

## Selling services

# Inspiring customers with intelligent support concepts

Particularly in a challenging economic environment, customer service and support is a stable and significant source of sales and revenue for many industries. For customers, the quality of service offered during the entire life cycle of a product is vital when assessing price-performance ratios. Service becomes a success criterion for both buyers and sellers.

A study conducted at leading industrial enterprises in the German-speaking countries has shown that companies with a dedicated services strategy achieve over 25% of their sales and an EBIT figure exceeding 20% through services. Around 80% of the managers surveyed see the services sector as offering high growth capacity and having substantial improvement potentials.

### Positioning the services profile – and selling the portfolio

A well-developed services system helps to stabilise the course of business through consistent sales generated via services, while sustainably enhancing customer loyalty. The higher the costs of potential downtimes, the greater the customer demands on service response times and the availability of spare parts. Customers demand high system uptimes. In other words, products and systems with clear quality and service orientation are given purchase preference. Maximum possible intervals between services, low wear and tear, user-friendly maintenance and simple repair operations by exchanging assemblies are all highly rated decision-making criteria. Nowadays, a quotation on basic service functions

covering troubleshooting, maintenance and spare parts management should be an integral part of any capital equipment sales transaction. Having a services portfolio such as differentiated maintenance contracts, service level agreements, life-cycle oriented service products and support, as well as transparency in the total cost of ownership are additional key differentiation features.

In the services business, an ideal method of approaching customers is the life-cycle oriented concept. This services strategy offers various potential tie-ins and forms the basis for an ongoing dialogue with the customer. Here, the range of products and services is structured as a modular services portfolio. Modules differ in scope, e.g. standard, extended, or total care, and in their availability, all of which is defined through service level agreements. Hence, the customer can select any combination of service modules that are specifically tailored to his needs and the life cycle phase of the products involved.

### Different challenges for industry and trade

Depending on the company-specific business model – product, systems or solutions busi-

ness – firms are confronted by diverse services challenges. Manufacturers who are active in the systems and/or solutions sector prefer to undertake after-sales services themselves. This ensures that the added value remains in-house, and that the quality of services can be optimally monitored and refined. On the way to becoming services professionals, companies who are traditionally from the product side, face particular challenges. They need to master the paradigm change to becoming systems or solutions providers while establishing a new services culture. Other success criteria are creating the full services portfolio, defining pricing structures and also setting up the services organisation and logistics. Not to be underestimated is the data management of the „installed base“, which is nothing less than the foundation of a proactive

services organisation.

In the product sector, the emphasis is on straightforward economical, operational provision of services. Core aspects here are setting up a lean, agile, reliable and cost-effective services organisation, as well as seamless supply chain management for spare parts/replacement unit flows and reverse logistics. Service partnerships with the trade or with specialist service providers are frequently an economical alternative to own-account operations.

What level of „homework“ needs to be done depends directly on the respective service level a company is already providing. New entrants to the services business have to overcome different challenges than those of providers that already have a higher level of service maturity (Fig. 1).

Branch Examples	Manufacturers			Trade / Services Providers	Pure Services Providers
	Industrial equipment, Machine building, Special-purpose vehicle construction	Plant engineering, Apparatus engineering	Consumer goods makers (B2B/B2C) e.g. PCs, Printers, Mobile Phones, TVs, domestic appliances		
Business Model	Solutions business	Systems business	Product business		
Service Providers	<ul style="list-style-type: none"> <li>Services provided by the manufacturer</li> <li>Regional outsourcing for global coverage is possible</li> </ul>		<ul style="list-style-type: none"> <li>Services can be outsourced to the trade or to pure service organisations</li> </ul>		
Key Elements, Homework	<ul style="list-style-type: none"> <li>Paradigm change from product provider to systems and solutions provider</li> <li>Organisational incorporation of services</li> <li>Centralised/decentralised tasks, responsibilities</li> <li>Establish a services culture (change management)</li> <li>Documentation of the installed base</li> <li>Generate services-product portfolio</li> <li>Develop pricing structure</li> <li>Set up services and spare parts logistics</li> </ul>		<ul style="list-style-type: none"> <li>Economical services operations</li> <li>SCM for spare parts and replacement units</li> <li>Reverse logistics</li> <li>Establish qualified service partners</li> <li>Guarantee short response times</li> </ul>	<ul style="list-style-type: none"> <li>Establish and guarantee quality of services</li> </ul>	<ul style="list-style-type: none"> <li>Cost-effectiveness via synergies</li> <li>Guarantee quality of services</li> </ul>

Fig. 1: Solutions, systems or product sectors: distinct tasking in the services business.

### **Refining services – and inspiring customers**

With around 500 employees, Franke Coffee Systems, a division of Franke AG, maintains a presence in 65 countries. Franke is in the transition process from being a product supplier to becoming a systems/solutions business. Currently, newly developed, standardised services processes and structures are being implemented throughout the organisation. For Uwe Horn, Head of Service International at Franke Coffee Systems, the major challenges lie in overcoming long-established structures, in changing mentalities towards a services-oriented culture and in maintaining a sharp focus during that implementation process.

The current services strategy is following the concept of „Think Big – Start Small“. This because an earlier strategy of simultaneously transforming the standardised service processes and structures at all the subsidiaries did not enjoy the necessary level of support. By focusing initially on Germany, with the largest and most important sales and services organisation, Franke is gathering valuable insight and experience before the roll-out process in other locations and regions. This intelligence involves above all the issues of service-product structuring, professional management of services in Germany by the Swiss head office, services controlling and services KPI at technician level.

### **Building up services – and convincing customers**

As a systems provider, Büchi Labortechnik AG, a medium-sized Swiss enterprise with an innovative product portfolio combining glass, mechanical engineering and electronics, relies on a high level of global sales and services competence.

A core element in the successful implementation of the defined premium strategy is its services and spare parts management. Customers are individually catered for with differentiated service products (basic, professional, performance). For Maurizio Zaugg, Operations Director, availability of spare parts is a decisive success criterion; an opinion confirmed by widespread customer interviews. High priority is now being given to a first step of setting up service and spare parts hubs for global support. These logistics structures form the basis for heavily decentralised service organisations providing on-the-spot support. In this context, Büchi is relying on teaming-up between sales and service technicians with joint budgets. Centralised directives and interventions are limited to „only what is necessary“ to ensure that group interests are assured.

### **Act now – and benefit**

The opportunities for generating increased sales and higher margins through service operations are promising. Companies intending to become leaders in the services sector will invariably face challenges. Inova consultants will support you in all aspects ranging from developing your services strategy through to designing a service product portfolio, right up to establishing or restructuring your service organisation. In the process, you will benefit from our in-depth expertise gained in a diversity of services and change management projects in trade and industry.

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