Key advantage

‘Servitization’ unlocks the secrets of long-term business success

- Five-year project focuses on how manufacturing SMEs can deepen their business relationships with buyers of their products
- Buyers become long-term clients through service and other contracts
- Findings have already helped add £11.4 million in Gross Added Value to SMEs in West Midlands manufacturing sector.
- Aston Business School secured a further £1.2 million of European Structural and Investment Funds/ERDF support

How can UK manufacturers survive and thrive in a ferocious global business environment? In particular, how can smaller firms based beyond the economic hotspot of London and the South-East stay competitive and profitable?

The West Midlands is home to around 400,000 SMEs, with around 30,000 of these involved in manufacturing* Thanks to new EPSRC-supported research at Aston Business School, working with the Advanced Manufacturing Research Centre at the University of Sheffield, West Midlands and Small & Medium-sized Enterprises (SMEs) are benefitting from pioneering EPSRC-funded research that’s helping them succeed in challenging market conditions by changing the way they see themselves.

“We’re exploring how SMEs can benefit by diversifying away from simply selling the products they make and embracing new business models incorporating a strong services element – a process we call ‘servitization’,” says Professor Tim Baines, who is leading the work.

Put simply, servitization is all about developing long-term business relationships with clients through service and other contracts. You don’t just buy an engine, for example, but you also buy-in to long-term servicing and maintenance contracts, component upgrades, spare part support and security enhancements.

The results are being successfully applied in a real-world ‘laboratory’ provided by a parallel project supported by the European Regional Development Fund (ERDF). In that initiative, Aston is working with nearly 80 West Midlands SMEs to help them understand what servitization can offer and how to adapt it to their own circumstances.

This in turn has produced practical insights that have informed and reinforced the EPSRC-funded project – ensuring that Aston is generating expertise and experience in the business of winning that will benefit the manufacturing sector not just in the West Midlands but throughout the UK and further afield too.
Regional reach...

In implementing its strategy to assist SMEs active in the West Midlands’ substantial manufacturing sector, Aston Business School has successfully engaged with 77 companies ranging from start-ups to established firms and varying in manpower from 10 to 96 full-time equivalent (FTE).

Based on financial data provided by the firms, shifting to a servitization model with Aston’s help has already led to growth totalling £11.4 million across the 77 companies. Key to this has been Aston’s ability to overcome organisational inertia and convince companies already very familiar with technical innovation to commit to broader innovation in their business models.

“This growth couldn’t have happened without our interventions – and we wouldn’t have known how to intervene without the outputs from our EPSRC-funded work,” says Aston Business School’s Iain McKechnie. “To take one example of the successes we’ve seen, a Herefordshire-based company that’s produced macerator units for over half a century has now developed spares and services packages that have generated business growth of 25-30 per cent in a single year.”

...and wider growth

Thanks to the EPSRC-funded project, Aston Business School has also been able to extend its horizons beyond catalysing transformational change in the West Midlands. Tim Baines explains: “The continuity and flexibility provided by EPSRC’s support package means we can evolve from being an institution based on academic projects into an internationally recognised centre of excellence in servitization, combining deep theoretical and practical understanding in terms of what the process offers and how manufacturing businesses can introduce it optimally.”

These capabilities have obvious applicability right across the manufacturing sector in the UK and globally, extending beyond SMEs to big businesses which can often face very different challenges where servitization is concerned. Aston is already working with major UK and multinational companies to address these.

“Aston Business School has provided the practical know-how we need as we make the switch from simply selling machines to becoming a business built around the provision of manufacturing services.”

Alec Anderson, Managing Director, Koolmill Systems Limited

“A core objective of the EPSRC-funded project is to establish the potential role of computer games in aiding businesses’ decision-making on servitization.

“By conveying key messages and enabling approaches to be tested in an entertaining, engaging way, video game technology offers scope to accelerate adoption of new business models throughout manufacturing industry,” Tim Baines explains. “We’re looking at how we can build virtual, interactive worlds that speak the language of the business community and add an extra dimension to strategic business analysis.”

The goal is to gain a thorough understanding of the process involved in producing and using games of this kind, and to develop a clear road map that can be put into effect as the project draws to a conclusion. The team has already organised a Game Jam to start tapping into the gaming sector’s creativity. "Overall, we aim to create the conditions where industry, academia and the gaming sector can work together to deliver something truly remarkable and highly effective," says Professor Baines.

Making a community

Aston Business School’s annual Spring Servitization Conference provides a mechanism both to enhance understanding of how manufacturers and technology innovators can profit through services, and to build a broad, inclusive community that can accelerate servitization. As part of the EPSRC project, Aston has also developed ServeWire, a non-partisan, non-commercial online network that enables members to ask questions, test ideas and share experiences – a network set to become a vital tool in the drive to add momentum to servitization in the UK and beyond.

For more information, visit www.aston-servitization.com

1 Transforming the Adoption of Product-Service Systems through Innovations in Applied Gaming Technology
From buyer to long-term client

Servitization is all about how a company develops long-term relationships with buyers of its products by adding value through service and other contracts. Essentially, product buyers become clients. You don’t just buy an engine, for example, you also buy-in to long-term servicing and maintenance contracts, component upgrades, spare part support and security enhancements. Five-star service can minimise down time, harness developments in technology – giving the client a competitive edge.
Servitization in action

Goodyear Tire & Rubber Company

Building on its delivery of basic tyre services, this multinational is now developing intermediate and advanced services that enable customers to extract maximum performance from its products – the company has, for instance, recently launched a services business in Europe designed to help maintain tyres in use.

"Tim Baines and his team at Aston helped us benchmark where we were in terms of servitization and have introduced us to a range of non-competing businesses that are further along the servitization route," says Jim Euchner, Goodyear’s Vice-President, Global Innovation. "Those connections, plus the ability to help us understand the bigger theoretical picture, have been invaluable to us establishing how to devise new value propositions for our customers."

Koolmill Systems Limited

Based in Solihull, this small, family-owned firm produces low waste, low power rice-milling machines incorporating disruptive technology with potential for global roll-out. Servitization could be key to the company developing an offering that meets the needs of millions of small-scale rice producers worldwide.

"To market a new technology, it makes sense to develop a new business model that enables us to de-risk our offering for our customers", explains Alec Anderson, Managing Director. "Aston Business School are the independent arbiter, critical friend and source of practical know-how we need as we make the switch from simply selling machines to becoming a business built around the provision of manufacturing services."

NICKLIN Transit Packaging

A Birmingham-based provider of transit packaging products and services, this medium-sized business responded to the 2008 recession by refocusing its strategy to extend the range of services it offered. This included, for example, introducing stand-alone packaging design to differentiate the company from competitors and has contributed to a doubling in turnover over the last eight years.

"The accessible, practical insights Aston Business School provided didn’t just help shape our thinking – they gave us confidence that a firm of our size could benefit from servitization", says Danny Harrison, Business Development Manager. "Our interactions with Aston are continuing to aid the process of aligning our capabilities and culture to a fully servitized business model."

Thorcom Systems Limited

The core business of this small Worcester-based company is the provision of mission-critical wireless communications for emergency services in the UK and worldwide.

About five years ago, the firm set out to diversify its offering by partnering with other companies and helping them develop and deliver services with a communications component.

"I attended an Aston training course on servitization and it really chimed with what we were trying to do," says Simon Clifton, Sales Director. "It provided the platform of knowledge and confidence we needed to press ahead down the servitization path. Aston also acts as an authoritative, non-partisan ‘honest broker’ when we need to convince our customers of the value of services. There really is tremendous potential for UK businesses to servitize at the SME level."

About EPSRC

EPSRC is the UK’s main agency for funding research in engineering and physical sciences, with a research portfolio worth over £2.4 billion. Our vision is for the UK to be the best place in the world to Research, Discover and Innovate. By investing £800 million a year in research and postgraduate training, we are building the knowledge and skills base needed to address the scientific and technological challenges facing the nation.