



# THE CHANGING FIELD SERVICE MANAGEMENT LANDSCAPE IS POWERING SERVICITIZATION

## KEY QUESTIONS:

**P3**

Where does servitization fit into the shifting field service landscape?

**P4**

What are the key servitization drivers?

**P5**

What are the real and lasting business benefits of servitization?

IFS WHITE PAPER

Mark Brewer, Industry Director Service, IFS, February 2017



# CONTENT

<b>THE CHANGING FIELD SERVICE MANAGEMENT LANDSCAPE IS POWERING SERVICITIZATION .....</b>	<b>3</b>
<b>SERVITIZATION—WHY IS IT TRENDING? .....</b>	<b>3</b>
<b>TECHNOLOGIES DRIVING CHANGE.....</b>	<b>5</b>
<b>SERVITIZATION—WHAT’S NEXT? .....</b>	<b>5</b>
<b>ABOUT IFS .....</b>	<b>7</b>

# THE CHANGING FIELD SERVICE MANAGEMENT LANDSCAPE IS POWERING SERVICITIZATION

MARK BREWER, INDUSTRY DIRECTOR SERVICE, IFS

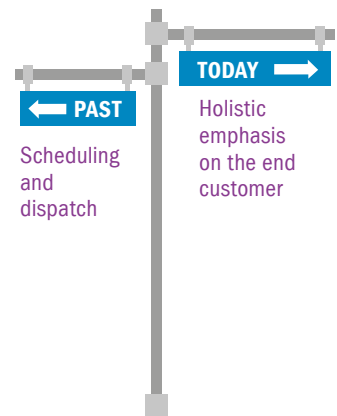
Low profit margins, increased competition and growing consumer demand fueled by technological revolution have contributed to a major shift in the field service management market. Field service organizations are looking for new innovative ways to maximize operational efficiency and reduce operational costs. This change has created a fundamental shift in field service management, from expectations through to functionality and approach. As product-based organizations transition toward a service-based performance model, and as traditional field service organizations look to adapt and grow, the shift from commoditization to servitization has become more and more evident as the way forward.

Ten years ago, the industry landscape looked much different than it does today. In the past, organizations were looking to automate their field service processes in an attempt to decrease unpredictable costs and inefficiencies while gaining a little more control and visibility over an otherwise unpredictable industry. The core focus was scheduling and dispatch. Today, the focus has shifted, moving from core functionality toward a new, more holistic emphasis on the end customer. The potential is limitless and the changing market cannot be overlooked. In a 2016 research report by Markets and Markets, it is estimated that the field service management market will grow from US \$1.97 billion in 2015 to US \$5.11 billion by 2020.<sup>1</sup>

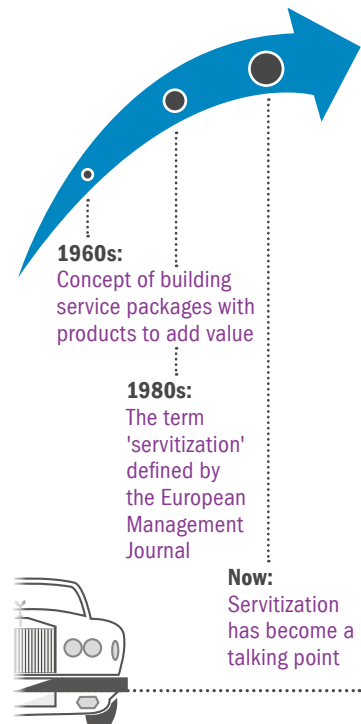
## SERVITIZATION—WHY IS IT TRENDING?

Servitization is not a particularly new phenomenon. The term was defined in the late 1980s in an article in the European Management Journal, but the concept of bundling service packages with products to add value goes back to the 1960s and the innovative, 'power-by-the-hour' concept of Bristol Siddeley, a British aero engine manufacturer later acquired by Rolls-Royce. It offered a complete engine and accessory service that enabled operators to forecast service and replacement costs more accurately and eliminated the need for them to purchase stocks of engines and spares. Yet despite being around for 50 years, it's only relatively recently that servitization has become a talking point, and a recognized growth opportunity. According to Markets and Markets, the key drivers behind the servitization 'revival' for field service organizations are as follows:

### CORE FOCUS OF FIELD SERVICE ORGANIZATIONS



### SERVITIZATION



<sup>1</sup> MarketsandMarkets, "Field Service Management Market Report"



### 1. END-TO-END: A NEW APPROACH MOVING AWAY FROM BEST-OF-BREED

Ten years ago, service organizations were simply looking to automate their existing processes. In the majority of cases, schedules were generated on whiteboards or spreadsheets, paper work orders were manually distributed, and communication between the field and back office was limited or non-existent. Best-of-breed solutions provided badly needed automation, enabling organizations to increase efficiencies and reduce costs. Automation is now a given.

Today it is all about the data. As technology has advanced, organizations are now able to capture the data required to drive key business decisions at the highest level. Where an automated solution provided process efficiency, an end-to-end intelligent service solution provides the seamless data flow required to optimally drive and scale the business while delighting customers. With end-to-end field service management, an organization has access to real-time data, empowering fact-based decisions and future plans.



### 2. CONSUMER-DRIVEN PRODUCT AND SERVICE DIRECTION

Now more than ever, today's consumer is empowered and knows what it wants. The world has become smaller thanks to globalization, social media and connectivity. Experiences are more important than ever as today's customer has a multitude of platforms available to make their voice heard. Customer engagement is now imperative.

In the traditional make and sell model, you design a product, engineer it, procure materials, manufacture the end product, market and sell it to customers, and then optionally provide aftersales support. The shift now is moving away from selling products toward delivering 'product-as-a-service'. Where price has traditionally been based on product output and performance, now 'contract value' is based on a defined outcome, thus moving away from a transaction-based model to a value-based partner relationship. A field service organization needs the right platform to facilitate this change in order to drive value from the product throughout its entire lifecycle.



### 3. REINVENTING OPTIMIZATION

While servitization can be a strategy to drive enhanced revenue, this should not be to the detriment of service execution. Service will always be measured by how well you perform, and that means optimizing the entire service chain from human capital to parts and logistics. It also encompasses real-time measuring and monitoring of service execution, enabling the transition to a proactive 'manage by exception' model rather than providing a reactive response. Optimization is no longer viewed in isolation, optimizing intraday schedules and inventory. Rather, it should be considered holistically in an effort to deliver flawless end-to-end service.

---

With end-to-end field service management, an organization has access to real-time data, empowering fact-based decisions and future plans.



---

Today's consumer is empowered and knows what it wants.



#### PATH TO SERVICITIZATION:

BEFORE:

Transaction-based model:  
selling products with  
optional aftersales support.



NOW:

Value-based partner  
relationship:  
product-as-a-service

---

## TECHNOLOGIES DRIVING CHANGE

With service opportunities opening the door to better customer outcomes, decreased operational costs and new revenue streams, the shift toward a service business model is a no-brainer for organizations looking ahead of the curve. According to an Aberdeen Group study, 26% of field service organizations surveyed were able to generate new service-driven revenue streams by adopting a servitization approach<sup>2</sup>.

So what's required for those who want to servitize their business? Like any other major innovation in the industry, servitization means that enterprises will need to confront change to be able to grasp the opportunities it presents. Some of these will be technology-based. A study from the Cambridge Service Alliance in 2015<sup>3</sup> found consensus among capital equipment manufacturers (CEM) on five key technology requirements to enable servitization in the future:

1. **PREDICTIVE ANALYTICS** to anticipate specific failure modes
2. **REMOTE COMMUNICATIONS** to resolve issues from a distance
3. **CONSUMPTION MONITORING** to create customer-specific service offerings
4. **PUSHING INFORMATION** to employees/suppliers/ sub-contractors/customers via mobile platforms or the internet
5. **MOBILE PLATFORMS** to access business software remotely for maintenance techniques, production outputs, etc.

The most innovative organizations are already using the technologies necessary to pioneer the servitization shift, from Internet of Things (IoT) to cloud to advanced analytics. These technologies facilitate the most important aspect of a service-focused business transaction, continuous interaction with the customer. Connected devices enable organizations to predict and pre-emptively service equipment and close the feedback loop from the customer back to the organization to help product-based organizations continually improve their products and services. Advanced services, when executed correctly, “can help strengthen relationships, lock-out competitors and grow revenues and profits,” according to Tim Baines in an interview with Field Service News<sup>4</sup>.

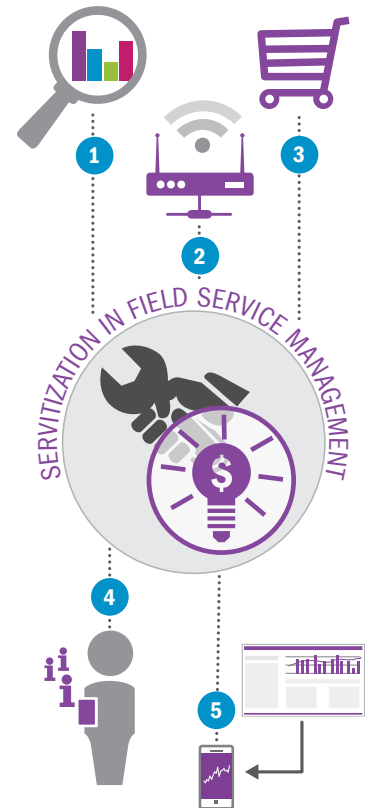
## SERVITIZATION—WHAT'S NEXT?

For companies that have added service to their offerings, adapted their organizations to enable this and acquired the requisite technology (often in the form of integrated, full-scope enterprise software), the benefits are significant. In fact, adding service contributes to much of what is the very essence of good business, including:

### ABERDEEN GROUP STUDY SAYS:

26% of field service organizations were able to generate new service-driven revenue streams by adopting a servitization approach.







### 5 KEY TECHNOLOGY REQUIREMENTS



<sup>2</sup> Aberdeen, "Service Revenue: Unearth an untapped stream of dollars"

<sup>3</sup> <http://cambridgeservicealliance.eng.cam.ac.uk/news/ServitizationTechnologies>

<sup>4</sup> <http://fieldservicenews.com/welcome-to-the-new-age-of-servitization>

-  Enhanced revenue—reported growth between 2x and 4x
-  Better margins—increases of 3–10% reported
-  Sustainable business growth—increases of up 5–10% reported
-  Greater customer satisfaction—they are getting what they want
-  More repeat business, greater market share, and a better reputation
-  Predictable income streams

How do field service organizations prepare for what's next in the industry while ensuring continued success? The first step is to ensure they have a strong foundation or platform to start from. Core processes and systems should be running optimally to allow an organization the ability to effectively scale and adopt new technology. Organizations must embrace change with an enterprise-wide change management strategy.

IFS has helped service organizations for years by providing solutions like [IFS Enterprise Service Management \(ESM\)](#), comprised of [IFS Field Service Management \(FSM\)](#), [IFS Mobile Workforce Management](#) and [IFS Service Management](#). These solutions are of particular interest as they provide an effective and cost-efficient IT foundation for expanding the service component of these businesses.

Lastly, the most successful field service organizations have a clear understanding of the end consumer's expectations for today and tomorrow to ensure these can be met or exceeded today as well as anticipated for the future. Value-added service is no longer optional; it is the very future of service.

---

When adopting new technologies, a company needs to:

- Understand the importance of organizational change and culture
- Align risk and infrastructure



## ABOUT IFS

IFS is a globally recognized leader in developing and delivering enterprise software for enterprise resource planning (ERP), enterprise asset management (EAM) and enterprise service management (ESM). Founded in 1983, IFS brings customers in targeted sectors closer to their business, and helps them be more agile and prepare for what's next in their industry. IFS's 2,800 employees support more than 1 million users worldwide from its network of local offices and through a growing ecosystem of partners.

For more information about IFS, visit [IFSworld.com](http://IFSworld.com)

<b>AMERICAS</b> .....	<b>+1 888 437 4968</b>
ARGENTINA, BRAZIL, CANADA, ECUADOR, MEXICO, UNITED STATES	
<b>ASIA PACIFIC</b> .....	<b>+65 63 33 33 00</b>
AUSTRALIA, INDONESIA, JAPAN, MALAYSIA, NEW ZEALAND, PHILIPPINES, PR CHINA, SINGAPORE, THAILAND	
<b>EUROPE EAST AND CENTRAL ASIA</b> .....	<b>+48 22 577 45 00</b>
BALKANS, CZECH REPUBLIC, GEORGIA, HUNGARY, ISRAEL, KAZAKHSTAN, POLAND, RUSSIA AND CIS, SLOVAKIA, TURKEY, UKRAINE	
<b>EUROPE CENTRAL</b> .....	<b>+49 9131 77 340</b>
AUSTRIA, BELGIUM, GERMANY, ITALY, NETHERLANDS, SWITZERLAND	
<b>EUROPE WEST</b> .....	<b>+44 1494 428 900</b>
FRANCE, IRELAND, PORTUGAL, SPAIN, UNITED KINGDOM	
<b>MIDDLE EAST AND AFRICA</b> .....	<b>+971 4390 0888</b>
INDIA, SOUTH AFRICA, SRI LANKA, UNITED ARAB EMIRATES	
<b>SCANDINAVIA</b> .....	<b>+46 13 460 4000</b>
DENMARK, NORWAY, SWEDEN	
<b>FINLAND AND THE BALTIC AREA</b> .....	<b>+358 102 17 9300</b>
ESTONIA, FINLAND, LATVIA, LITHUANIA	



**IFSworld.com**

COPYRIGHT © 2017 INDUSTRIAL AND FINANCIAL SYSTEMS, IFS AB. IFS AND ALL IFS PRODUCTS AND SERVICES NAMES ARE TRADEMARKS OF IFS. ALL RIGHTS RESERVED. THIS DOCUMENT MAY CONTAIN STATEMENTS OF POSSIBLE FUTURE FUNCTIONALITY FOR IFS'S PRODUCTS AND TECHNOLOGY. SUCH STATEMENTS ARE FOR INFORMATION PURPOSES ONLY AND SHOULD NOT BE INTERPRETED AS ANY COMMITMENT OR REPRESENTATION. THE NAMES OF ACTUAL COMPANIES AND PRODUCTS MENTIONED HEREIN MAY BE THE TRADEMARKS OF THEIR RESPECTIVE OWNERS.

IFS AB ©2017