Delivering enhanced value proposition through service solutions

Menu

Why did we develop the « Solutions » market approach

How did we develop it

What did we learn

Q&A
Delivering enhanced value proposition through services

Products

Product-related Services

Permuting, Pressure monitoring, Regrooving, Retreading.....
PRODUCT INNOVATION CAN REACH A LIMIT ..... HOW MANY BLADES ARE ENOUGH ???
“product innovation” = innovation in the value proposition

The value proposition is only a part of the “business model” (BM)

(...even though it has consequences on other parts of the BM !)

Innovation potential is bigger with BM innovation... (but BM is not only a customer, a dealer and an economical model !...)
“BUSINESS MODEL” INNOVATION

The business model canvas (Osterwalder & Pigneur)
How did we develop & implement Solutions
3 examples of obstacles
when you begin to sell mileage instead of tires ..... 

VALUE PROPOSITION
- Market offering
- Customers: which Fleets?

VALUE ARCHITECTURE
- Internal Value Chain
- External Ecosystem: which Dealers?

PROFIT EQUATION
- Sales: which Sales Force?
- Cost Structure
- Capital invested

Source: Lehmann-Ortega and Moingeon 2010
WITH WHICH FLEET TO TAKE COMMITMENT?

SOLUTION  
CLIENT 
Goals  
Risk preferences

How much risk transfer? 
At what price?

SOLUTION  
PROVIDER 
Goals  
Risk preferences

SHOULD I STAY?  
SHOULD I GO?
WITH WHICH DEALER TO TAKE COMMITMENT?

The importance of operational excellence

The need to extract the “last drop of rubber”
WHICH SALES FORCE?
ARE PRODUCT SALES PEOPLE FROM MARS …
… AND SERVICE SALES PEOPLE FROM VENUS?

‘Selling a product boosts your adrenaline levels. It’s like a soccer game: you’re in front of the goal, you have to score.’

‘A sales person ... is a salesperson, full stop! Our salespeople can sell anything, products, services, you name it.’

‘In services, you need to spend time with the customer, you really need to understand his business, you need to care for his concerns.

‘I honestly believe that product and service sales people are two totally different kind of populations.’
... AND THE LEARNING CURVE ! ...

FIGURE 1
Firm Value Across Different Service Ratios: 1990 to 2005


Revenue and Profit Implications of Industrial Service Strategies

Andreas Eggert¹, Jens Hogreve², Wolfgang Ulaga³, and Eva Muenkhoft⁴
What is the target of our offer?

Service oriented towards the supplier product

What is the nature of the value proposition?

Promise: perform a deed (input)

Product Lifecycle Offering

MICHELIN:
Tire regrooving / retreading
What is the target of our offer?

Service oriented toward the supplier product

Promise:
- achieve a result (output)
- perform a deed (input)

What is the nature of the value proposition?

Asset Efficiency Offering

AREVA:
- Remote Monitoring
  - High-Voltage Circuit Breaker

Product Lifecycle Offering

MICHELIN:
- Tire regrooving / retreading

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GROWING THE SERVICE PORTFOLIO
HOW DID WE DEVELOP OUR SOLUTION OFFERS

What is the target of our offer?

Service oriented toward the supplier product

- **Asset Efficiency Offering**
  - **AREVA**: Remote Monitoring High-Voltage Circuit Breaker

Service oriented toward the customer process

- **Product Lifecycle Offering**
  - **MICHELIN**: Tire regrooving / retreading
- **Process Support Offering**
  - **Schneider-Electric**: Energy Efficiency Audit

What is the nature of the value proposition?

- Promise: achieve a result (output)
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GROWING THE SERVICE PORTFOLIO
HOW DID WE DEVELOP OUR SOLUTION OFFERS

What is the target of our offer?

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Service oriented toward the customer process

<table>
<thead>
<tr>
<th>MICHELIN: Asset Efficiency Offering</th>
<th>AREVA: Process Delegation Offering (Solution)</th>
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<tr>
<td>Product Lifecycle Offering</td>
<td>MICHELIN Fleet Management</td>
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| MICHELIN: Tire regrooving / retreading | Schnei
| Process Support Offering            | der-Electric: Energy Efficiency Audit         |

Promise: achieve a result (output)

What is the nature of the value proposition?

Promise: perform a deed (input)
What are key characteristics of a «true» solution offer (PSS)?
KEY CONSTITUENTS OF TRUE SOLUTION OFFERS

Integration

Customization

Co-creation

Risk Management

Gain Sharing

Alignment of Interest

Wolfgang Ulaga & Werner Reinartz JM 2011
ALIGNMENT OF INTEREST
THE PROS AND CONS OF HAVING A CHANNEL PARTNER WORK AS A SUBCONTRACTING ORGANIZATION IN SOLUTION EXECUTION

PROS

STRONGER VALUE PROPOSITIONS IN THE EYE OF THE CLIENT

GREATER DIFFERENTIATION VS COMPETITION

COST ADVANTAGE

CONS

RISK OF CHANNEL PARTNER OPPORTUNISM DETRIMENTAL TO:

Intimate relationship building with the client

Cost-to-serve the client (hence solution provider profitability)
What our customer lives is paramount throughout his journey with us
THE « VALUE GAPS » IN THIS JOURNEY HAVE TO BE SYSTEMATICALLY CONSIDERED

1. DISTORTION GAP: The value you claim you offer (to all customers)
2. RELEVANCE GAP: The value you (really) offer (to all customers)
3. CAPABILITY GAP: The value a given customer could extract from your offer
4. UNCERTAINTY GAP: The value a given customer perceives you provide
5. NEGOTIATION GAP: The value a given customer claim you provide
Value Added Customer Business Model

Product  Product-related Services  Integrated Solutions

Permuting, Pressure monitoring, Regrooving, Retreading...

Price / km
In many industries like in our tire industry, firms face growing competitive pressures and customer expectations to take on more complex customer jobs. The request for PSS is then increasing…..

But !... to continue to grow, B2B companies must gain a deeper understanding of how to understand, (co-) create, communicate, and deliver value to the customer’s business model.

Then to extract a better share of value created, firms face unique challenges. They must leverage their specific assets (including their product !) and develop new capabilities as a basis for profitable growth in services & solutions.

But first of all they have to be sure they are ready for PSS offer development ! That’s why, together with Essensus, we have developed a “Fit for Service” Diagnosis.
From Product to Services: Are You Ready?

A structured maturity-based approach to assess how prepared your organization is for Product-as-a-Service business models
A structured diagnosis of relevant management practices that provides:

- Evaluation of the company’s strengths and gaps to become more service-oriented
- Common language to engage management and stakeholders and co-create a shared vision
- Basis for defining the concrete actions to achieve success
- Systematic approach for tracking progress

**Product-as-a-Service MATURITY DIAGNOSIS**

- **Formulate the company’s service strategy**
  Capability level 5 - the management practice is continuously improved

- **Identify client segments and use cases for potential service-oriented offerings**
  Capability level 3 - the management practice is documented and formalized

- **Collect information about actual use of the product and Total Cost of Ownership**
  Capability level 4 - the management practice is regularly measured and monitored