

Social, media, analytics, cloud (SMAC)

Nextgen technologies transforming
OEM's aftermarket services

Overview

For the better part of a decade, manufacturers have continually operated in a highly challenging and evolving economic and business environment.

Since the 2008-09 global downturn, there has been an ever increasing pressure from private equity firms and stockholders on one end, and users and consumers on the other end for the manufacturer to:

- Manage and reduce costs,
- Disrupt the traditional operational model, and
- Reinvent themselves towards better growth and profitability

Given the industry's overall outlook and the need to improve their profit margins through services, original equipment manufacturers (OEMs) worldwide have increasingly shifted their business away from simply designing and selling products and spare parts to providing complete aftermarket services and value-added support.

Aftermarket services help counter the cyclical demand for equipment and the volatility resulting from a tough macroeconomic environment. Hence, winning market share in this area is essential to maximizing company profitability.

This puts significant pressure on service organizations to keep customers happy and ensure they get maximum value from the products they buy. But the question is, how well prepared are OEMs to reap this opportunity in the services space?

This whitepaper discusses the challenges manufacturers face and the approaches they could take to leverage technology, data, and processes in transforming their organizations to stay competitive and profitable in the future.

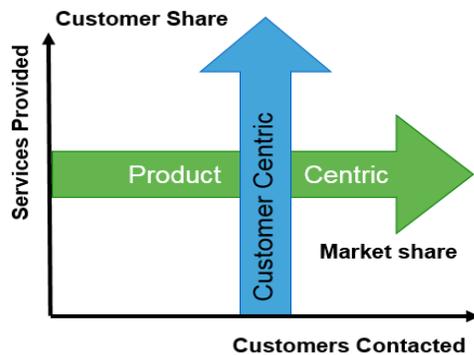


OEM aftermarket service organization challenges

What are they facing?

Equipment manufacturers face significant ongoing challenges in their ability to reap the benefits of strong aftermarket services.

Moving away from a product centric identity



For decades, successful manufacturers have relied upon product focused strategies that have been traditionally responsible for their strong market positions.

They have continually and heavily invested in entrenched cultures and processes revolving around products maintaining their competitive advantage.

This identity behavior results in an internal competition for resources between products and services when the organization is moving towards a new strategy. It is critical for companies to overcome these cultural and identity issues to continue to stay profitable during economic downturns.

Example:

In the case of conflicting demands from product development and service organizations, a product development organization could be prioritized over a service organization when scheduling to meet demand for parts that are manufactured in-house.

Traditionally businesses have focused strategically on strengthening their identity as a product developer, rather than service provider, which limits the internally deployed resources. When operating under a constrained budget, resources tend to be introduced towards product innovation rather than strengthening service organizations. Websites and marketing material could be more product focused and would not focus on service capabilities.

Reactive mindset towards services

Traditional cultural problems transcend into the service organization as well.

Servicing a product more often has been perceived as the cost of doing business rather than a positive revenue generating opportunity. Historically, companies have reacted to a service demand only after a failure point in the product's use. Since service organizations are not geared to minimize such impact to customers, this has resulted in prolonged downtime for their organizations.

Service organizations have traditionally operated more as a cost center than a profit center and typically operate under tighter budgetary constraints. With such constraints, being reactive is the only possible way to serve customers. Historically, companies which are identified as best service

providers have been the ones which had better reaction times.

This reactive mindset is so entrenched that competitive advantages for service organizations has traditionally been based on quality reaction based parameters rather than proactive approaches. Even when preemptive maintenance or scheduled maintenance was employed, it was just a tool to preempt longer reaction times.



Thinking of a market strategy beyond reacting to a situation only after the fact has always been challenging. In addition, Field Service personnel tend to be highly resistant to change resulting in organizational challenges in implementing proactive service models and technology platforms geared towards enhancing the customer experience.

Legacy Technology Stacks

Aftermarket service organizations typically use other resources within a company like marketing, IT, purchasing and manufacturing, etc.

Traditionally, companies have relied on an ERP MRO functionality to manage service processes. However, most often legacy technology stacks are not geared towards effective data and process integration across these areas. Apart from such internal processes there are external process and data points that continue to be invisible to an aftermarket organization.

Example:

Companies lack visibility to their product health, specific maintenance, or spare parts requirements for their products out in the field. Legacy technology stacks do not have the ability to change this perspective.

Such challenges lead to manufacturers focusing on accurate parts supply as a goal leading to underutilization of available technology stacks in the market. However, this results in additional challenges as significant customization of such legacy systems would have to be employed to meet specific needs for service organizations.

Most often companies tend to have a lack of in-house expertise in the latest technologies like Cloud, Big Data, Mobility and IoT to be able to move towards an updated technology stack. With an absence of a technology stack to enable a connected platform, companies find it challenging to transform to a new business model.



Accurate Data and Relevant Information

Quality of service (QoS) and support information is key to the success of any aftermarket organization, reactive or proactive.

The inability to accessing key information often prevents organizations from being effective.

While there has been substantial focus for improved supply chain processes and proactive solutions, companies have often failed to recognize and find a suitable solution for their data problems.

Challenges vary from:

- Lack of visibility
- Lack of resources to manage data
- IT systems and integration, and
- Differencing data formats, sources and owners etc.

Challenges to accurate information affects aftermarket organizations in all of their business areas - customer facing or otherwise.

Example

A basic function of finding the right part for the right customer with the right pricing might itself become a challenge. As is often the case, when large customers have multiple purchasing locations or organizations, identifying the customer can prove challenging.

Unknown information regarding install base or product population in the field could affect forecasting. It could also affect effective strategy implementation for a proactive model or better product planning. It is important to recognize and identify these challenges to implement an overall aftermarket strategy.

Blueprint for Action

Cultural change towards a service oriented mindset is a long-term goal. The adoption of next generation technology acts as the catalyst for achieving this. It also helps mitigate capability gaps and introduces high performance levels.

Today, the most important differentiator for OEMs looking to succeed with their aftermarket service offerings is providing best-in-class interaction with customers. This requires instant access to relevant information – anywhere and anytime — a new best-of-breed technology to support such experiences.

Use of such technology should essentially meet the following goals:

- Improve equipment uptime and performance
- Increase productivity of maintenance personnel and service organizations
- Provide real-time information regarding service operations

Today, manufacturers are adopting the SMAC (Social, Mobile, Analytics and Cloud) stack to meet their needs. These technologies provide maintenance personnel instant access to equipment data, work orders and materials; thus eliminating manual processes and errors.

By adopting SMAC technology OEMs gain real-time insights into customer information and equipment status, enabling them to respond faster with improved service levels. Adopting new mobile visualization technologies help OEMs support workers with real-time, contextual data leveraging the latest advances in 3D visualization. It is important to note for such technology to succeed, a complete process integration of planning, execution, and fulfillment of part and service orders is essential.

The other aspects brought in by next generation technologies is predictive analysis. To consistently achieve high levels of quality and efficiency, manufacturers need to maintain maximum uptime of their equipment. Forward thinking organizations are utilizing predictive analysis software to convert massive amounts of data gathered from their products, sensors, and internal systems such as ERP, CRM and other business applications into actionable information. This helps manufacturers foresee equipment failures leading to unplanned losses. Such maintenance strategies result in considerable value add to customers.

It is no surprise such next generation technology is gaining prominence for companies serious about their aftermarket service strategy. The demands of the industry are resulting in manufacturers adopting innovative technology to bring in positive, disruptive changes. Manufacturers are leveraging new technologies and working with specialized consulting companies, like ThoughtFocus, to identify customer value propositions, address their specific needs, and enhance the experience.

These next generation technologies are helping manufacturers remain agile and competitive in today's volatile marketplace.

ThoughtFocus

The company is a US based, privately held consulting, software and product engineering, K/BPO outsourcing firm whose global team of over 1,300 associates consistently helps clients achieve their most critical business objectives. Local offices, supported by start-of-the-art development and outsourcing centers in India and the Philippines, allows the company to balance delivery risk and cost for clients for over a decade.

ThoughtFocus is able to bring to our engagements intellectual capital, in the form of technical and process frameworks, target operating models, software and infrastructure to provide acceleration of critical programs, thereby reducing cost and delivery risk. Our goal and aim is to always find a way to give you a competitive advantage in your markets.

ThoughtFocus is majority employee held and has taken a minority investment from Blackstone Group via its Innovation Fund. Blackstone also holds a Board seat.