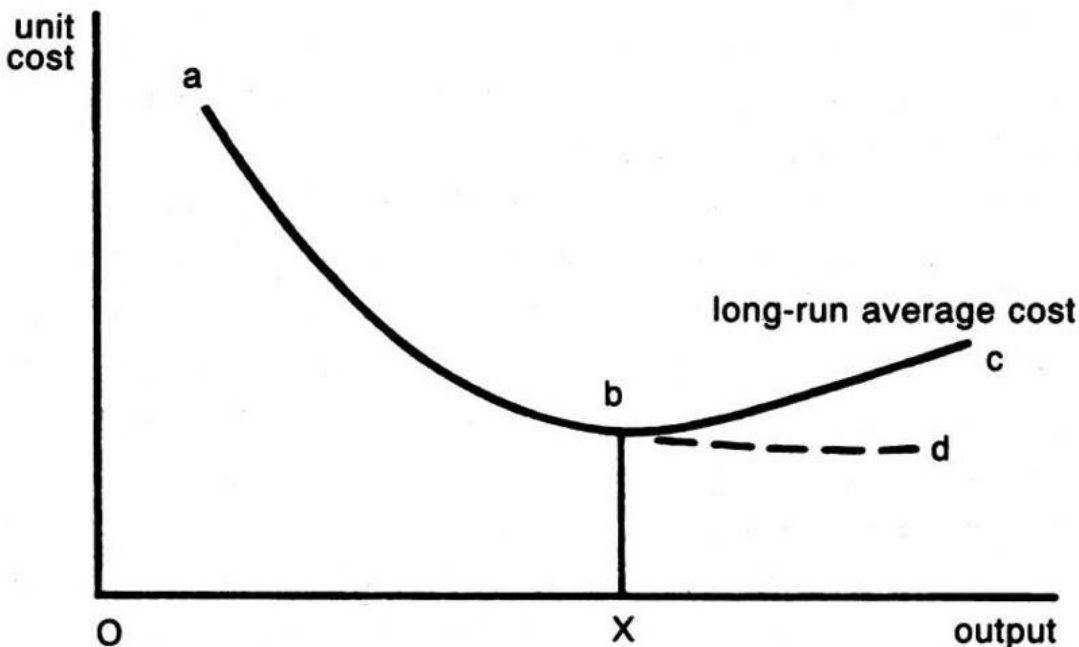|	Supplier journey:		
	A. project-based	B. Product-service based (off the shelf)	C. Servitization-based
Customer journey:			
A. Unique requirements	A-A matching	Supplier moves faster Risk of overinvestment	
B. Customer becomes service oriented	Customer moves faster Risk of life time dependence without supplier support capability	B-B matching	
C. Customer fully cared for			C-C matching

Tensions?

.... Entrepreneurs and Guardians

Value economics for services:
Supplier revenues more stable and predictable

- Standardization
- Scaling, economies of scale
- Same for services?
- Customers remain updated (basics *and* improvements)
- Incentives

Cloud Computing:
Commoditizing
Economies of Scale

reductions due to increasing scale
and competitive pressures

Infrastructure

Management

R&D

Support

Incremental cost
for new customer

Dimensions
of Scale

*Long Run Average Cost

Aggregate Capacity

From http://blogs.zdnet.com/Hinchcliffe

Servitization and risks:
Can you deliver? Long term gap mngt?
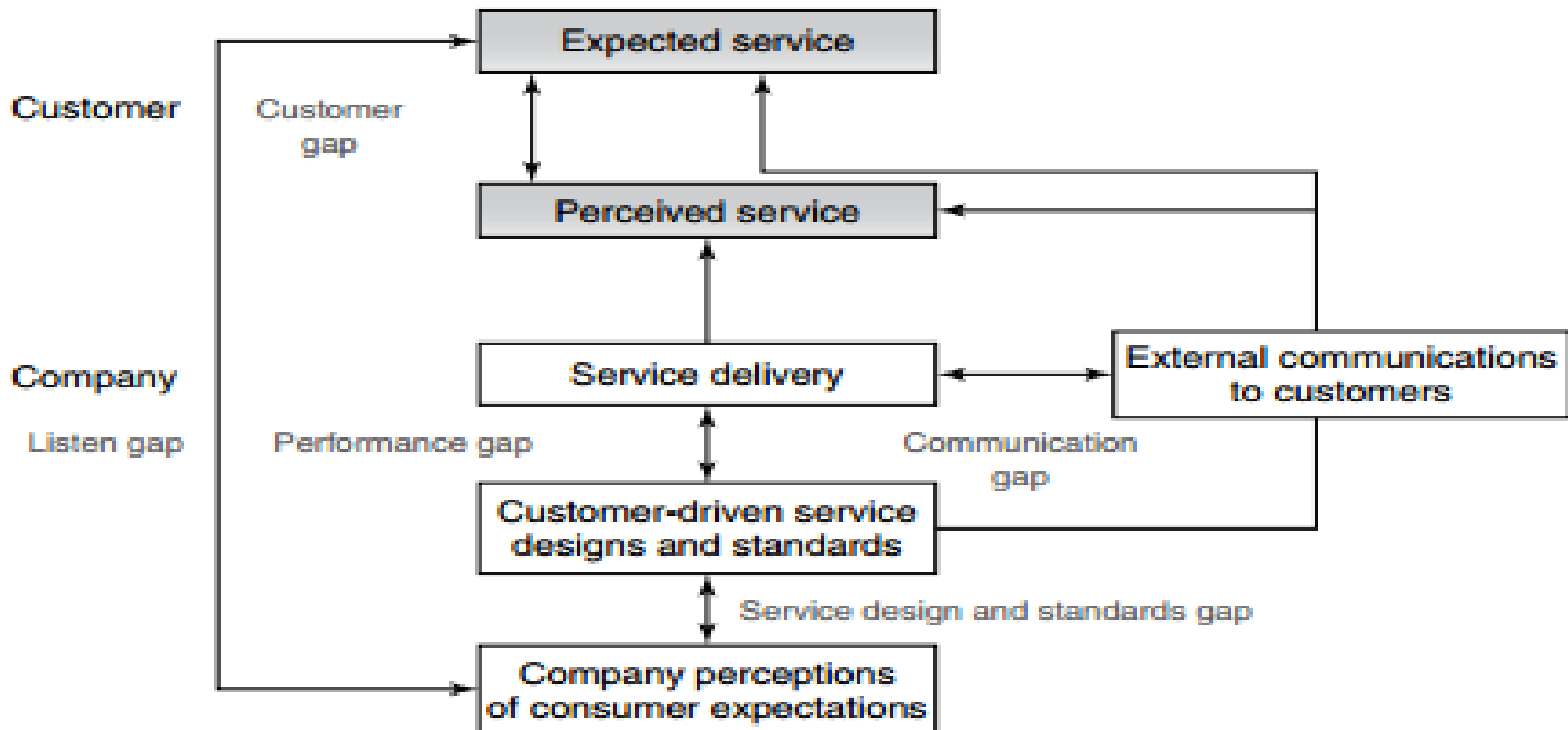
1. Servitization

Outline
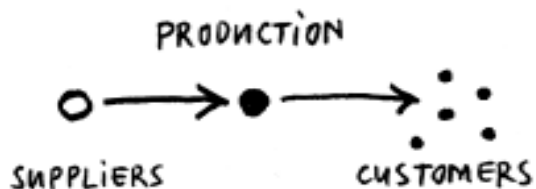
1. Servitization

2. Cooperation across organizations

3. Challenges for your organization

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VALUE CHAIN

VALUE NETWORKS

Risks? Power?

PRODUCTION

SUPPLIERS   CUSTOMERS
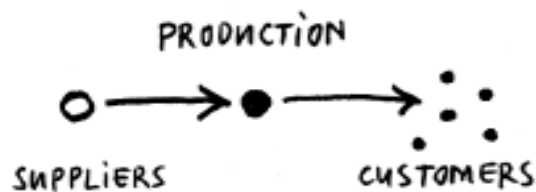
VALUE CHAIN   VALUE NETWORKS

Positioning cooperation

Supplier base

Upstream cooperation
(ASML-Zeiss)

Integrator

Downstream cooperation
(DMI-Thales)

Customer
Public or private

Positioning cooperation

| **Supplier base** | Lateral supplier base cooperation | **Supplier base** |

Upstream cooperation (ASML-Zeiss)

| **Integrator** | Lateral integrator cooperation | **Integrator** |

Downstream cooperation (DMI-Thales)

| **Customer** *Public or private* | Lateral customer cooperation (smart defense for instance) | **Customer** |

Positioning cooperation
Added value of cooperation?

Supplier base

Lateral supplier base cooperation

Supplier base

Upstream cooperation (ASML-Zeiss)

Integrator

Lateral integrator cooperation

Integrator

Downstream cooperation (DMI-Thales)

Customer
Public or private

Lateral customer cooperation (smart defense for instance)

Customer

Co-evolution
of ecosystems:
Speed synchronization?
Mutual innovation?

Customer context (espec with public customers)	Public interests, e.g. offset	Time orientation, trend
Customer	Novel demands, use	Long term ↓
Integrator	Servitization	Long term ↓
	New Product Development	Medium term ↓
Supply base	Fast technology shifting	Very short term ↓

…. Entrepreneurs and Guardians   Time →

2. Cooperation across organizations

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Cooperation means:
re-orienting your organization
(*is it worth to you?*)

Supplier needs to change		Customer needs to change
Beyond … dominant mindsets, stovepiping		More … cross-department and external cooperation
Beyond … specialists caring about their way of working		More … long term focus on value for money

Alliances as an option for servitization

- Reorganize to deal with new risks and opportunities
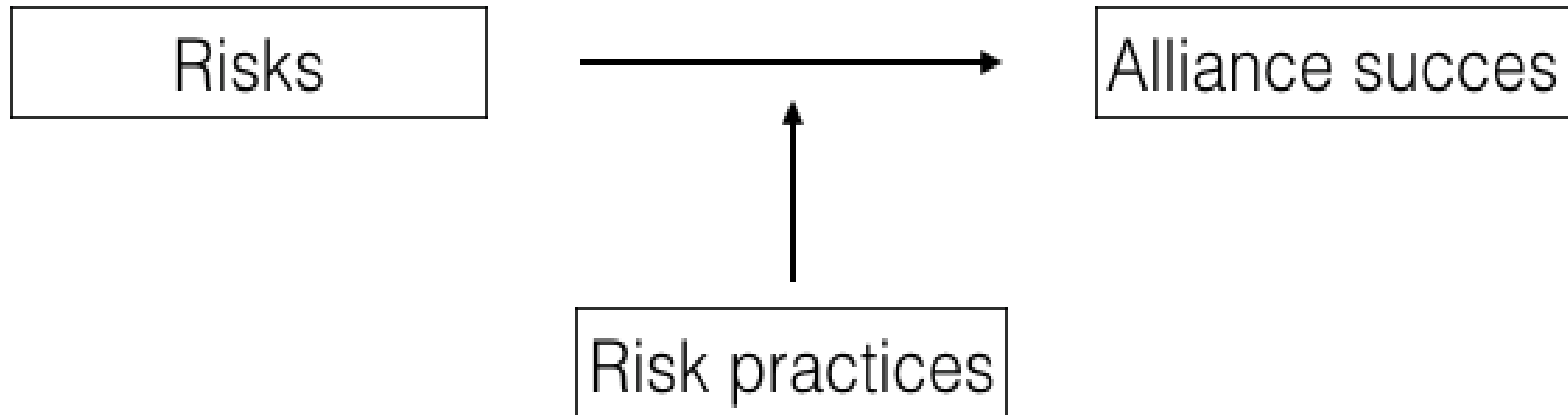
| Risks | → | Alliance succes |

Risk practices →

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Top 4 risks of collaboration

Questionnaire

People & resources

• Not enough representation of the right people in the decision making process of collaboration.

Process

• Wrong momentum of the service alliance initiative. (For example: cooperation initiative has to be discussed beforehand.)

Customer

• No transfer of responsibilities.

Values

• No fit in the collaboration/contract form – not enough custom fit in relation to a traditional contract form.
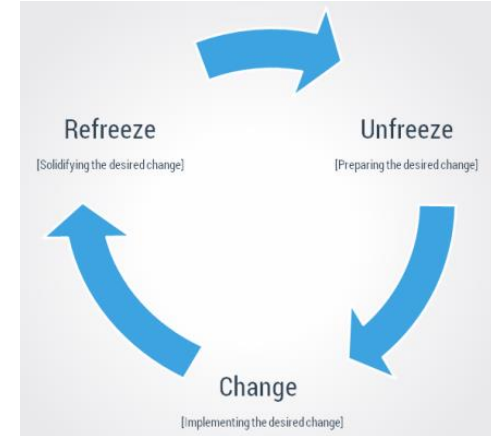
Kotter on change

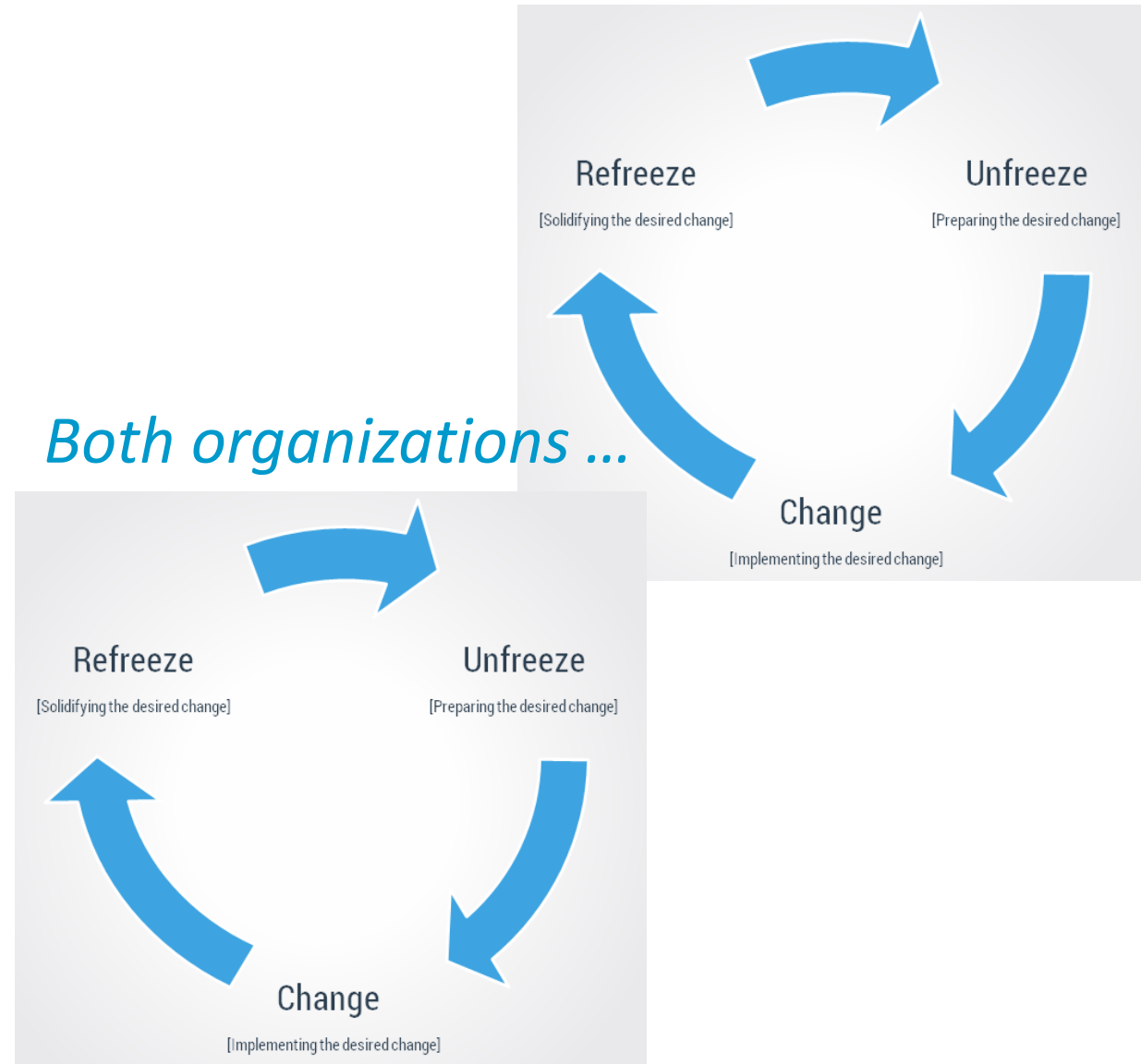- Video 6 minuten (depending on time) https://youtu.be/Pc7EVXnF2aI

Your take-aways?

- Verandering in praktische zin: financieel, structuur, IT /big data etc

- Klant en leverancier moeten wennen en veranderen
  - Klant: ruimte voor kerntaak, veel dus niet meer doen/ kunnen. Wel nog snappen wat er gebeurt? Regie?
  - Leverancier: services meer geïntegreerd in de organisatie en in het productportfolio, standaardisatie, marges, life time value
  - Nieuwe capabilities nodig

- Reorganize?
  Understandable,
  attractive future?

- Changing patterns
  > emotions

- Tipping point of
  resistance or co-
  creation

Both organizations …

Refreeze
[Solidifying the desired change]

Unfreeze
[Preparing the desired change]

Change
[Implementing the desired change]

Refreeze
[Solidifying the desired change]

Unfreeze
[Preparing the desired change]

Change
[Implementing the desired change]

Binnen en tussen organisaties (gezonde) spanning… Waar zit u?

		Klant	
		Entrepreneurs	Guardians
Leverancier	Entrepreneurs		
	Guardians		

Binnen en tussen organisaties (gezonde) spanning… Waar zit u?

		Klant (intern?)	
		Entrepreneurs	**Guardians**
Leverancier (intern?)	**Entrepreneurs**	Enthousiaste verhalen over wat mogelijk is, risico voor de interne troepen uitlopend	Stroeve klant
	Guardians	Stroeve leverancier	Gaat niet werken qua relatie…?

3. Challenges for your organization

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Q&A before the debate

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Debate

- Stelling 1 servitization is beter voor de leverancier dan voor de klant

- Stelling 2 B2G loopt achter op B2B, B2B loopt achter op B2C

- Stelling 3 guardians houden innovatie ongewenst tegen

Service Logistiek Forum

21 april 2016, Thales

Thank you!

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