Institute of Technology Management
University of St.Gallen

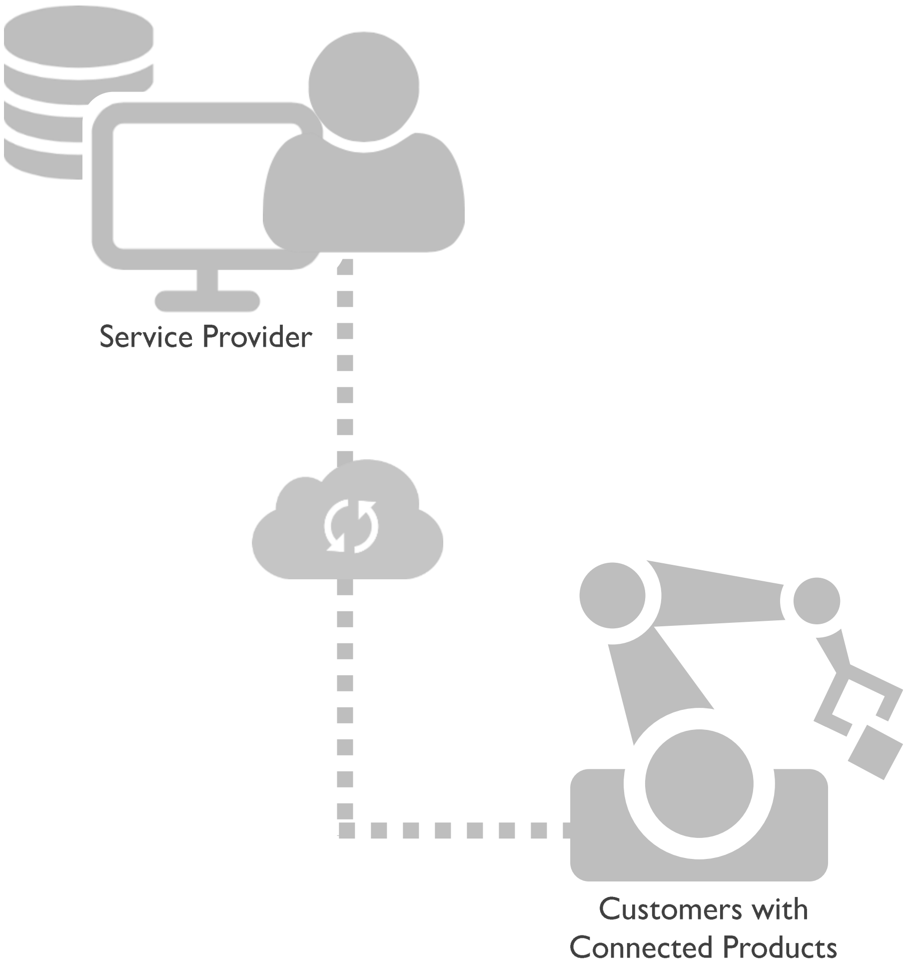
Aalto University
School of Science

EXTRACT

"From insight to impact"

Benchmarking The Next Step in Service Excellence

"Success in the Future of Smart Services"



Smart Services…

... are offered as a combination of physical and digital services on the basis of *connected products*
... are *data-based*, i.e. there must be a component of data use in the delivery of the service
... are *also known as and include* remote services, remote support, teleservices, e-services, condition monitoring etc.

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What Makes a Successful Practice?

Executive Summary

FOCUS ON CUSTOMER NEEDS
Profound research of customer needs and systematic approach for the development of customer-tailored value propositions result in precisely fitting offerings.

PUT THE SPOTLIGHT ON PREMIUM ASPECTS
Communicating the high-end nature of smart services rather than focusing on cost is an enabler for true value-based pricing.

OFFER WELL-DEVELOPED SERVICE ECOSYSTEMS
Seamless integration of all value creating parties and open interfaces are essential for offering a one-stop solution boosting customer loyalty.

BECOME CRUCIAL FOR CUSTOMERS' PROCESSES
The more indispensable your smart services are, the easier it is to get access to necessary data for high impact services.

COLLABORATE WITH KEY PARTNERS
Exchange of knowledge is essential for reducing costs, shortening innovation cycles and customizing services.

KEEP CORE COMPETENCIES IN-HOUSE
Critical competencies that have been built up over decades have to be kept in-house, while auxiliary services can be bought externally.

GIVE IT TIME

Building up unique resources and competencies necessary for successful smart services need an invest of not only money, but time as well.

EMPOWER EMPLOYEES FOR SUCCESS

Not only top management support, but qualified service and sales personnel actively communicating the value of the smart service offerings drive success.

CAPTURE MORE THAN MONEY

Gather more comprehensive data today - it might well be the competitive advantage of tomorrow.

SEEK VALUE BASED PRICING

Pricing smart services on customer value and not on cost enables win-win situations and, properly executed, enables healthy margins.

BECOME A TRUSTED PARTNER

Smart services as intangible products require deep trust of the customer as number one priority to overcome barriers. Key drivers for trust are customer proximity and transparency.

ENHANCE SERVICE PERFORMANCE

Data show that smart services enhance performance of services. For instance, reaction and solution times of incidents have been reduced dramatically.

Key Facts

Executive Summary

147 participants

101 actively offering companies

46 planning companies

from

11 countries

are represented in the sample

42,4% of active participants have been offering smart services for more than 5 years

78,9% of actively offering companies and

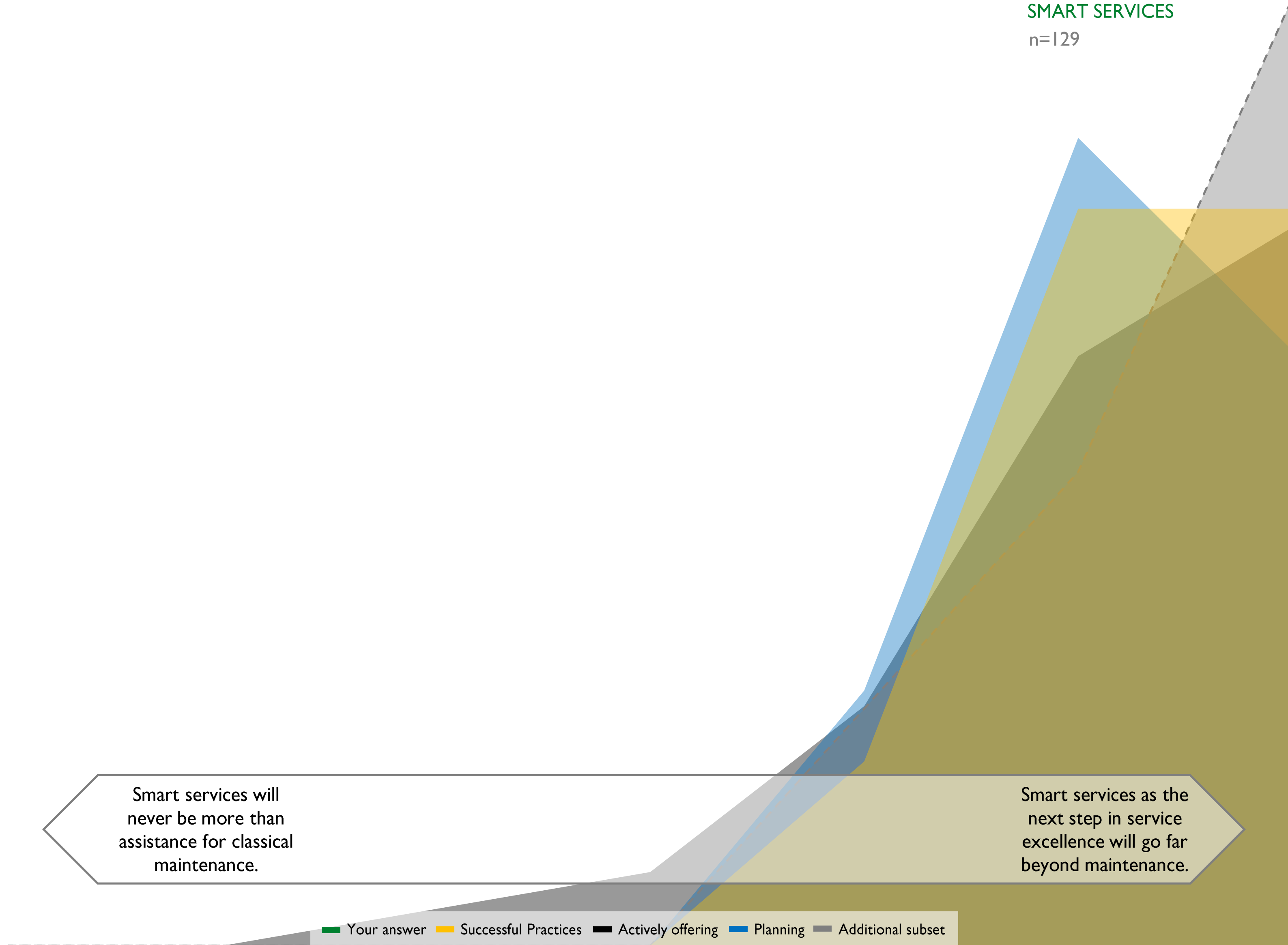
88,9% of Successful Practice companies

think smart services as the next step in service excellence will go far beyond maintenance!

"There is no alternative to smart services! Once started, a wealth of new business opportunities emerges – for us smart services are one of the backbones of our entire service business!"

Bernhard Steinel
Senior Vice President, Head of BA Systemservice
Heidelberger Druckmaschinen AG

FIGURE 0.1
FUTURE IMPORTANCE OF SMART SERVICES
n=129



Introduction

This report provides you with the results of the study. It has been conducted by the Institute of Technology Management at the University of St.Gallen in Switzerland in cooperation with Aalto University School of Science, Service Engineering and Management Research Group from Finland. Over 140 participants from various industries and with origins in Europe, North and South America provide solid data for the descriptive findings presented in this report.

Services have become an important factor for strategic differentiation and a driver for growing revenues. Thus Service Excellence has turned into one of the key factors for overall success. Smart services that are enabled by data gathered from the installed base in the field have now become the next step in Service Excellence.

While the technological side of smart services is well developed in many cases, companies often struggle to economically take advantage of their services. Key success factors for establishing a sustainable and economically profitable smart service business are to have the right knowledge about necessary resources and capabilities to address a customer's competitive priorities, formulating perfectly fitting smart service offerings, creating as well as selling them and being able to overcome existing barriers to the offering of smart services. Innovative forms of partnering become crucial for the strategic positioning in value creating networks.

The benchmarking provides an overview on the state of the art in offering smart services, enabling you to compare yourself with Successful Practice companies and thus leveraging the hidden potential of your service business.

Five companies were chosen as Successful Practice companies in this benchmarking:

- Alfred Kärcher
- Heidelberger Druckmaschinen
- John Deere
- Nordex Energy
- Schindler Management

With the sincere hope that you will find the insights in the following pages as enlightening as we do I wish you an interesting lecture! If you have any questions or suggestions, please feel free to contact us at any time!

Prof. Dr. Thomas Friedli

Underlying model

The report follows the structure of the model depicted below. The model, which has already been used for the questionnaire, has been developed by the research partners from the University of St.Gallen and Aalto University.

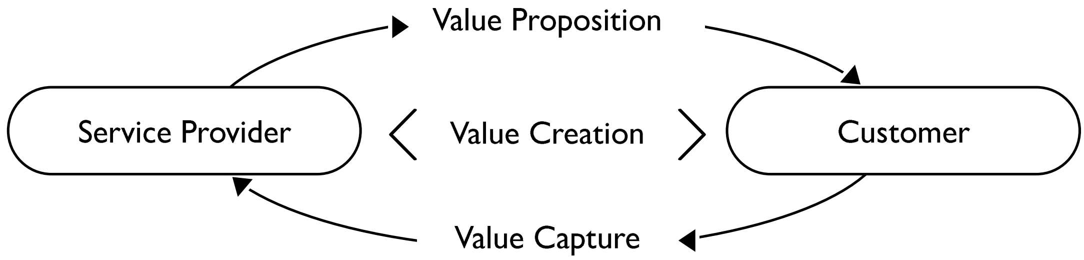


FIGURE 0.2
UNDERLYING BENCHMARKING MODEL

The model comprises 5 main parts: General information about the relevant service provider, i.e. your company; information about the value proposition, value creation, value capture, and your customers. The report closes with some additional information about the performance of the participating companies in the sample.

Methodology

The graphs and conclusions shown in this report are all based on the data generated from the questionnaire that has been filled out by all participants, as well as additional insights gathered from 12 interviews with the Successful Practice companies and Successful Practice candidates.

Each section of the questionnaire comprised enabler and performance items. These items were determined by the researcher partners as well as select experts from industry constituting the benchmarking consortium.

In order to identify Successful Practices, performance items were matched with corresponding enabler and characterization items. A group of high performance companies was defined for each section of the questionnaire and represented as a reference sample to analyze the activities of a high performance group. This group of Successful Practice companies was drafted only from companies actively offering smart services. In addition, the average answer of all participating companies in planning or implementation stages is shown, as well as the average of all participating companies actively offering smart services.

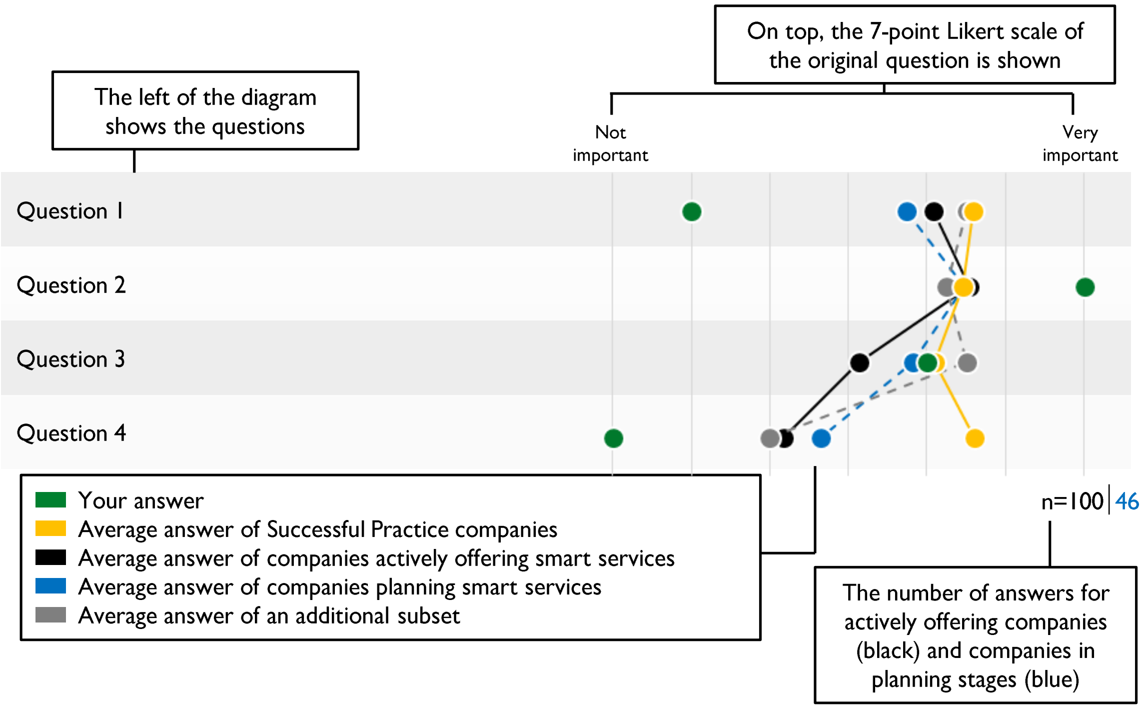
Note: If there is no subset shown in the graphs but you would like one, either for company-internal analysis or a specific industry, please contact us for more information.

Diagram Types and Colors

Questions using a 7-point Likert scale

Answers to questions with a 7-point Likert scale are usually shown using a line chart. Overlapping answer points can be deduced from the used lines.

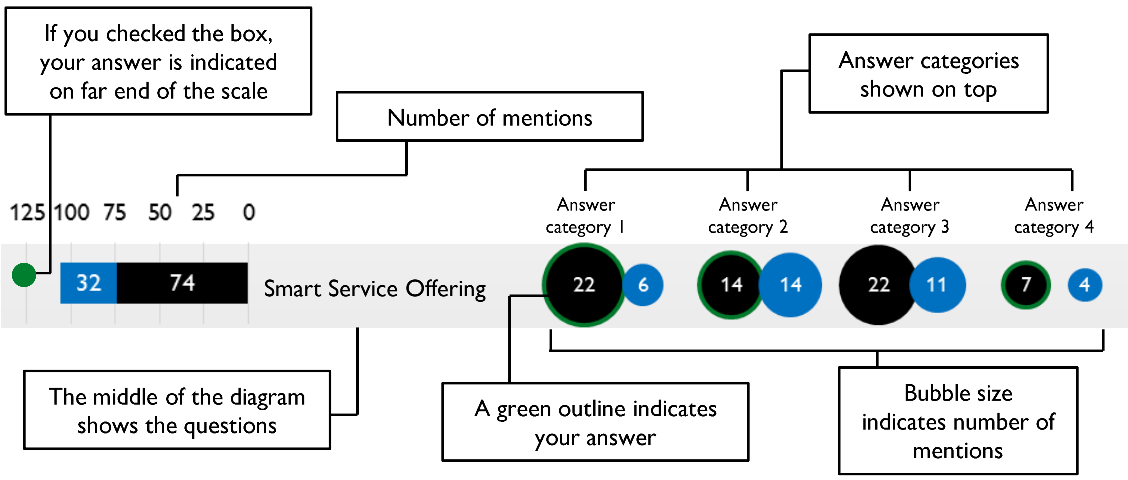
FIGURE 0.3
EXPLANATION OF LIKERT SCALE TYPE DIAGRAMS



Checkbox questions

Answers to checkbox questions are usually shown as column or bar charts, as shown on the left below. If they are part of matrix questions, a bubble chart might be used, as shown on the right below. Combinations of the two are possible.

FIGURE 0.4
EXPLANATION OF CHECKBOX DIAGRAMS



Trade-off questions

Diagrams of the answers to the trade-off questions show the distribution of answers. This means that on the vertical axis the percentage of answers of each group is shown, not the total number of answers.

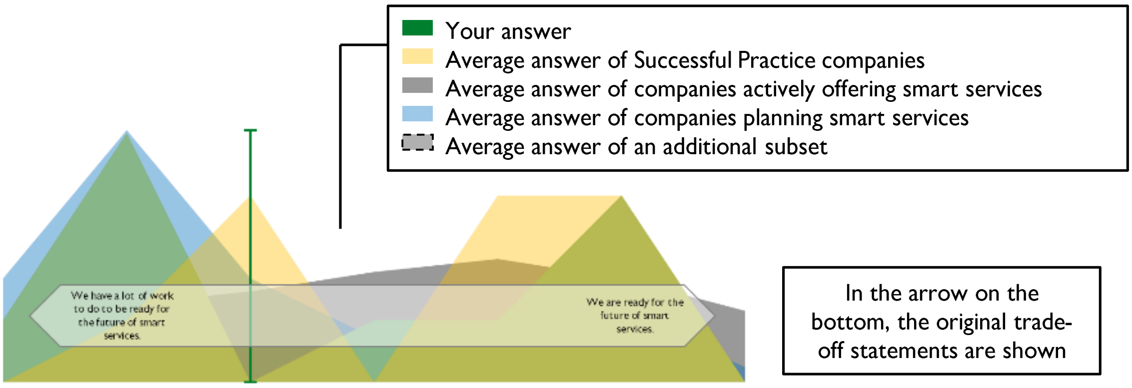


FIGURE 0.5
EXPLANATION OF DIAGRAMS FOR TRADE-OF QUESTIONS

Performance questions

Some of the answers to performance questions are charted using distribution functions. On the vertical axis, the percentile of companies that answered the question is shown: The further to the top you are, the better you perform as compared to the sample.
On the horizontal axis, the answer to the question is shown. This can be a percentage or time. The further you are to the right, the better you perform.

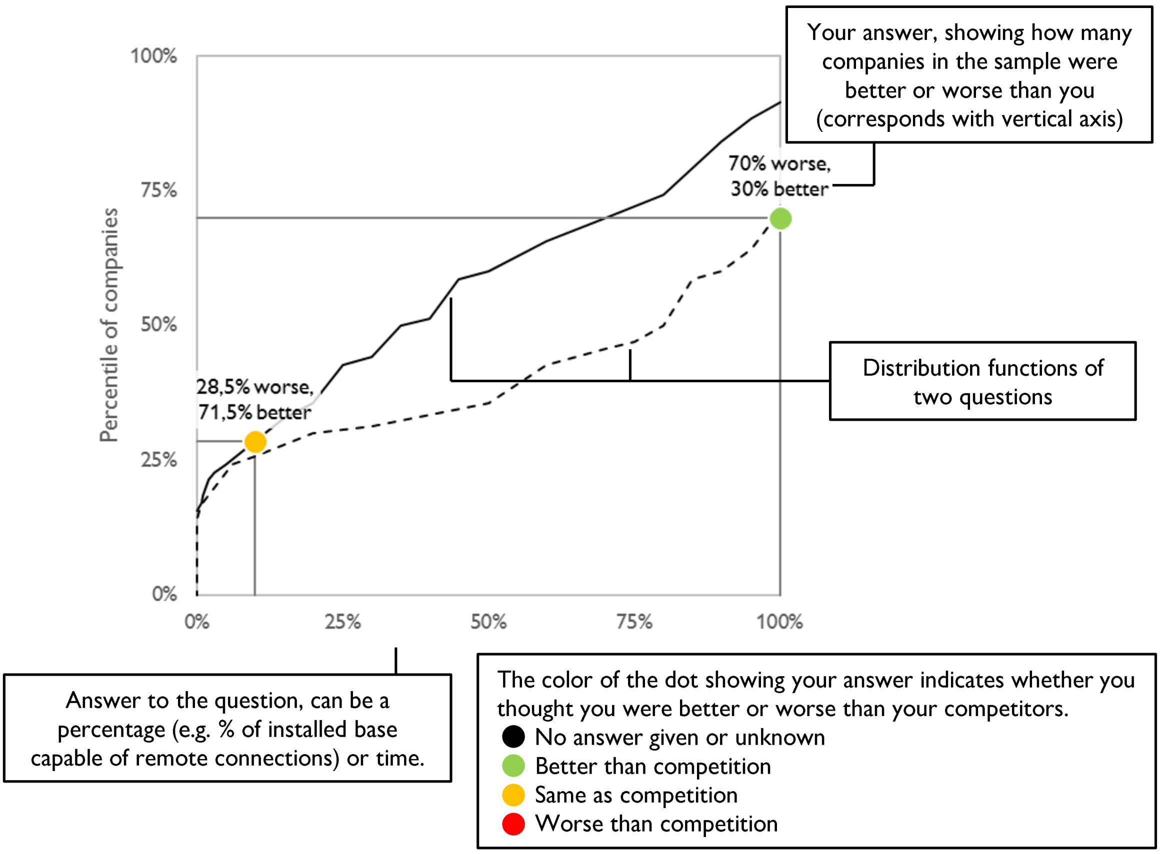


FIGURE 0.6
EXPLANATION OF DIAGRAMS SHOWING DISTRIBUTION FUNCTIONS

Institute of Technology Management

University of St.Gallen

Institute of Technology Management
University of St.Gallen (HSG)
Dufourstrasse 40a
9000 St.Gallen
Switzerland
+41 (0)71 224 72 60

We welcome any of your comments, questions, or suggestions!

Prof. Dr. Thomas Friedli
+41 (0)71 224 72 61
thomas.friedli@unisg.ch

Maximilian Klein
+41 (0)71 224 72 68
maximilian.klein@unisg.ch

Sebastian Biehl
+41 (0)71 224 73 17
sebastian.biehl@unisg.ch