SERVICE CONSULTANTS

The Lookingglass

The Lookingglass

Realizing service opportunities

AVAG Masterclass

June 24th, 2021 Den Haag

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Agenda

1. Introduction
2. Perspectives on services
3. Service pricing
4. What’s next

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Eindhoven, Netherlands

30+ years of experience in the services industry in operational roles and in diagnosis, strategy and implementation work.
Currently working at The Lookingglass Eindhoven, located on the High Tech Campus and University of Technology (TUE)

Personal motto: **Energy, Impact & Fun !**

Key experience:

- Program Management
- Management Consulting
- Services Consulting

2 Perspectives on service business

Why services for manufacturing companies?

- Products commoditise
- Revenue Decline
- Global competition

- Customers demand it
- Customer lock-in
- Customer intimacy
- Digital innovation
- Profitable growth

Why services for manufacturing companies?

Pain

Move because you may lose

- Products commoditise
- Revenue Decline
- Global competition

Gain

Move because you can win

- Customers demand it
- Customer lock-in
- Customer intimacy
- Digital innovation
- Profitable growth

Services are great, right?

Going into services means more than revamping your product into a service

I don’t like the term ‘Servitization

Growing in services is effectively about change

Product-centric vs. Service-centric companies (1)

	Product-centric	Service-centric
Overall Goal	Move Boxes	Serve Customers
Source of differentiation	Superior product features; product quality; standardized manufacturing processes	Superior customer experience; Service quality; Standardized service delivery processes
Value creation perspective	Value stacking; value creation is sequential and unidirectional. Value Chain logic	Value cocreation; value is created in collaboration with customers. Value constellation logic
Buyer-Seller interaction	Transaction-oriented: sales focuses on closing deals	Relationship-oriented: Sales focuses on growing the pie

Source: Kowalkowski, Ulaga, 2017

Product-centric vs. Service-centric companies (2)

	Product-centric	Service-centric
Mental mode	Divergent thinking: how many possible uses can we find for this product	Convergent thinking: What combination of offerings is best for this customer?
Organization focus and structures	Internally focused: built around products: product profit centers, product managers, product sales teams. Sales and marketing 'own' the customer	Externally focused: build around customers: market/segment profit centers, customer accountmanagers, customer teams. Everybody 'owns' the customer
Performance metrics	Portfolio of products: product innovation, product profitability, market share by product/brand	Portfolio of customers: share of wallet, customer satisfaction and loyalty, customer equity/lifetime value
Strategic assets	Emphasis on tangibles: equipment, inventories, factories, etc.	Emphasis on intangibles, people, brands and intellectual property

Source: Kowalkowski, Ulaga, 2017

Types of B2B services

Nature of value proposition

Outputs

(promise to achieve performance)

Inputs

(promise to perform deed/work)

	Service oriented toward your supplied Products	Service oriented toward the Customer's Process
Outputs	**Asset Efficiency Services** Services to achieve productivity gains from assets invested by customers	**Process Delegation Services** Services to perform processes on behalf of the customers
Inputs	**Product Lifecycle Services** Services to facilitate access to and proper product functioning throughout the lifetime	**Process Support Services** Services to assist customers in improving their own business processes

Service recipient

Source: Kowalkowski, Ulaga, 2017

Hands-on problems when moving towards services

Structured Approach

What is a service product, how do we define it?

How do we develop a service product?

How to maintain it?

How to involve clients in innovation?

[Lack of] Service Culture

Product oriented business

View services as a 'necessary evil'

Treating services just like products

Moving boxes vs. serving customers

Sales transaction oriented vs. Relationship oriented

Selling

Lack of real client understanding

Sales force doesn't 'understand' services

Incentive schemes

Channel conflicts

Service Branding

'Services are free'

How to differentiate ourselves in the market with our services portfolio?

How to be recognized as a trustful partner for services?

Delivery

How to organize a cost efficient and effective delivery engine?

How to prevent cost of poor quality?

How to maintain trust with our client?

Typical challenges for product-centric organizations

Shed Product-centric mindset

Generate deeper customer insight

Break away from Capex logic

Learn Service Factory rules

Co-create with customers

Gain stronger channel control

Source: Kowalkowski, Ulaga, 2017

3 Service pricing

From free to fee

Which services do you already supply?

What are the fee structures there?

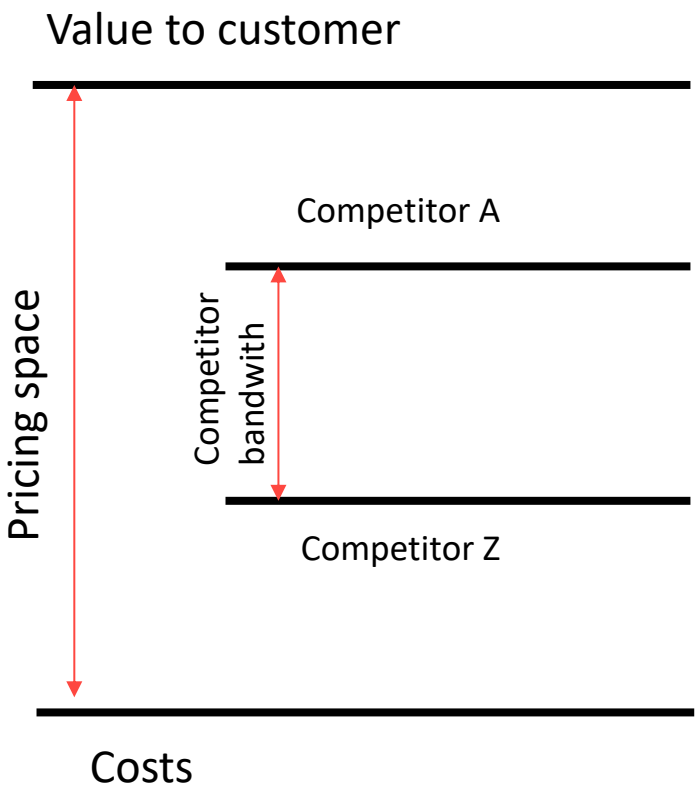
How to move from free to fee?

- Unbundle
- Show the value
- Introduce multiple levels of support

What are the options?

- Discontinuation
- Keep them free
- Start charging

Foundations of Pricing Strategy



Which objectives do we have?

Revenue and margin

Client generation

Strategic objectives

Source: Wirtz, 2017

Cost+ pricing

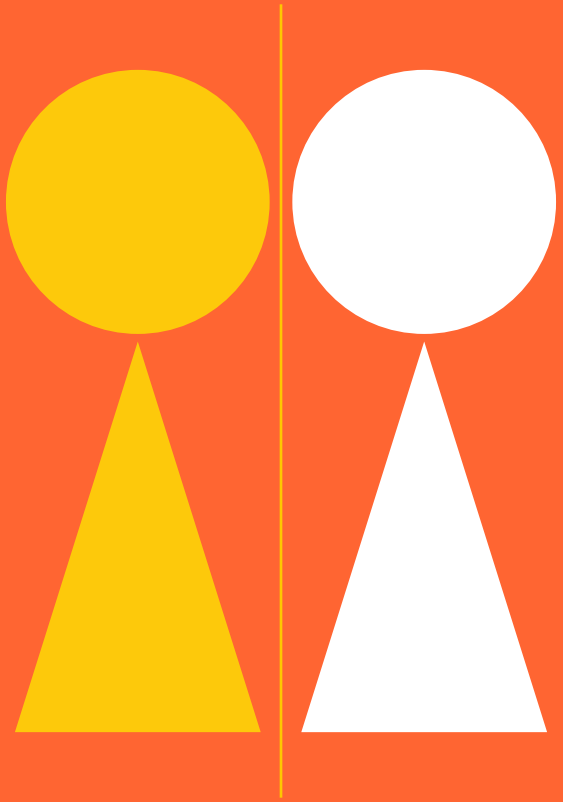
What are the costs?

Fixed, Variable, Semi-variable

Allocation policies

‘Invisible’ activities

‘Open book’ pricing



Competitive pricing

	Superior price	Equivalent price	Lower price
Superior value	**VP1** More for more	**VP2** More for the same	**VP3** More for less
Equivalent value	**VP4** Inferior proposition	**VP5** Undifferentiated proposition	**VP6** The same for less
Lower value	**VP7** Inferior proposition	**VP8** Inferior proposition	**VP9** Less for less

Source: Kowalkowski, Ulaga, 2017

Value based pricing

What is the value that the client enjoys?

Sometimes easy, often difficult

Perceived values vs. Actual value

Some tips & tricks

Make sure your customer is just as committed as yourself

What are the conditions for success, can you influence them?

No downside, without an upside

Manage your risks

Stop-loss clause in contract

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Service recipient

Other topics

- Bundling of services
- Service level pricing
- Menucards
- Payments
- Price indexing
- The power of branding

Discussion

4 Next steps

Hands-on problems when moving towards services

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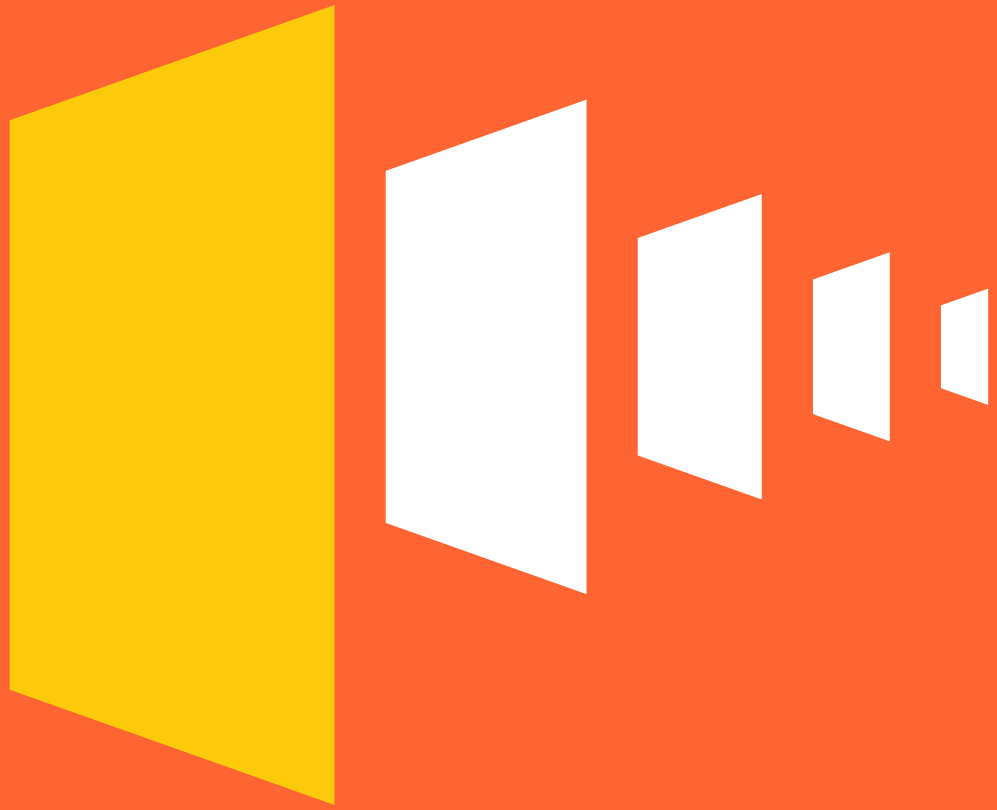
Service KIT Approach

Answers the question: ‘what’s next?’

- metaphor to show the invisible service product
- The service is ‘a service product’
- Process driven approach
  - Launch
  - Sales
  - Delivery
- MVP approach
- Release based



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