

Maximized Product Uptime:

The Emerging Industry Standard



How maximized product uptime is
becoming the standard in after-sales service

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A Major Disruption Hidden In Plain Sight

There is a major disruption occurring around the world – a disruption that is hidden in plain sight.

Macro-level economic, demographic and technological trends and advancements are changing customer expectations across industries and verticals. Online companies like Amazon, Zappos and Uber – combined with the needs of the massive millennial generation – have fueled an on-demand mindset where products should “just work” and service should be instantaneous.

This shift to servitization, or selling access opposed to ownership, has created a massive opportunity for large, durable goods manufacturers, in particular. These iconic brands are at a crossroads and have the choice between two paths:

- Get ahead of these changes and transform their businesses to determine the future success of their company, or
- Maintain the status quo and ultimately see decreased customer satisfaction, revenue and brand reputation.

Disruption as a motivator

Disruption will always be a constant, and no industry is immune from it. However, disruption shouldn't incite fear. Instead, it should be a motivator to evolve existing business models and processes to continue meeting – and exceeding – customer expectations.

For example, Blockbuster had a stronghold on the movie rental industry for years. When Netflix's DVD-by-mail service grew in popularity, Blockbuster failed to adapt and quickly lost market share. However, when Netflix was in the same position several years later as DVD player sales began to decline, they chose to adapt and ultimately redefined the way people consume television and movies. Now the nearly \$20 billion company offers original programming, online streaming and on-demand content – completely transforming the media services industry.

Manufacturers must transform their business models to survive

Today, original equipment manufacturers (OEMs) are in a similar position to Blockbuster and Netflix, and some of the world's most sophisticated brands must decide which path they will take.

The swing to a servitization-focused economy especially impacts after-sales service – the service delivered after the initial sale of a product. For many OEMs, after-sales service has long been a sub-optimized area of business. In today's customer-centric climate, however, companies that are unable to meet service demands will quickly see customers taking their business elsewhere.

As the world continues to change at a rapid pace – oftentimes faster than our ability to adapt – it is more important than ever to shift from a reactive, break-fix service model to one focused on maximizing product uptime, or pre-emptively repairing equipment before it ever fails.

An after-sales service organization focused on maximized product uptime requires a new way of thinking – manufacturers must reinvent their after-sales service organizations, adopting sophisticated solutions and new business processes to optimize the complete service supply chain. These changes will not only lead to improvements in revenue, gross profits and operational efficiency, but also the overall customer experience.

Synchron and Worldwide Business Research/Field Service set out to understand how maximized product uptime is impacting and will continue to impact manufacturing and the customer experience, surveying 200 OEMs, with respondents evenly split between the U.S. and European markets, plus 100 equipment end users.

Their responses helped shape this report and the insights featured below are designed to help and inspire manufacturers as they navigate today's ever-changing world.

Key Insights



Maximized product uptime is the future, and the future is now.



Unprecedented customer demand is forcing change.



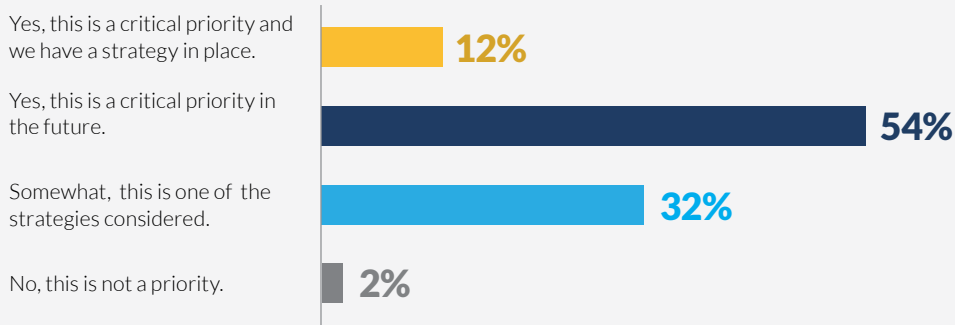
Manufacturers must overhaul infrastructure and resources to support maximized product uptime.

Maximized Product Uptime Is The Future, And The Future Is Now.

Regardless if it is a personal iPhone or a multi-million dollar piece of construction equipment, customers want to make quick, efficient and cost-effective repairs. The customer has more control than ever, and OEMs are beginning to feel the pressure to optimize their after-sales service organizations to meet these increased expectations.

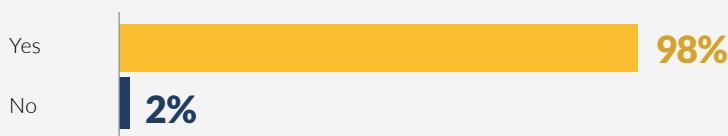
Executives are seeing the writing on the wall, as 66% of OEMs indicated that they are beginning to feel pressure from the executive suite to shift away from a reactive, break-fix service model and move towards one that is focused on maximized product uptime.

Do you currently feel pressure from the executive suite to build an after-sales service strategy that maximizes product uptime, moving away from a transactional, break-fix model?



However, 98% of end users indicated they want to see more OEMs provide service agreements that offer maximized product uptime.

Do you want to see more original equipment manufacturers offer service agreements that guarantee maximized product uptime?



It's clear why most executives are pushing their teams to implement practices to support maximized product uptime, as it is a response to market demand. However, there is a disparity between the number of organizations pushing for it and the number of customers demanding it. To succeed now and in the future, manufacturers must be willing to make changes soon, otherwise they will be left behind.



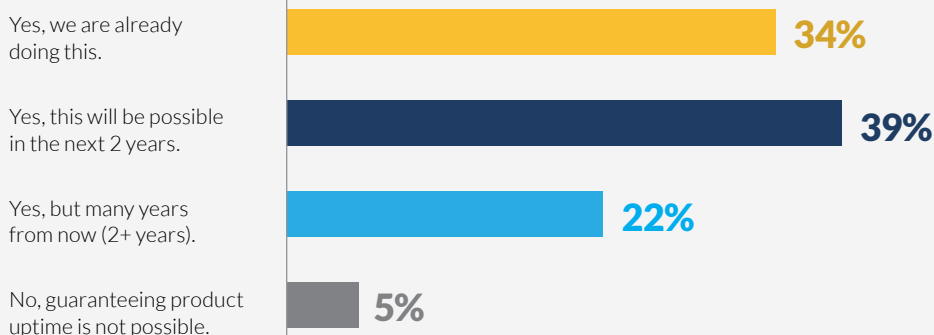
The executive suite is pushing for maximized product uptime and customers are demanding it, so if you aren't already considering implementing change, your service organization should be poised to act soon.

With the obvious need to implement a service model centered on maximized product uptime, manufacturers must have the technologies and resources in place that support this model.

But, are they prepared?

Only 34% of OEMs indicated that they are delivering a service strategy based on maximized product uptime, while 39% indicated it would be possible within the next two years.

Do you believe it is possible for your service organization to develop and deliver a strategy based on maximized product uptime?



Consider how much the world has changed in just two years – what once seemed like faraway ideas are now commonplace. Everything, from fully autonomous vehicles to home automation systems and virtual assistants, has become a reality.

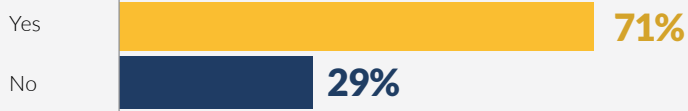
If Netflix had waited two additional years to shift their business model, they wouldn't have evolved from “the fastest-growing, first-class mail customer of the United States Postal Service to the biggest source of streaming Web traffic in North America during peak evening hours” nearly overnight.¹

With nearly 100% of end users expecting maximized product uptime, but only 33% of manufacturers equipped to meet those expectations today, it's clear that OEMs are missing a significant opportunity.

So, what is holding them back?

Before OEMs can support a service model that centers on maximized product uptime, they must have the data to support this new strategy. More than 70% of respondents indicated that they are currently gathering data from sensor-equipped products in the field.

Are you currently gathering data from sensor-equipped products in the field?

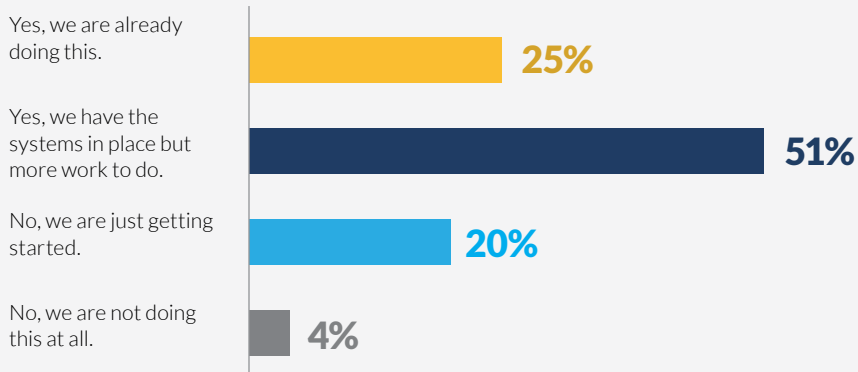


¹ <https://nyti.ms/2Lpa2q8>

However, only 25% of OEMs are currently using sensor data to support a service model focused on maximized product uptime, while 51% indicated they have systems in place but more work to do before they are ready to fully support this new model.

It is encouraging that the majority of OEMs realize that they need to invest in and maintain the necessary infrastructure to make data useful to their organizations. On the flip side, however, three-quarters of manufacturers are still struggling to understand the best path forward to make this vision of actionable data a reality.

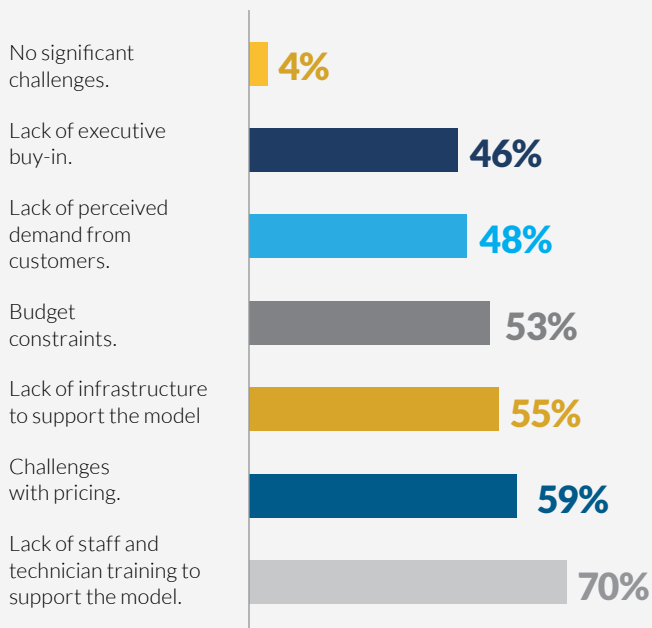
Does your after-sales service organization have the infrastructure in place to use the data you are collecting to support maximized product uptime?



OEMs can be the next Netflix-like success story, but they must invest in the appropriate technologies and resources to redefine the way they do business.

With any massive change comes challenges. When shifting to a service strategy focused on maximized product uptime, OEMs identified a variety of concerns. Their main challenges included lack of staff and technician training to support the model (70%), challenges with pricing (59%), lack of infrastructure (55%) and budget constraints (53%).

What are the main challenges in transitioning to an after-sales service strategy that guarantees maximized product uptime?



The common thread of these challenges is resources – human resources, technology resources and financial resources. With 46% of OEMs indicating a lack of executive buy-in, the C-suite can't just demand maximized product uptime, they must also establish the necessary budget to make it possible.

Massive change doesn't happen overnight, and it definitely doesn't happen without an associated cost. However, a service model centered on maximized product uptime will significantly increase not just the customer experience, but also overall financial performance.

Unprecedented Customer Demand Is Forcing Change.

Society's familiarity and growing appetite for subscription-based services is fueling the servitization economy.

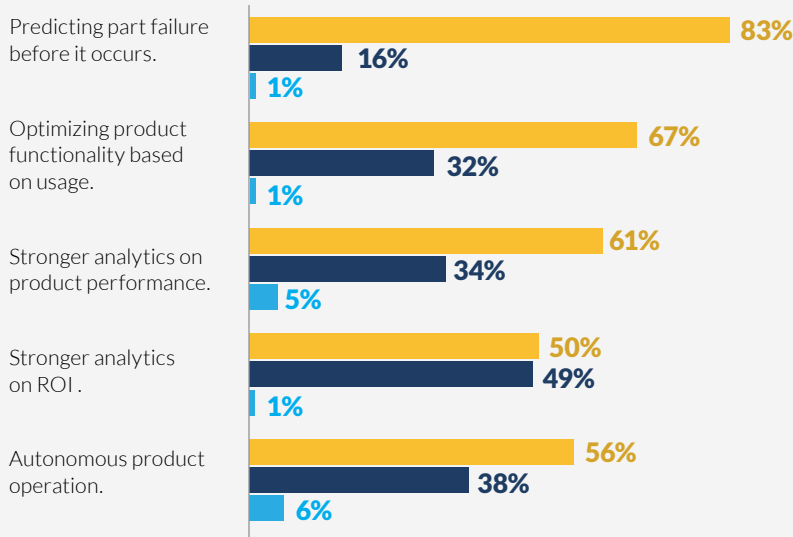
More than ever, consumers are now accustomed to goods and services appearing at the click of a button – or even with just a simple question. When an individual can simply say “Alexa, reorder dog food,” and the package arrives at their doorstep a day – or even hours – later, it’s easy to see why we are in the midst of a completely new way of doing business.

Users of long-lasting durable goods are no different. They have the same high level of expectations when servicing a large piece of earth moving equipment as they do requesting an Uber. They want increased visibility, speed and efficiency – without much effort on their end.

When asked about what is central to end users to be successful in their jobs, 83% indicated that predicting part failure before it occurs is extremely important, while 67% said an OEM's ability to optimize product or equipment functionality based on historical usage is also key.

How important are the following benefits to your business?

Extremely important Somewhat important Not at all important



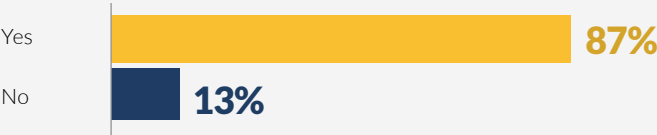
The only way OEMs can meet these expectations is to completely redefine their service organizations and shift to a pre-emptive, subscription-based service model centered on maximized product uptime.



A subscription-based service model focused on maximized product uptime is the only way OEMs can support customers' ever-increasing expectations.

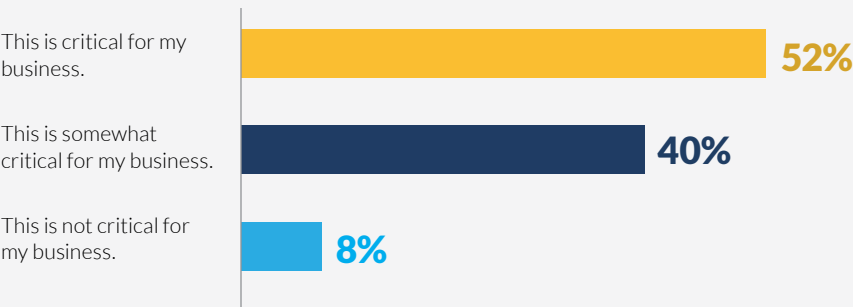
When asked explicitly if a service agreement that guarantees maximized product uptime offers their business a competitive advantage, 87% of end users said yes.

Do you think that a service agreement that guarantees maximized product uptime offers your business a competitive advantage?



And, more than 90% of end users indicated maximized product uptime is viewed as critical to their business' success.

How critical is maximized product uptime for your business?



To get to a point where maximized product uptime is the norm, however, OEMs must first ensure they have the necessary products and infrastructure in place. The linchpin to any successful uptime-driven program is data, most notably data from products in the field.

More than 70% of manufacturers indicated that they are currently gathering data from sensor-equipped products. This is a good sign: it means the majority of OEMs have what they need to get an uptime-focused program up and running.

The customer demand is here – they view maximized product uptime as a key benefit and critical to their business' success. And, manufacturers overwhelmingly have the data they need to make maximized product uptime the standard of after-sales service. It is now up to these OEMs to redefine the way they do business to meet these increasing expectations.



Manufacturers Must Overhaul Infrastructure And Resources To Support Maximized Product Uptime.

Maximizing product uptime is critical to the success of nearly all end users of long-lasting, durable goods. And in today's world, if an asset is down, customers simply won't pay to use it.

The business model transformation race is on and running at an accelerated pace. The OEMs that can efficiently and effectively evolve their businesses to maximize product uptime will be the ones that will win in the long run.



Radical market disruptions – like the rapid expansion of the Internet of Things (IoT) market – are forcing OEMs to be hyper-focused on customer needs. The ones that optimize their businesses to meet these high expectations will be the ones to succeed for years to come.

OEMs take control of the technology stack

The only way to maximize product uptime is to invest in the proper technologies that will support the new service model. The Internet of Things (IoT) market is expected to reach \$267 billion by 2020² and manufacturers must prepare for the impact the game-changing technology will have on their business. However, the research indicates OEMs' investment in IoT may be slowing.

With only 22% of manufacturers responding that IoT will be a major investment in the next 12 months, it could be that the investment has already been made and the focus is more on the optimization of that data that IoT platforms collect.

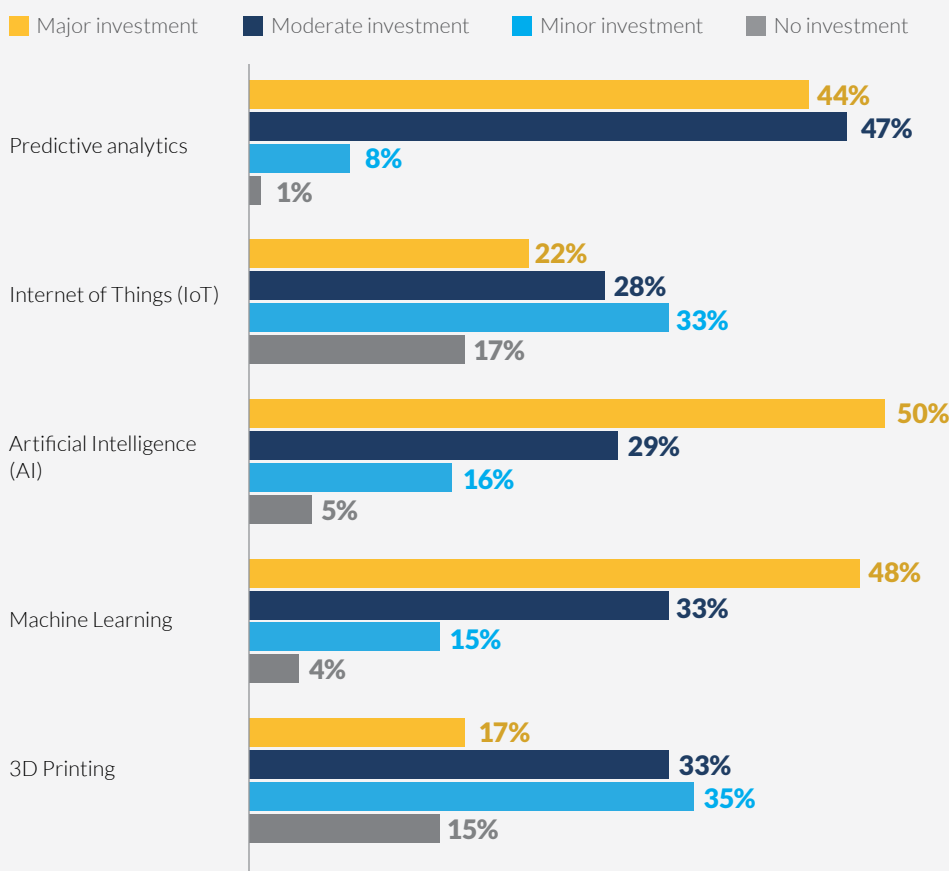
² <https://bit.ly/2wgXQmE>

Millions of datapoints are now available from sensor-equipped products in the field, and that number will only increase. It is impossible for a human – or even a team of humans – to sift through that data and act on it in a way that positively impacts their business. As a result, manufacturers across industries and verticals are relying on Artificial Intelligence (AI) and machine learning capabilities to make this data actionable.

More than half of OEMs plan to make AI and machine learning a major investment within the next 12 months, with an additional 29% making it a moderate investment. It's clear that the majority of OEMs realize they will need to leverage these emerging technologies to make the next generation of service a reality.

At the core of a service model centered on maximized product uptime is pre-emptive maintenance, and the only way to make this possible is to use predictive analytics. With 90% of manufacturers intending to invest in predictive analytics within the next 12 months, it is clear they are on the road to a more efficient business.

What level of investment are you looking to make in the following technologies in the next 12 months?



Customers were ready for maximized product uptime yesterday

The good news: Manufacturers realize they need to make the necessary investments to make maximized product uptime a reality.

The bad news: Customers were ready for maximized product uptime yesterday, but OEMs are still building the infrastructure and resources necessary to meet these expectations.

With 87% of end users indicating that a service agreement that guarantees maximized product uptime would be a competitive advantage for their own business, there is no denying that the customer demand is there, and manufacturers need to make maximized product uptime the rule – as opposed to the exception – now.

Manufacturers are very clear on customers' expectations for maximized product uptime, as 82% believe prospective customers would consider maximized product uptime in their purchasing decisions.

So, customers want maximized product uptime, and OEMs know they need to deliver it. But are customers willing to pay?

Do you think your prospective customers will consider your ability to deliver maximized product uptime as a factor in their purchasing decisions?



End users and OEMs are aligned – 58% of manufacturers believe customers would be willing to pay more for service agreements that guarantee maximized product uptime, while 57% of end users indicated an uptime guarantee would be worth the extra cost.

Do you feel your customers are willing to pay more for maximized product uptime?



Are you willing to pay more for a service agreement that guarantees maximized product uptime?



To recap, maximized product uptime offers manufacturers a competitive advantage, an enhanced customer experience and additional revenue and profit opportunities. It is the way of the future and will be the cornerstone of after-sales service organizations for years to come.



Conclusion And Next Steps

History tells us that in every generation, innovations and radical market disruptions have transformed businesses, industries, economies and livelihoods. Some have chosen to cling to the past, resist the call for change and failed to remain relevant. Others – with greater vision and wisdom – have embraced and enabled disruption and prospered.

Manufacturers are at a pivotal moment in time. They must decide if they will be a leader or laggard – lead the world's transition to a subscription-based model centered on maximized product uptime or maintain the status quo and get left behind.

This research revealed that customers are demanding maximized product uptime, manufacturers know they need to deliver it, but do not have the technology or resources in place to support it today. While these changes and challenges may seem overwhelming to some, it also presents a great opportunity for manufacturers to be industry leaders and choose the path that will launch them to success – the timing has never been better for companies that want to adapt and be a part of that future.

Appendix

Do you feel that the ability to offer a service agreement that guarantees maximized product uptime would represent a competitive advantage for your company?

Yes, my company already offers service agreements that guarantee product uptime.



Yes, this would be a competitive advantage for our business.



Somewhat, because our competitors offer this now or may in the near future.



No, we do not believe it would be a strong competitive advantage for our business.



Do you currently feel pressure from your customers to build an after-sales service strategy that maximizes product uptime, moving away from a transactional, break-fix model?

Yes, this is a critical priority for our customers and we have a strategy in place.



Yes, this is a critical priority for our customers in the future.



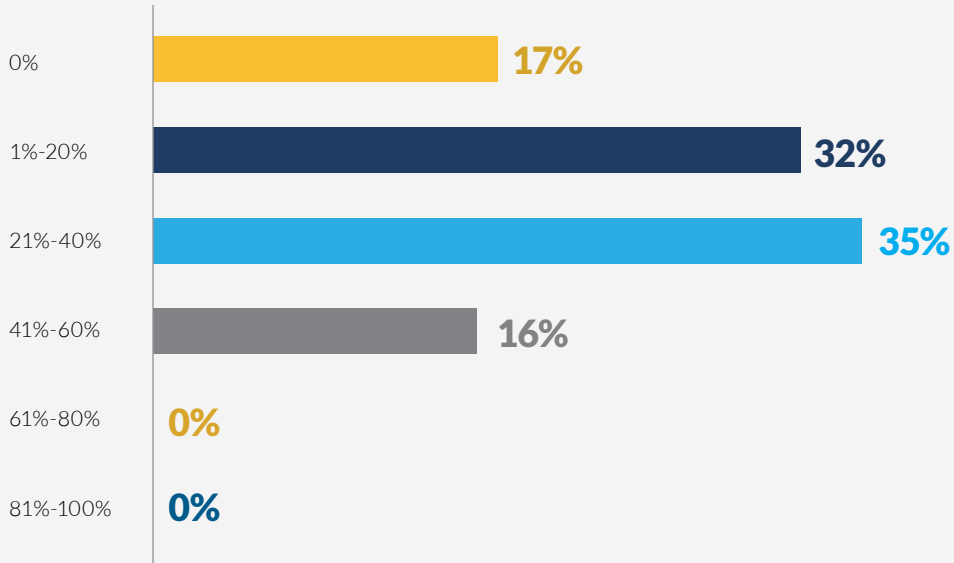
Somewhat, this is one of the strategies we are considering implementing for our customers.



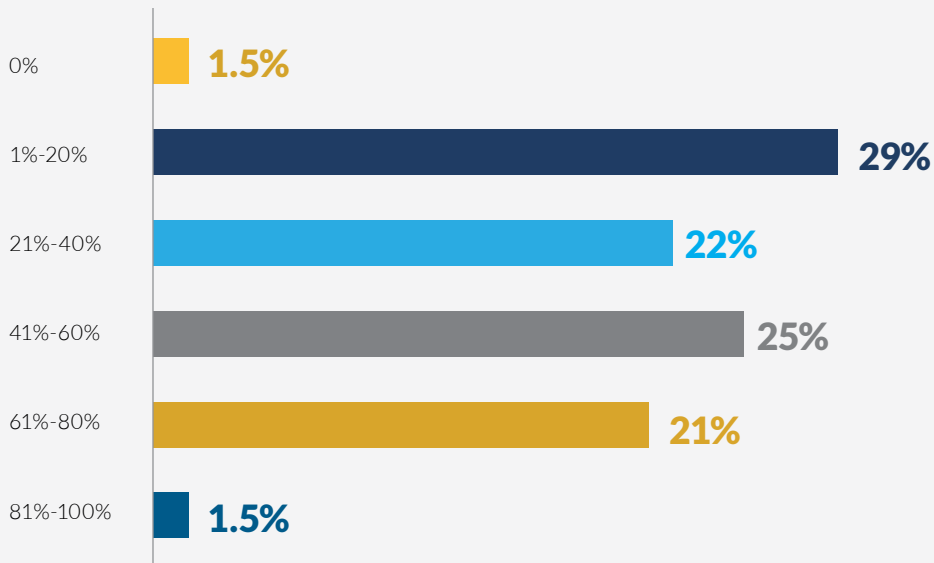
No, this is not a priority for our customers.



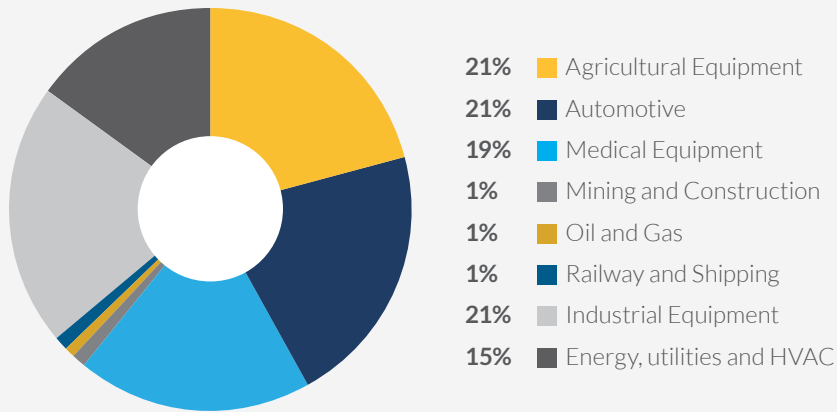
Approximately what percentage of your current customer base has service agreements that guarantee maximized product uptime?



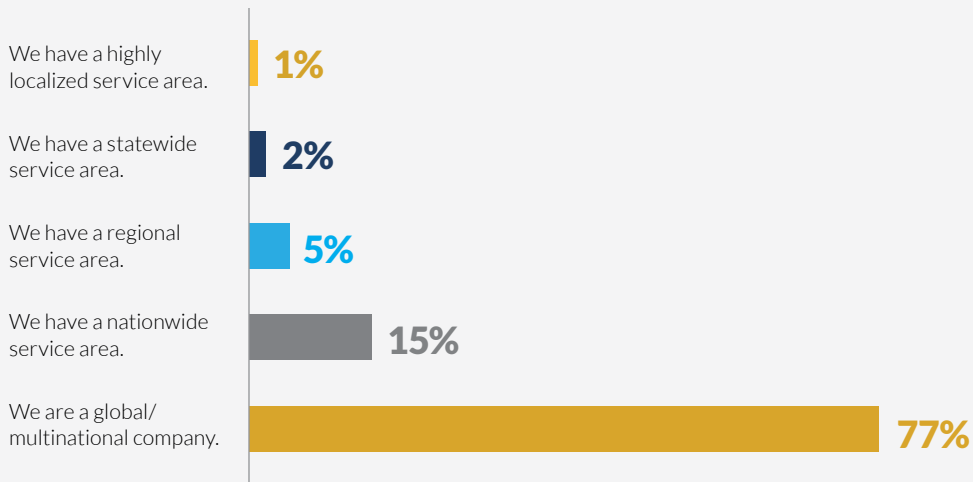
Approximately what percentage of your customers do you predict will have a service agreement that guarantees maximized product uptime in the next 12 to 24 months?



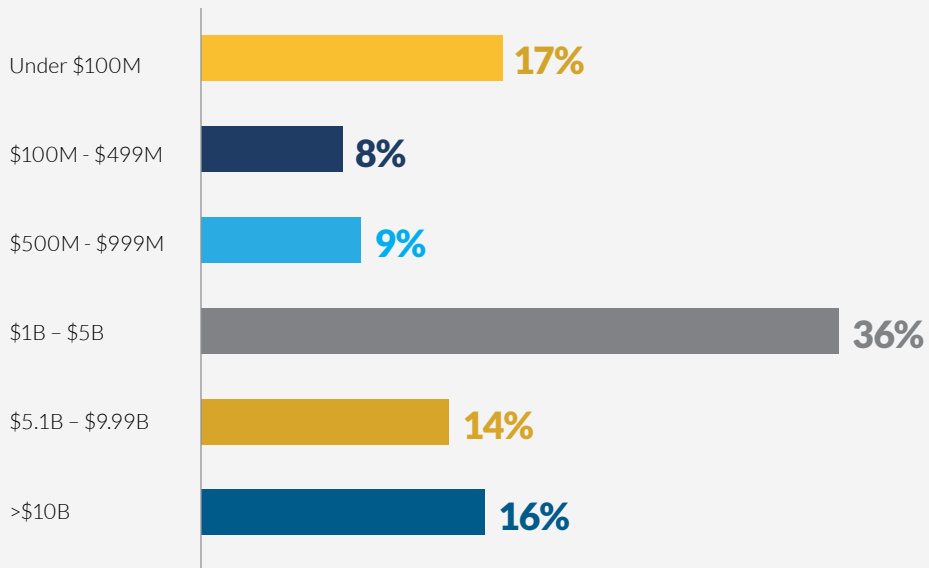
What industry sector does your company operate in?



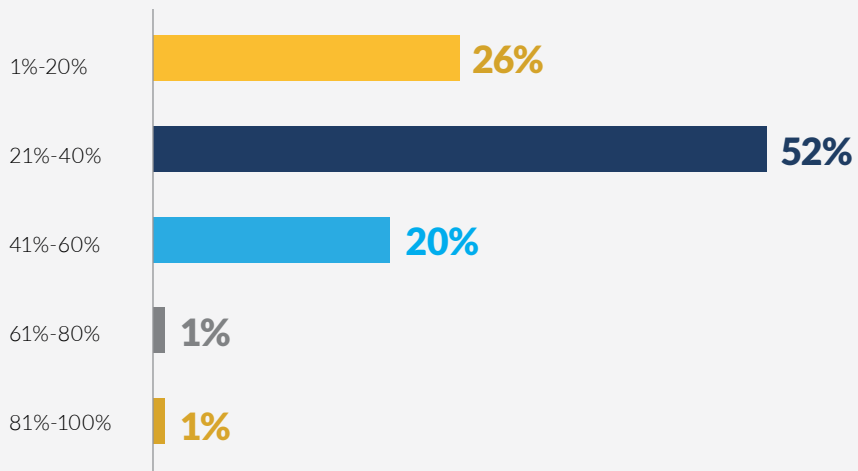
What is the operating area of your service organization?



How much is your company's annual revenue in U.S. dollars?



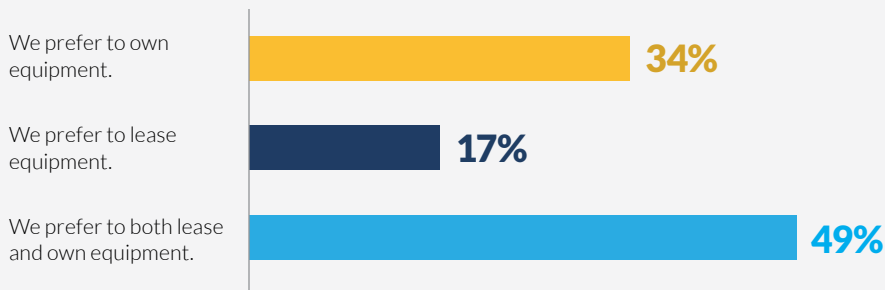
What percentage of your annual revenue comes from service?



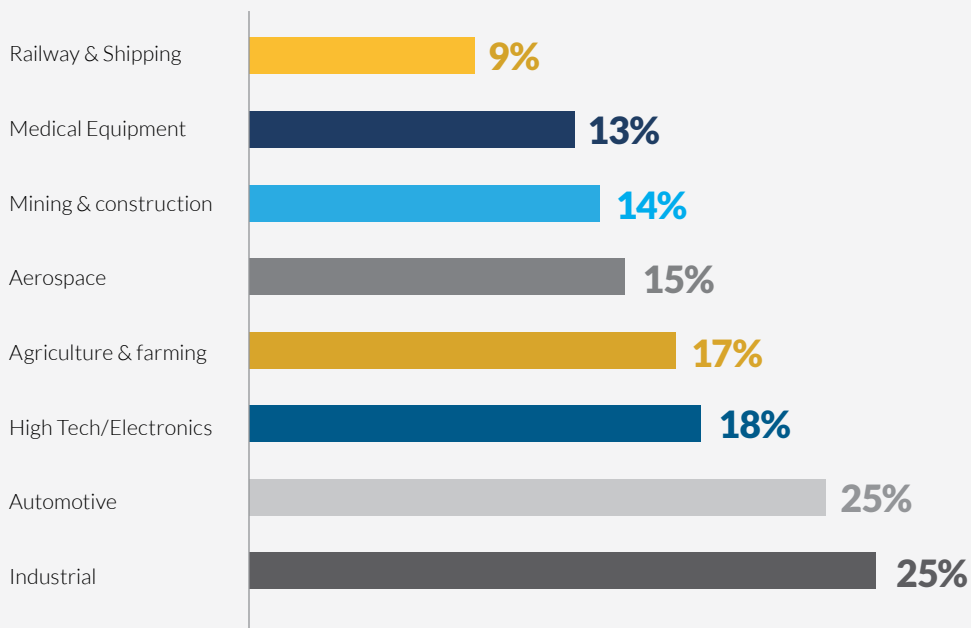
Do you currently have a service agreement in place that guarantees maximized product uptime?



Does your business prefer to own or lease equipment?



For what types of equipment do you have service agreements?



About The Authors



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Synchron was founded on the idea that after-sales service acts as a significant source of competitive differentiation, revenue, profits and customer loyalty. Through its innovative solutions and dedicated team, Synchron empowers the world's leading manufacturers to exceed their customers' expectations, while simultaneously improving revenue and profits. At Synchron, we're not just committed to products. We're committed to helping companies simplify the lives of their customers, while also delivering significant business value.

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