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OEMs – UNLEASH THE POWER OF YOUR INSTALLED BASE

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Abstract

Global competition, price deflation and rising commodity costs are eroding product-based profit margins for manufacturers. Developing and delivering superior aftermarket services is, therefore, a competitive priority. Original Equipment Manufacturers (OEMs) need to go beyond business-as-usual break-fix services to differentiate themselves in the market. They also need to look at how they can deliver services that will improve business outcomes for their end customers.

Lack of visibility into their asset base inhibits the OEMs from fully utilizing the service revenue generating opportunities from their installed base. Traditionally, the OEMs were focused on manufacturing the product and service was not seen as a profit center. As focus on service was low, installed base data such as customer details, asset details, location, age of equipment, site data, service and life cycle data have either not been captured or are incomplete and error ridden.

This paper details the installed base opportunity for OEMs. It explains how they can tap their installed base to grow their service business.

Manufacturers Need New Revenue Streams

Product revenues in developed economies are stagnating. This can be attributed to two reasons. The macro-economic situation and the fact that developed markets are saturated. In pockets where volumes can still be depended upon, margins are under pressure. For OEMs, especially those in energy management, agro machinery, construction equipment, consumer durables, heavy equipment and building control systems, the uncertainty in developed markets has signaled a slow down on CAPEX. However, with continuous product sales over decades, manufacturers can devise ways to target service revenues from their installed base for business growth.

For them, the large installed base across multiple geographies presents the opportunity to connect with customers, tap service revenues, as well as improve loyalty. This could be by offering maintenance contracts/renewals, extended warranties, service plans, repairs and refurbishing, consumables/spare part sales, training and consulting, as well as end-of-life services. There are additional opportunities to retrofit and modernize the asset for existing customers. But these revenues are slipping through the fingers. With inadequate visibility into the installed base data, tapping the installed base service revenue is a challenge.

For the manufacturing industry, the urgency has always been on the product sales front. Service was not seen as a major source of revenue and was, therefore, ignored or managed largely through a network of shifting and changing partnerships. Yet another challenge has been the spate of acquisitions over the years which have led to fragmented IT systems that would have otherwise ensured a single source of (customer) truth. These factors have resulted in less-than-effective systems and processes to capture, update and retain customer information, product usage, product performance and service records. In other words, precious service revenues are being lost because manufacturers are unable to accurately identify the service needs of their installed base.

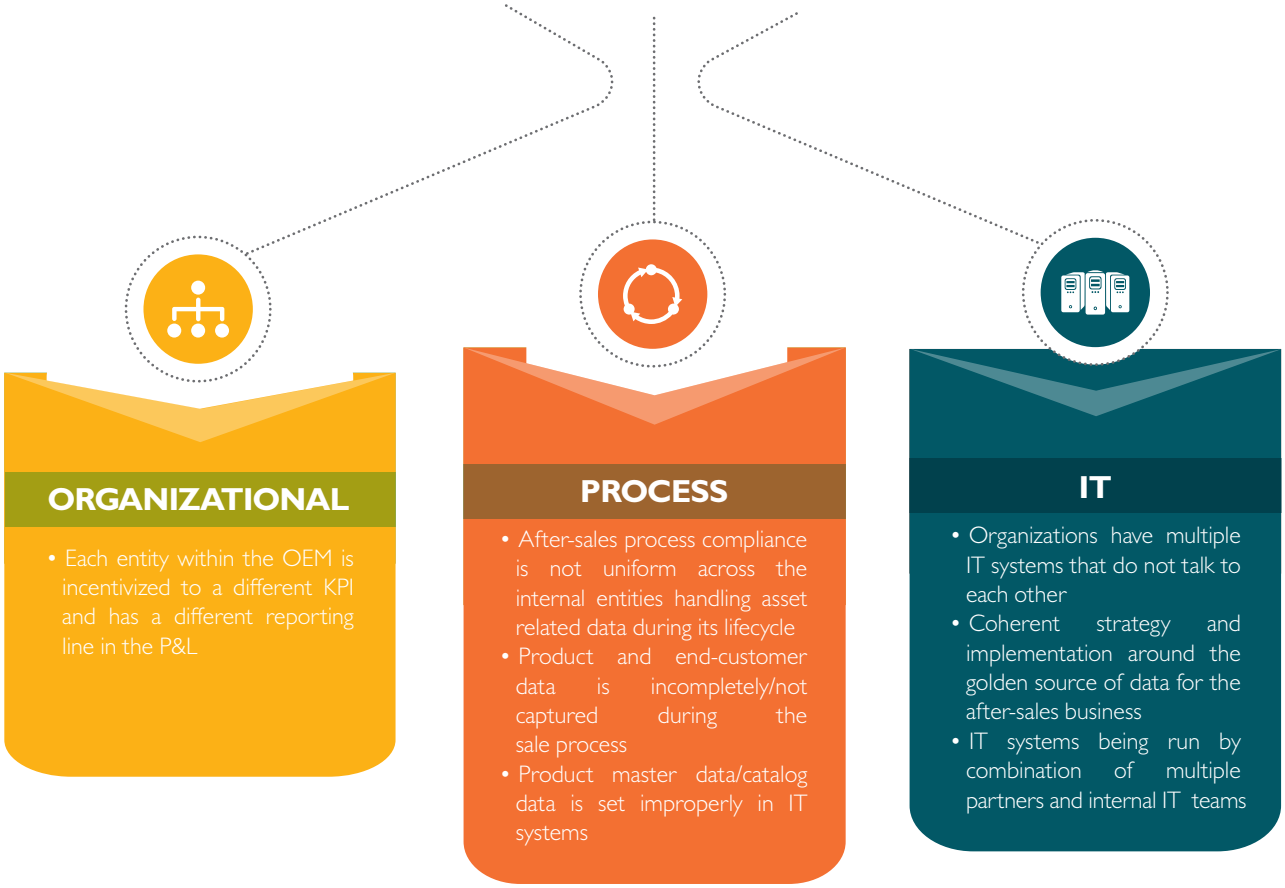
Data Spread Wide and Thin

For most OEMs, there are several hurdles to build a consolidated and dependable view of their installed base. This information is the foundation of a strong aftermarket service system.

The reality is that customer data is spread across multiple ERPs, CRM systems and different geographies. Several stakeholders touch the assets across their lifecycle, leading to disorganized and imperfect customer data. Repair centers offer repair services, warehouses dispatch spares, field tech workers examine and attend to the product, while the customer reaches out to contact centers that belong to different entities in the product value chain. The overall outcome is customer and product data that needs considerable effort to consolidate, clean up and enhance. This inhibits the OEM's ability to offer post-sales services and derive value.

Additionally, complexities in a global supply chain make tracking assets a real challenge. Order could be placed on the parent company, get manufactured and shipped from another country, and could be handled by a sales center or external partner before it reaches the end customer. Along this chain, information related to the customer could be captured in different formats and different languages. Often, there is significant information loss about the end customer and the location of the equipment and other asset details. When equipment is moved by the customer to a new location or it becomes part of a merger or an acquisition, the gaps in information become larger.

THERE ARE THREE DIFFERENT AREAS THAT RESULT IN THE PROBLEM:



Consequences of Poorly Installed Base Data

Shaping and managing after-sales services depends on accurate customer data and insights into the current state of the equipment. There is very little reliable data available on the installed base. And where it is available, the master data is not in good condition. This means service personnel are unable to target customers with the right service offers, at the right time.

As a consequence, customers are moving to competition, while the OEM continues to dedicate increased effort and investments in acquiring new customers for new sales.

Unlock the Value of the Installed Base

The way forward would be to deploy a holistic combination of IT and non-IT solutions. The IT solution includes migration and consolidation of installed base data from multiple ERP and legacy systems spread across multiple geographies. The non-IT solution is to use Business Process Services (BPS) to manually do the data cleansing and enrichment. In most instances, automated processes can accomplish 20% to 30% of the task of standardizing and normalizing data. Manual cleansing and enriching can enhance it, and bring that up to 90% or even 95% completion.

Manual methods to trace manufacturing batches, shipments, destinations, installations, ownership transfers and service histories are often necessary. These must be created in consultation with business heads and their teams. The methodologies to cleanse and enrich the data must be validated by the OEM.

Once reliable data – the golden source of truth is available, advanced analytics and tools can be applied to generate service revenue leads and target customers. The can be used to start a targeted campaign to reach out to the customers.

Creating an Effective Business Case

While the high level solution sounds simple, OEMs have different operational and data environments that call for tailored and fit-for-purpose approaches. A combination of deep IT expertise and robust Business Process Services needs to be made for delivering the business goals.

Organizations have the advantage of consolidating their installed base data and generating service revenue leads without making full investments in the IT systems or the process of manually enriching the data. Using an outcome-based model, organizations can ensure they pay for each successful service revenue lead that is generated. This will, in turn, help in creating a business case that is easier to sell to the internal stakeholders. The revenue realized from the initial leads can help in funding the remaining project, thus making the business case stronger.

About the Author

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Venkata Akella is an Industry Principal with the Service Transformation Practice at Wipro. He has 17 years of experience in delivering large supply chain and IT-enabled business transformation across multiple customers in Europe. He holds an MBA from IIM, Bangalore and a B.Tech from IIT-BHU.

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