



# **CUST 244 - What the Coming Years Hold for Service Innovation and Connected Products**

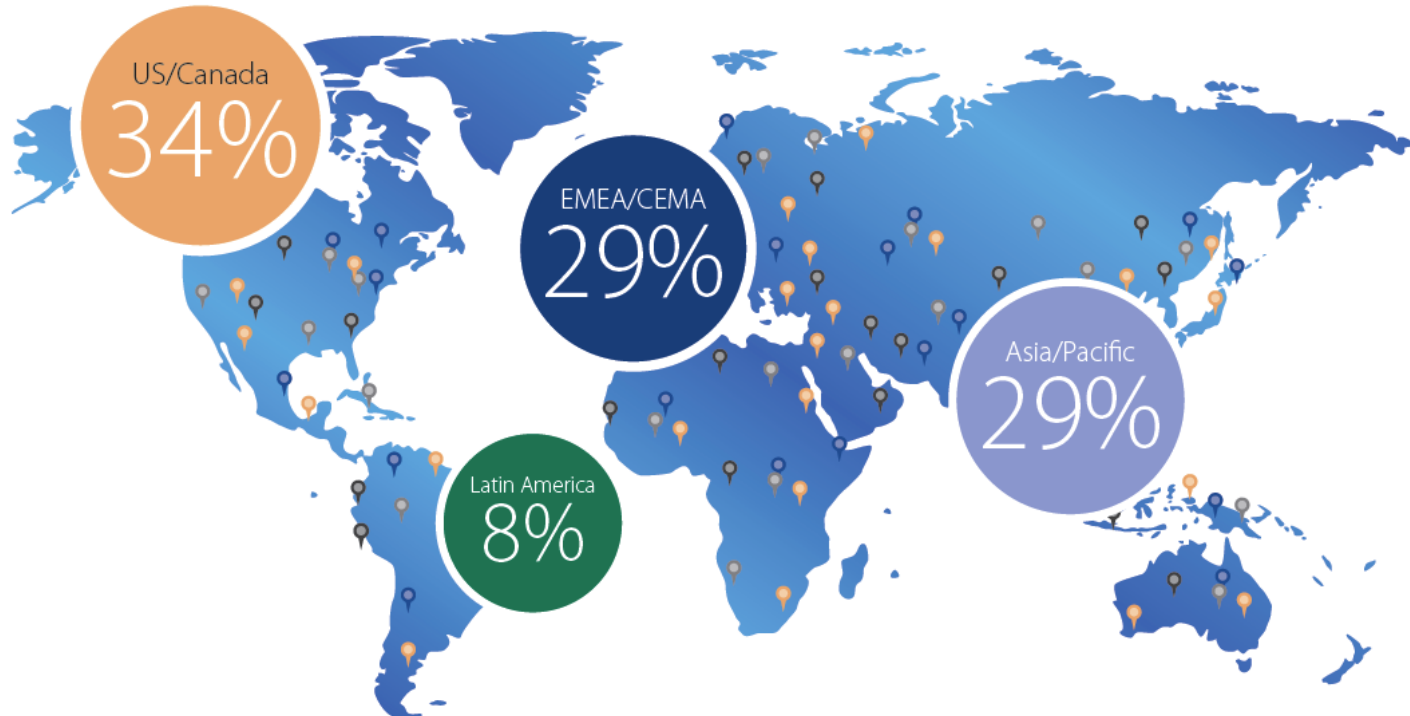
**Heather Ashton**

*Research Manager*

*IDC Manufacturing Insights*

# IDC's Research Assets are Distributed Around the World

1,100 Research Analysts Located All Over The World



# IDC Insights' Research on Line of Business Issues



**IDC Insights** research practices assist business and technology professionals and influencers in the energy, financial, government, health, manufacturing and retail industries to make more effective technology decisions by providing insightful fact-based research and consulting services. Our global research and analysis is focused on mitigating technology risks and maximizing the effectiveness of IT investments.



- Smart Buildings
- Smart Oil and Gas
- Smart Utilities



- Developing Innovative Treatments
- Improving Health Delivery
- Transforming Consumer Engagement



- Engaging Consumers
- Improving Performance
- Managing Risk



- Innovating Product Development
- Optimizing the Supply Chain
- Transforming Manufacturing



- Optimizing Government Performance
- Prioritizing Government Investments



- Creating the OmniChannel Experience
- Maximizing Retail Investment

# Manufacturing Spending Increases

***“Innovation is what’s driving Dow’s next chapter of growth,”***

A.N. Sreeram, Corporate Vice President of R&D

***[Takata was] “...doing what they’re supposed to do: understand the root cause, and then learn from it ... and put countermeasures in place.”***

Steve St. Angelo, Head Latin American Operations &  
Former Chief Quality Officer in North America, Toyota

***“...the lines between hardware, software, and services are blurred or are disappearing”***

Tim Cook, CEO Apple

Note: Amounts are millions of dollars except percentages  
Source: IDC Worldwide IT Manufacturing Spending Guide

# Key Drivers for Companies Today



**Complex, Overlapping  
Value Chains**

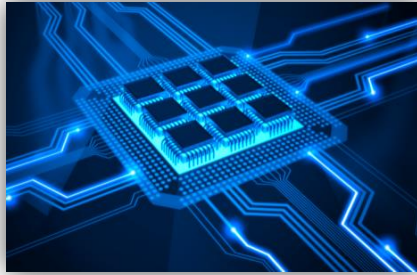


**Emerging Market  
Growth**



**Manufacturers Look for  
Truth in Data**

# Key Drivers for Companies Today



**Connectivity is  
Ubiquitous**



**Convergence of IT, OT,  
and Communications**



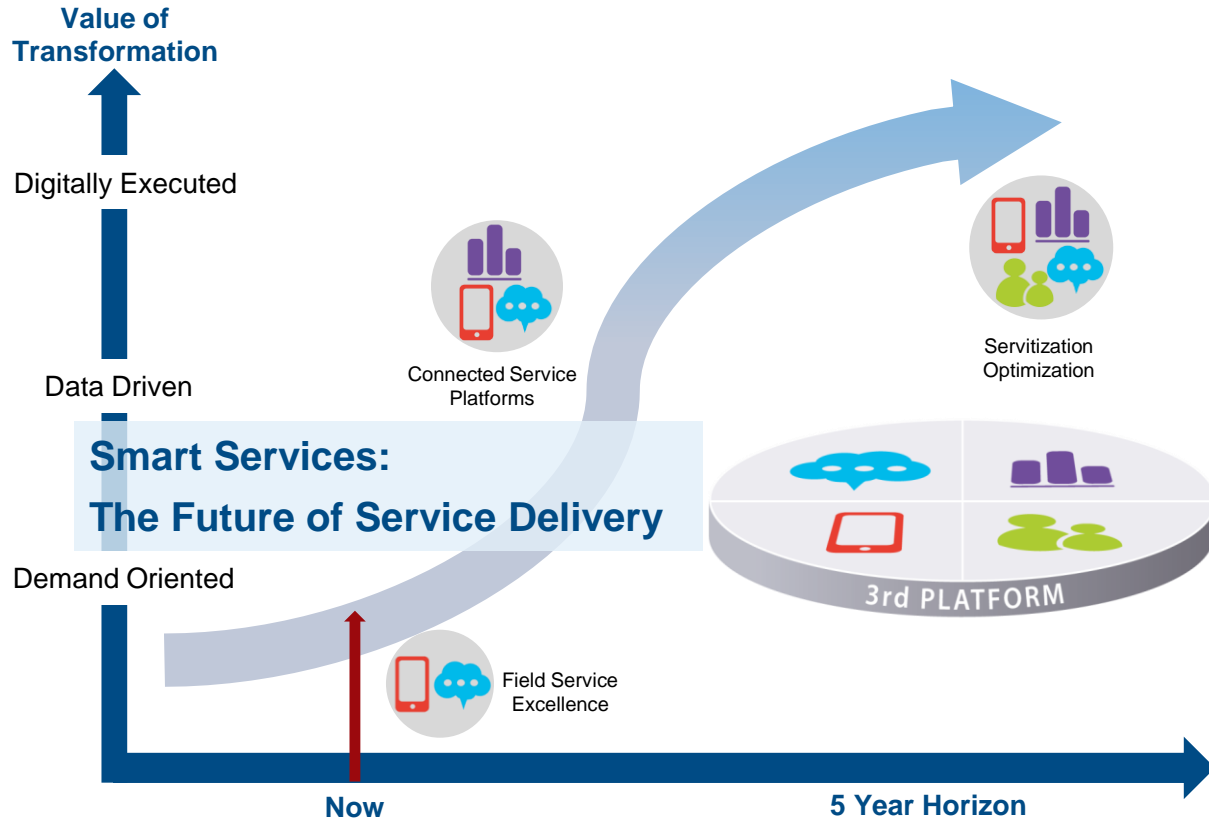
**Reputations built on  
Product Quality**



**Customers Expect  
Increasing Levels of Service**

# The Path to Profitable Growth





Modernized Service Strategies Combine Enterprise IT, "Smart" Tech, New Tech

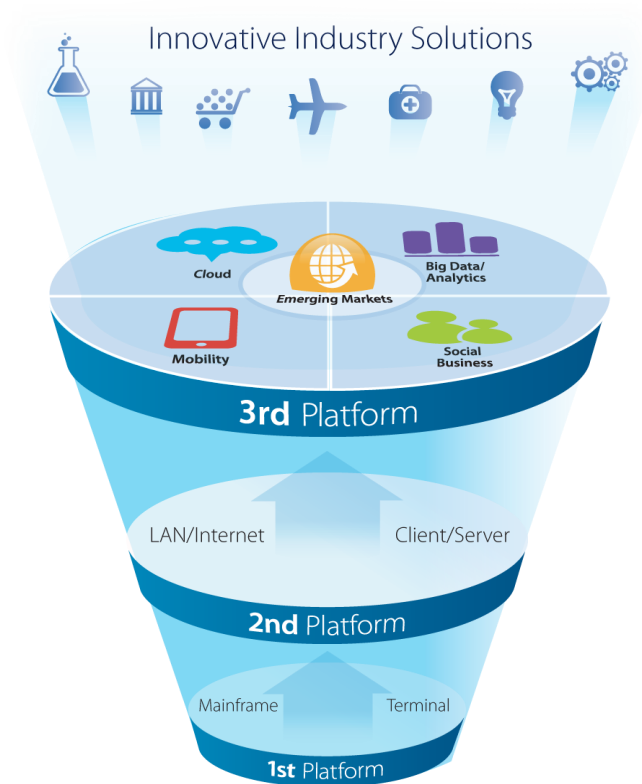


# Technology Fueled Service Transformation

We are transitioning from **Systems** to **Service**,  
from **Information** to **Innovation**

Service will be transformed by  
**3<sup>rd</sup> Platform Technologies:**

-  **Cloud** enables greater access to service parts visibility and information
-  **Mobile** puts critical information in the hands of service technicians at the right time
-  **Big Data/Analytics** capture asset/product information and enables enhanced service quality, better FTF rates
-  **Social** allows engineers, service, customer support to collaborate

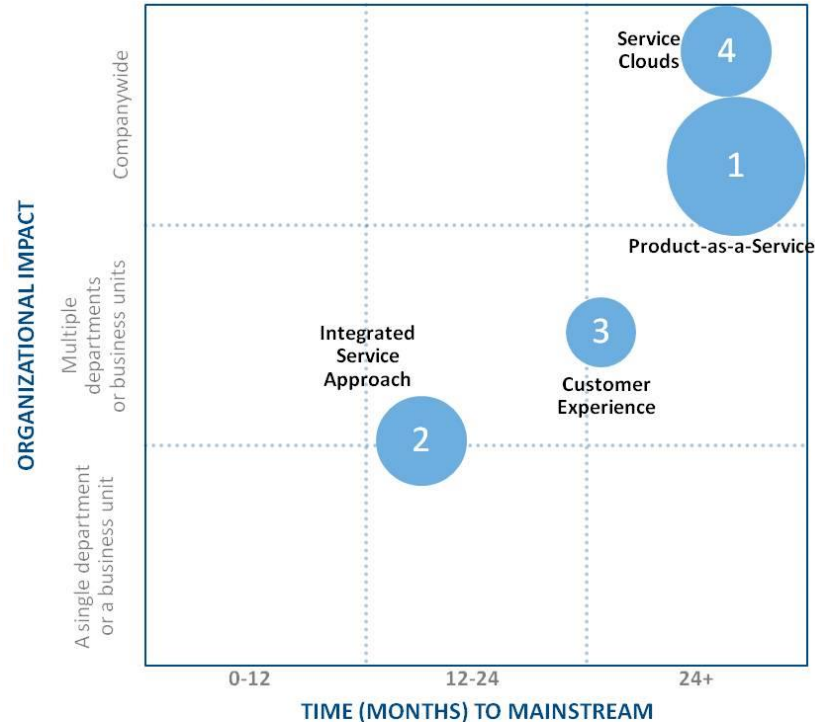






# IDC Predictions Provide Guidance for IT Investments

## IDC's Manufacturing Service Innovation Top Decision Imperatives



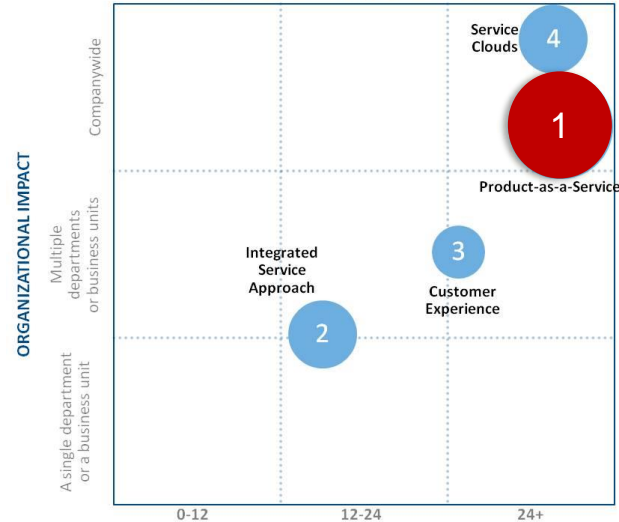
Note: The size of the bubble indicates complexity/cost to address. Source: IDC, 2014

# Product-Service Systems Are Taking Manufacturing By Storm

**By 2018, 40% of Top 100 discrete manufacturers and 20% of Top 100 process manufacturers will provide Product-as-a-Service platforms.**

- Support a global service delivery network
- Leverage external IT service providers for after-sales services with IoT
- Prepare for significant volumes of service data

IDC's Manufacturing Service Innovation  
Top Decision Imperatives



TIME (MONTHS) TO MAINSTREAM

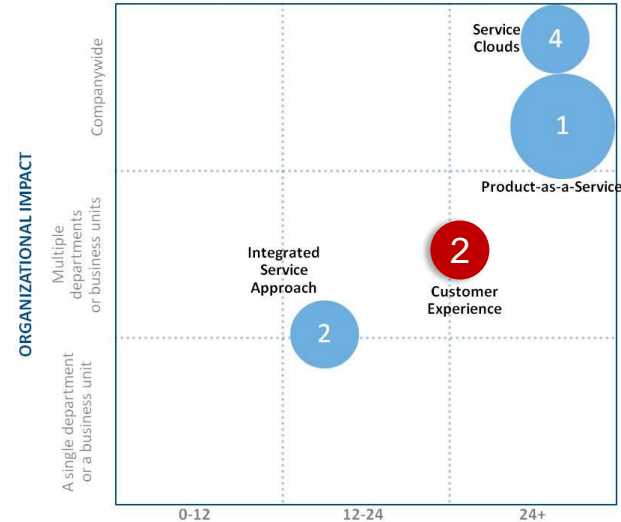
Note: The size of the bubble indicates complexity/cost to address. Source: IDC, 2014

# Customer Centricity Is Key Throughout Service Lifecycle

**Customer centricity requires higher standards for customer service excellence, motivating 75% of leading manufacturers to double investment in after-sales, customer-facing technology by 2017.**

- 360° view of customer is critical
- Manufacturers look to enhance service and expand aftermarket revenue opportunities

IDC's Manufacturing Service Innovation  
Top Decision Imperatives



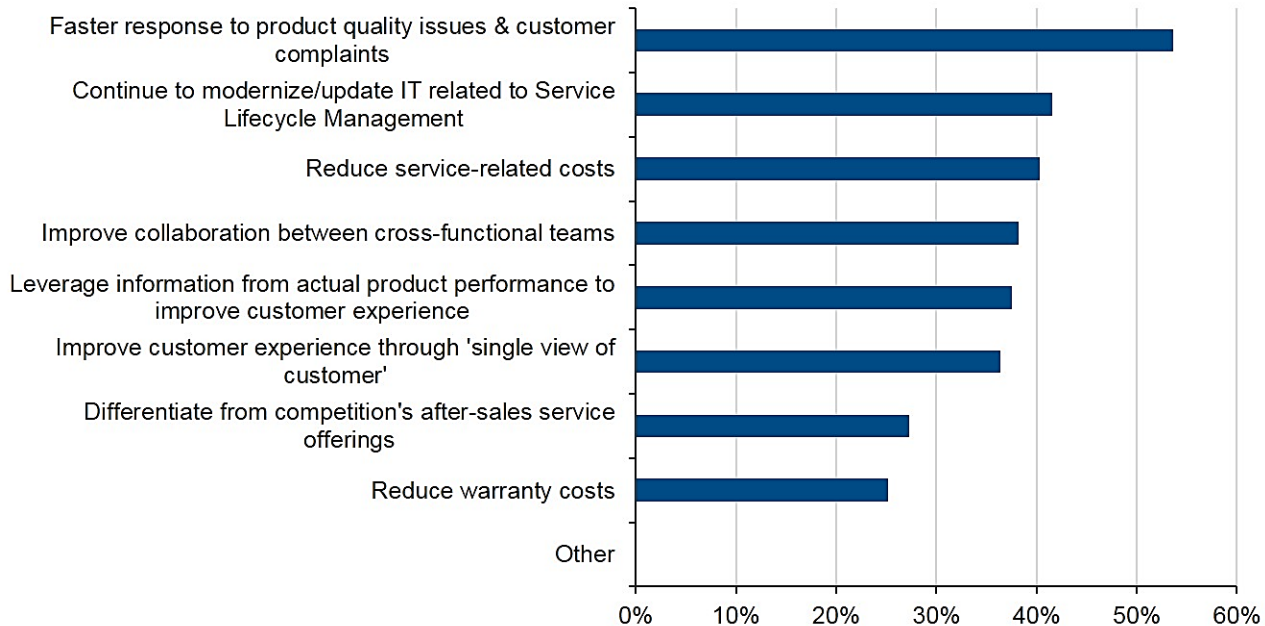
TIME (MONTHS) TO MAINSTREAM

Note: The size of the bubble indicates complexity/cost to address. Source: IDC, 2014

# Faster Service Response is a Priority

## Technology is a Key Enabler

Q: What are the top three drivers for your organization's service lifecycle management (SLM) efforts? Please RANK these in order of priority.

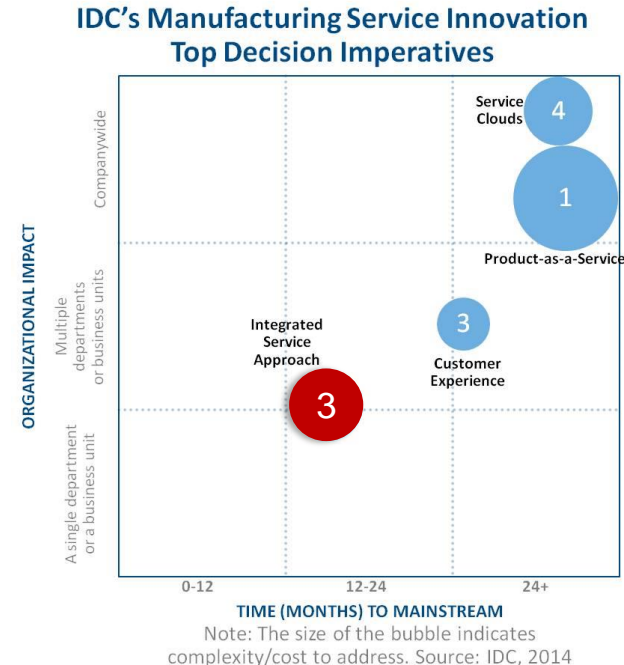


N = 330  
Source: IDC Manufacturing Insights, 2015 PLM/SLM Survey

# But, Many Manufacturers Are Struggling to Get There...

**By 2016, Only 20% of Manufacturers Will Have an Integrated Approach to Delivering Service That Allows Them to Directly Measure Its Impact on Customer Loyalty and Revenue**

- Invest in technology that supports collaboration and links critical customer and product systems
- Forge closer relationships with key partners in service chain
- Consider how to place information in the hands of service professionals when they need it

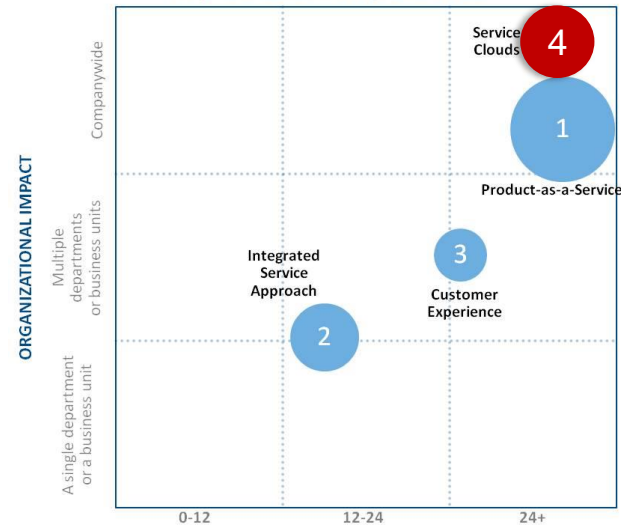


# Service Clouds Can Improve Service Effectiveness

**By 2018, 65% of Leading Manufacturers Will Be Leveraging Information Shared in the Service Clouds to Improve Service Effectiveness and Resolve Channel Conflict**

- Data analytics and actionable intelligence
- Look for existing service clouds that offer vertical-specific functionality
- Make sure that any approach can easily adapt to changing business conditions

IDC's Manufacturing Service Innovation  
Top Decision Imperatives



TIME (MONTHS) TO MAINSTREAM

Note: The size of the bubble indicates complexity/cost to address. Source: IDC, 2014

# Early Examples of Industry Clouds in Manufacturing

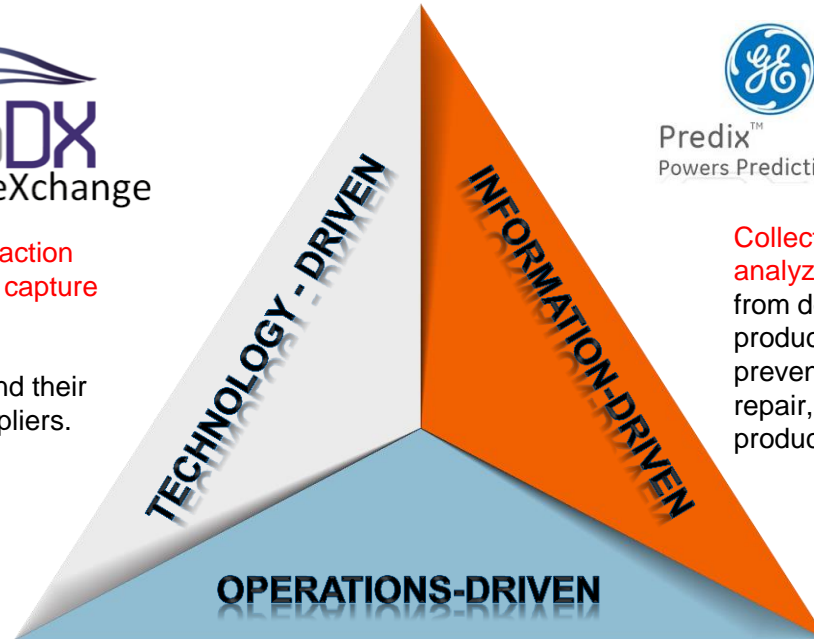


Offers EDI, transaction processing, data capture and sharing for automotive manufacturers and their components suppliers.



Predix™  
Powers Predictivity

Collects, manages, and analyzes telemetry/data from deployed GE products to provide preventative maintenance, repair, and improved field productivity for customers





# The Impact of IoT in Manufacturing

## Support the Process

By 2020...

At least half of all corporate standard processes will have automated data acquisition.

A quarter will have self correction capabilities.



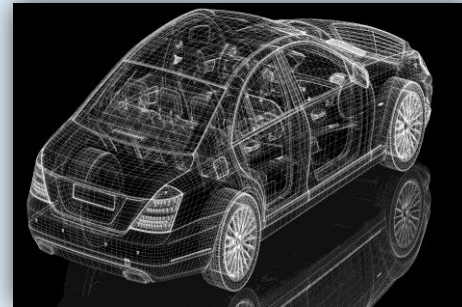
## Support the Product

By 2020...

On board service revenue will double its share of total industry revenue.

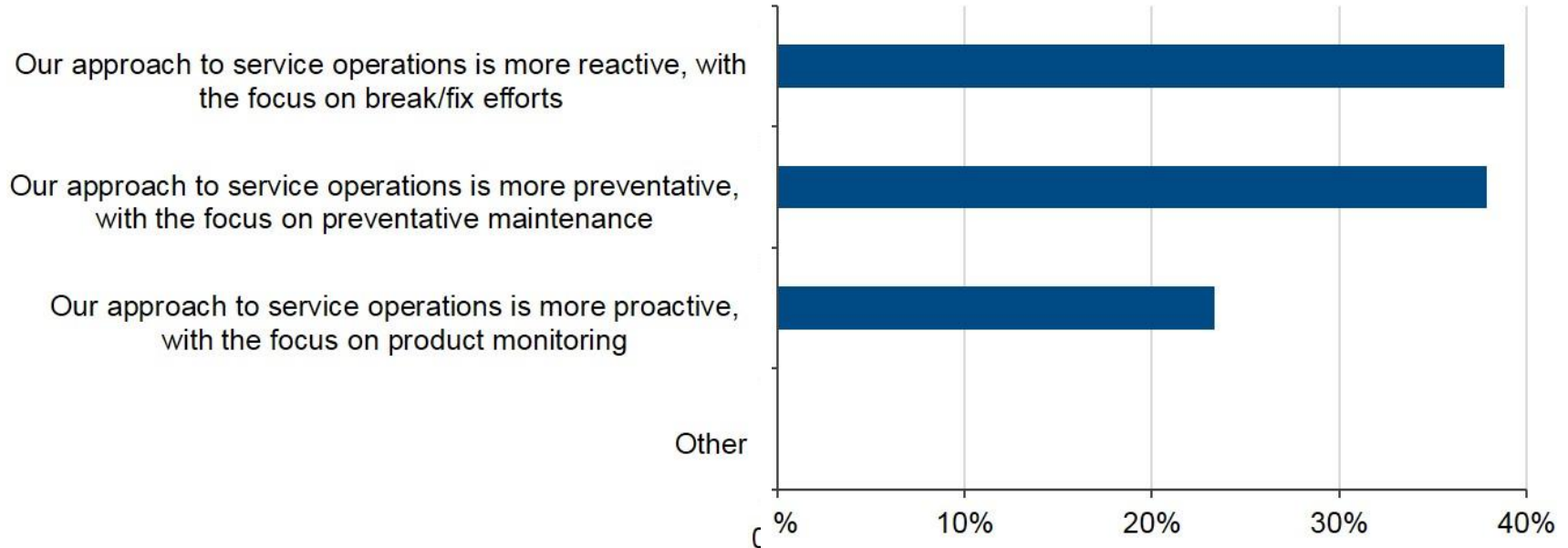
Business models must adapt.

Technology becomes a core product competency.



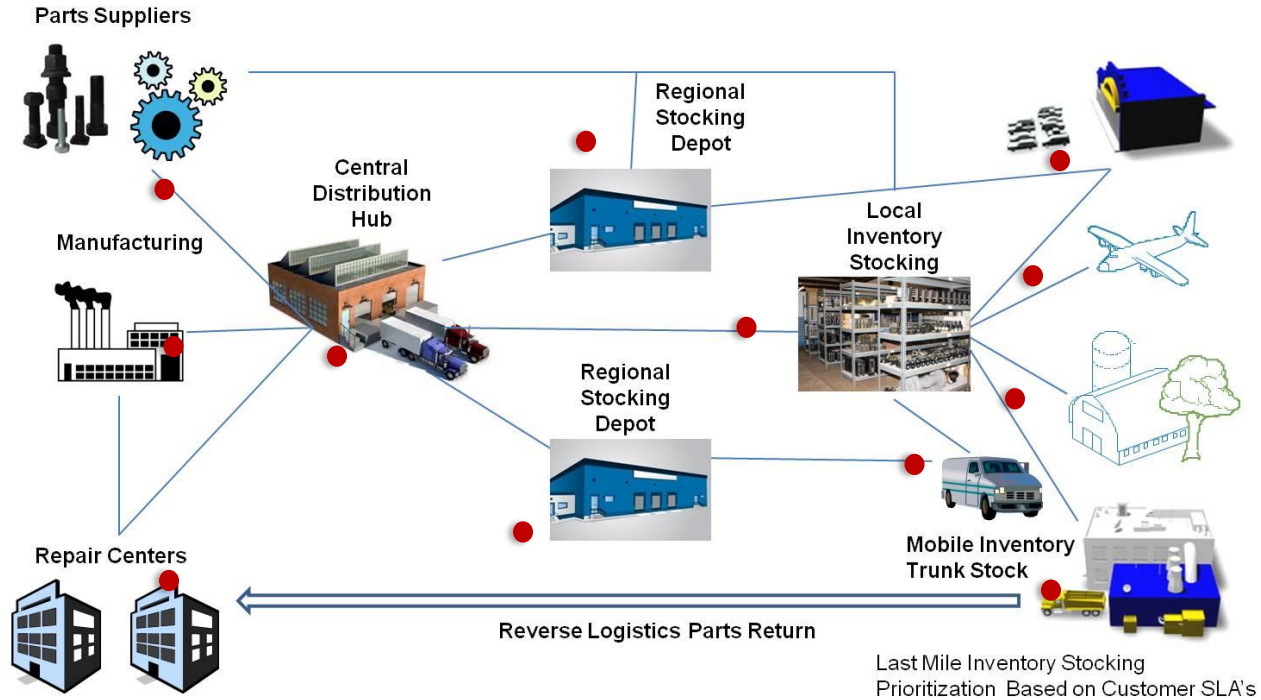
# On the Path to Prescriptive Service

Q7. Which of the following best characterizes your service operational approach with customers?



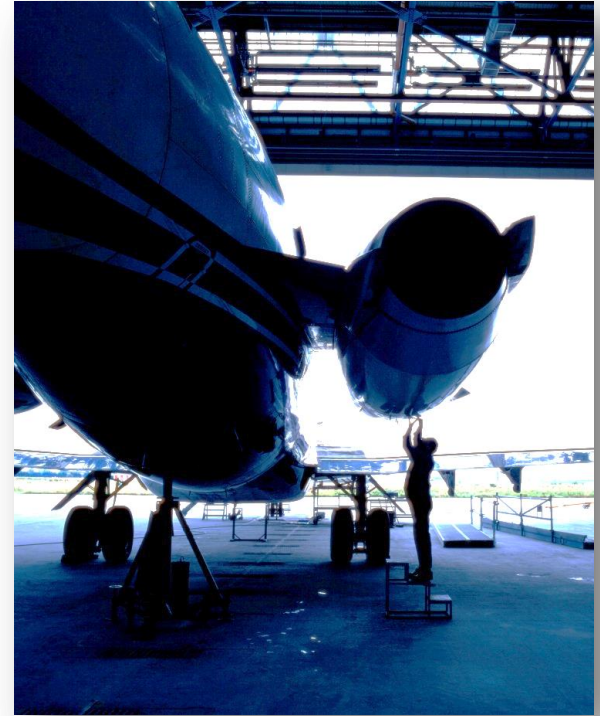
N=330  
Base=All Respondents  
Note: Managed by IDC's Quantitative Research Group; Data Not Weighted; Use caution when interpreting small sample sizes.  
Source: IDC PLM Survey, IDC, March, 2015

# Internet of Things in Action: “Smart” Service Management



# The Vision: From Operational Efficiency to Strategic Differentiation

- Aggressive service revenue goals and profitable revenue streams
- Invest in “Smart” aftermarket service and “Products-as-service platforms”
- Combine service, engineering, and IT teams to modernize service supply chains
- Full product lifecycle: design-for-serviceability and Customer Experience (CX)
- Executive support is critical



# Essential Guidance for Service Business Leaders

1

Understand changing requirements for servicing connected products

2

Visibility into customer experience is critical, so determine best way to layer insights across multiple product, customer, and service-related systems.

3

Link IoT investments to your business needs – ask how investments will enhance products and/or processes

4

Look for transformation opportunities, not just one step forward. Identify technology providers that can combine vision with incremental path toward transformation

# Thank You



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