How can Industrial companies successfully pivot to new digital-driven services?

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Host & Moderator

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[00:00:26] OK, well, hello, everyone, and welcome to our first industrialist’s live session.

[00:00:32] Thank you for joining us. Brian May, I’m the managing director of Accenture Industrial Business here in North America.

[00:00:39] The Industrialist Live is one part of our outreach to the global industrial community.

[00:00:45] We refer to that community as our industrialist network. In addition to this live broadcast series, we also have monthly publications that go out on a monthly publication that goes out featuring three main sections or topics. One section is what we call Transformers. Transformers will be hearing from leaders in industrial on their views on innovation and other important topics. This month’s issue features Mike Vale. Mike is from 3M. He looks after 3M’s safety and industrial business. He’ll share a bit of thinking around their digital transformation, among a few other topics.

Our publication also includes what we call Sparks, which brings to life innovations that are starting to be actioned in the market. These could be things like robotics in the egg industry, or how A.I. is being used to help reduce greenhouse gas emissions; so, interesting topics around innovations. And then the third section is around insights or as we call it, insights, which
is highlighting thought leadership on topics that are very relevant to industrials. Last month we featured, for example, a topic on sustainability.

[00:02:04] We featured, of course, one of the hottest topics out there right now is which is around cloud and how cloud is impacting industrial.

[00:02:13] So, look for that publication. Let’s talk about today’s session, today’s live session.

[00:02:19] You may have seen at this point a Mentimeter question pop up. You don’t need to worry about that right now. After our first speaker spends a few minutes talking about some research that we did, we’re going to come back to that question and ask you to just share your thoughts on your services business. So, stay tuned for that. Regarding this session, we will address a very, very hot topic in industrial, as I think all of you have experienced or are experiencing. Industrial in general is going through a renaissance. There’s reinvention happening across a number of dimensions, rethinking cost structures to make sure companies are fit for purpose and can be lean and get through tough times, like we’ve experienced this year, changing the way these B2B industrials engage customers through channels and marketplaces.

[00:03:18] And then, of course, leveraging all of the intelligence and data that comes from the fact that products are smart now and connected out in the marketplace.

[00:03:28] And those smart connected products can just fundamentally change how service is delivered, the experience that customers receive from folks like yourself. And that brings us to today.

[00:03:40] Today’s session is all about services. We want to spend some time talking through some things that we found in the research that we did, as well as hearing some insights from folks in the market.

[00:03:53] So, we have a great lineup of guests today to participate in the conversation. And I’d like to welcome them now. First, we have Dr. Jiva Dimitrova-Micha. Jiva is a principal director from Accenture focusing on our industrial business.

[00:04:11] We also have Urban Hofström, who is also a principal director from Accenture. Both Urban and Jiva have been heavily involved in the research that we’ll share today. So, give Urban a hello and welcome.

[00:04:26] Thank you very much. Thank you, Brian.

[00:04:31] And then, we’re fortunate enough to have two executives from a couple of outstanding industrial companies, first of all, we have Mike Cuddy, who is the VP and CIO at Toromont Industries.

[00:04:42] Mike, welcome.

[00:04:46] And we have Arno Strötgen, Arno is a senior vice president and looks after customer service and digital platforms for ABB. Arnold, thank you for joining us.

[00:04:58] Thank you, Brian. Happy to be here.

[00:05:01] So, a warm welcome to all of our guests. And thank you again for joining us. Let’s jump right in.

[00:05:07] I talked about how we did some extensive research around services. We’ve researched hundreds of companies to find out where they are in the journey in terms of reinventing themselves around services. And the findings are quite interesting.

[00:05:23] So, I want to start with a question for Jiva. Jiva, can you just spend a few minutes providing us with an overview of what came out of the research?
Yes, sure. Thank you, Brian. I would like to give you an overview about our research. But before I jump to the research results, please let me start with some general observations.

So what we see on the market is that industrial companies are on the verge of a fundamental change of their business goals. Services such as MRO, installation, commissioning, training are getting high importance for the overall company performance and growth. All successful service companies started with a strong position in the core domain, let’s say, for example, installed base management. But however, scaling and differentiation, it all it requires further digitalization. So, in general, what we see is that industrial companies are already putting lots of efforts and focus on their service strategy, but we only see a few of them successfully conducting and realizing they are service transformations.

For this reason, we conducted a research to investigate how industrial companies can successfully scale both their core and their new service businesses. Let me give you some numbers about our research. We asked 748 industrial service executives from across 14 countries to understand their service approaches. Let me give you some numbers. The original split was 47 percent Europe, 13 percent US, and 40 percent growth markets. And we also had the broad industrial scope. Forty six percent industrial equipment, 23 percent automotive suppliers, 15 percent MedTech and 16 percent heavy equipment. So quite the broad scope you see in the study. And we got a bunch of quantitative and qualitative data, but we decided to analyze our results across four dimensions. So, these were the overall profitability of the company, the service business profitability, the share of new service revenues in the share of annual recurring revenues. Why? Because we think that these KPIs clearly indicate the positive impact of the service on the overall business performance and the extent to which companies are already involved in the new digital service businesses and the overall resilience during downtime.

So, according to these KPIs, we identified four different categories of companies, champions, masters, strivers and traditionalists. So, let me explain about these categories. Not surprisingly, only seven percent of the companies are champions. What is the special thing about these champions? They actually outshine their peers with the highest service profitability and the highest share of new service revenues. Champions have efficiently developed and launched new services with great economic success. What we see is that they actually have a product that is a service offering, output based revenue models and so on. The majority of champions come from US and MedTech.

So, the second category, the second category are masters. 22 percent of our companies are masters. Masters actually grow core services, and at the same time, they're also scaling new ones. To achieve a stable, robust service profitability in all categories, Master have by far the highest. And your annual recurring revenue shares are, of course, making them very stable to business downturns and to volatilities in the markets.

So, the third group, the third group are a thrivers and I personally find this group most interesting. What describes the strivers is that they actually are already on the journey with this transformation. So, they rush into new services, often without a clear strategy and clear goals. And they may have invested in wrong areas or in too many fields at the same time, but also very important. At the same time, they didn’t do their basic homework, mainly to optimize their core processes and systems to other requirements to have an efficient service business.

The fourth group we identified are the traditionalists. Compared to the other groups, traditionalists focused mostly on their core businesses and they are very successful in
what they are doing. And this might be the right strategy for today. However, we see a risk for sustainable future success. Let me talk about some challenges we saw, or we identified from our study. And actually we saw four areas that companies struggle with. The first is unclear focus on the service strategy and insufficient investment in the business. Second point is the inadequate, mostly product-based management practices and KPIs to drive the success of the service business. The third one is the lack of service capabilities and experience concerning the ability to build services and delivery skills, as well as digital capabilities. And the fourth thing is the right place in the service ecosystem in terms of the right collaboration model. So, IT and cloud providers are potentially seen as both desired partners and strong competitors concerning key data and customer engagement.

But we also learned from the champions and I would like to share these insights. We also identified four areas in which the champions are very successful, and these four areas are the main drivers and the key success factors from our perspective. First, the champions have an integrated sales and service approach and ambitious targets to manage a new service business. Second, they sustainably and systematically invest in new business, in new business models, on a solid digital foundation and clear strategy. The champions have found effective and scalable delivery, the delivery through standardization, harmonization and knowledge sharing, and the point is that they proactively manage their service ecosystem.

And finally, one thought about the COVID resilience: our research revealed that a stronger focus on service driven business model is helping industrial companies to better balance pre- and post covid-19 economic challenges. More than 60 percent of our respondents said their service business accelerated during the pandemic and they plan to extend services. Brian, that’s it from my side.
Yes, a little bit soft, but I can hear you.

Yes, really, that’s a compliment for me.

Thank you.

I was just reflecting on what Jiva said and how eloquently and well-organized your thoughts are as a as a company. I’ll try to do my best to organize our thoughts and my thoughts as well.

Toromont’s a distributor of heavy construction equipment in a number of industries. So, you know what drives us? I think if we look back five years from now, we’ll see that companies like ours in the industrial space, we’re at a fork in the road. I think if we talk about it as an imaginary fork in the road. We can either do what we’ve been doing and we’ll probably have to continue on as we have…maybe…maybe, who knows what that looks like, or we can accelerate and create a new trajectory. And the reason what drives us are the changes that are happening…these really allow us in a concrete way to create real new value through new value.

One is sensors and IoT, the fact that all the equipment that we sell and we service is generating an enormous amount of incredibly valuable data because the cost of sensors has become so low; sensors can be everywhere to create more data. The second thing is just data science would have cost us a million, two million bucks to get capability for doing statistical analysis. But today that is a fraction of that cost and can be purchased on an incremental basis. And I give an example. You know, historically we’ve segmented the marketplace manually. We’ve looked at our customers and the gas compression space we used to segment by horsepower range in the power play space. We used to segment by kilowatt hour in the services area. We would segment by how a customer might do there, have repairs done to their equipment, whether they did them themselves, or whether they had a service provider do them. We painstakingly manually did all that.

Today, we can run data science models across all our customer data and automatically, through pattern recognition, see customers that behave in similar ways, which is one insanely valuable tool, for us to understand better how to serve them and to add a fraction of the cost. So data science is huge; cloud and public APIs that allow us to grab data and grab processing sort of related to the data science are another tool that enables us to do that and expand on both, on a much more cost effective basis than probably the last.

The last reason that’s driving us is that, you know, if you’re thirty-five or under, you’ve grown up with technology that’s largely prescriptive, like you’ve reached out into a cloud environment, whether it’s Facebook or Twitter and Instagram or whatever, to get questions answered. And if you think about the number of the amount of decisions and responsibility in the industry today that is managed by people that are in that that age bracket, the number is enormous and just going to grow. So, the emerging workforce is taking more and more responsibility as an understanding on how to put all of this technology to work, to create. Ultimately, what drives us is creating more value for both us, for the manufacturer that we represent, and ultimately and most importantly, for our customers.

Great, thank you, Mike. And it certainly is interesting, if you go back not too many years ago, the approach would be to figure out what you want to do in the process, in the engagement and all this, and then figure out how technology enables that.

It’s almost like that’s flipped these days, technology advancement is almost like the catalyst to the transformation that’s happening in. And your point about the customers is spot on. Customers know it. They know that
the technology is there. They want to have a different experience that a lot of times technology enabled. So, it’s great to hear that. Mike, thank you.

[00:20:05] Let’s go to Arno. Let me ask you the same question. What’s driving ABB to transform your services business?

[00:20:13] Yeah, I think if you look at the business, we’re all pushed to increase revenues. And we noticed that. Yes, I think that although we had a good service business on the traditional maintenance and spread upwards, we mentioned that would probably go down because as every new generation of robots we develop, they are more reliable and have, let’s say, 50 percent less parts. They become they need less maintenance.

So, we said, well, how can we disconnect our revenues from the traditional business? And it was not an easy decision because, of course, you have the highest margin on spare parts, and if you develop new services initially, you have to invest a lot to develop that either in cloud services, digital or others. So, at that time when we decided to invest -- I mean, it was for sure for a long journey -- I think we are now at a stage where we have 9,500 robots connected worldwide, with over a thousand customer sites. That was one of the business models.

But the other one was also talking to our customers – even though it’s kind of counterintuitive to say that because, in general, you make the revenues when the customer plan fails. But we discussed with a lot of our customers, and they said, how can you help us to improve uptime and increase efficiency? And by that, I mean talking just about the mechanical. I mean, the results are pretty reliable. So, it was a question of how we help the operations through data, for example, comparative data from different robots. We can check what was happening in different shifts and see what we could suggest to our customers to improve. A lot of times it’s operational. It’s about micro-stops of different equipment that is linked to the robot, and that’s what we’re focusing on. For example, fleet assessment, where we would look at the fleet of the customer and say -- what are their critical assets? And then we say, for example, maybe you need to do the maintenance on the most critical assets, which are more stressed, and by that, save maintenance costs, but still keep the same uptime. So, that’s the road we have been going on.

[00:22:31] And but it’s a continuous investment and continuous learning on the data and getting more out of the investment.

[00:22:42] That’s great, thanks, Arno. And, you know, it’s interesting to hear your perspective, because what I heard was that you have a very strong service business, but yet you recognize the need to continue to transform -- to not only protect that service business, but also to look for new revenue streams in and around that that core business and things like your fleet assessment offerings. That’s very interesting.

And Mike, thank you as well. It’s great to hear from you guys that are living it every day in the field. Let me switch over to Urban.

Urban, when you think about the research findings that you and Jiva were involved with, as well as the clients that you’re serving in the marketplace. How do you see them responding to these drivers for change?

[00:23:29] Thank you, Brian. Well, actually, I see them responding too slowly, and if you look at the study, and at most of the companies surveyed, that that was a good reflection of the rest of the market. More than 50 percent are traditionalists or strivers, meaning that they’re not really moving at all, which is, of course, a surprise. Also, why is a surprise? They don’t move. And I’m not surprised they don’t move...
because, normally in these companies, services are embedded in the organization that was set up to design and manufacture product. So, it’s very hard for them to break out of that.

But some are really succeeding. And it’s a good reflection of the inside deal, which makes them the champions. And the three things they really look at and that makes them break out are, of course, (1) the integrated sales approach, which Jiva talked about. But it means that you also then put salespeople in place. If you sell something, the likelihood that your revenues will go up is much, much higher, and if you don’t have anyone responsible for selling that’s not good. So that’s pretty good if they do that. Also, embracing e-commerce and other sales channels is unique and necessary. If I look at the other point (2) -- which is very important -- is the systematic approach to digital business models. Both Mike and Arno talked a bit about that. I see that as a main driver which champions are trying to embrace. But last but not least, it’s (3) the ecosystem. And what we mean by that is not to have the magnitude of partner, but to have a few qualified partners. One company I know since about 20 years back based in Milwaukee, you can guess who it is, but looking at what they had just during the last year -- they have reshaped their organization completely and lined up with a lot of partners that are consulting companies, software companies etc., in order to build more value around their product offering -- is quite interesting. And I see that as a megatrend going forward: support for other companies.

I also heard that the industry in general needs to pick up the pace a bit, so maybe that’s a good lead into my next question, which I’ll direct to Mike Cuddy.

Mike, what are some of the challenges you’re facing at Toromont as you pivot to these new powerful services businesses?

Well, I think we reflect some of the research that’s been done and been talked about just now. Culture’s probably right at the forefront, for us. We’re a Caterpillar dealer. We’re incredibly proud of the brand that we represent, one of the finest products in the industrial equipment space. And we’re steeped in decades of pride in the brand of the of the equipment, the product.

And as we’re talking about shifting to services, you know, the cultural shift is extending, if you will, to the brand value and messaging across much more than the actual hard good itself. And there’s a whole we could talk for an hour just on that topic. So, the whole but that cultural shift and mindset change is one of the challenges we’re facing.

Another one, though, is mastering the underlying technology set, mastering data, coming off sensors and database technologies. Brian, you mentioned a minute ago about flipping, flipping things. You know, the process is sort of flipped and it’s very true. You know, we’re now pulling the traditional application approaches that you design an application around a process. And that application thereby captures data and puts it in a system, if you will. And now that new model is evolving to the opposite, where we see data coming off of sensors and data insights coming out of algorithms, and these now create workflow opportunities. These now initiate the process.
So, mastering those technologies is important; even user access, control and security. I’ve been through a lot of audits over the years and, in our industry as solution providers, as has developed. You know, our model is that there’s you get access to data through an application and therefore we have role-based models, who-has-access-to-what. And in an analytics world, it doesn’t work that way. The data comes in and now you’ve got to figure out who has access to what, because there isn’t necessarily an application, one application that has dominion over that data.

And then the last challenge is that you really have to think about this when going to market with services value proposition engineering. You know, in a product world, you’ve got a product and it has a value that it creates for a customer. Today, with data, understanding all the ways we can create a lower cost operating models for our customers is vital; it’s really a matter of putting the pieces together and engineering what the best value proposition for that customer is. So that’s the third challenge. That’s a different way of looking at how we create and take a value proposition to market.

[00:29:21] Mike, thank you. Those are those are all important points. I mean, the point about value proposition engineering, it really is a cultural thing.

[00:29:31] I mean, if you think about changing the mindset of the workforce, to think not about how do I make the best product, but how do I create the most value, and that’s important to understanding the customer as well -- as they understand themselves -- is part of that. And then on the on the data side, you’re right on -- the amount of data that’s out there and the need to turn that into insight, there’s a talent aspect to that I think is incredibly important.

[00:30:01] I just want to make one reminder -- before I go to Jiva with a quick question -- that we will have time at the end for questions from the audience. And you can feel free to start entering things that are on your mind in the chat. All the questions will come through the chat today. Enter them in the chat -- if you have something on your mind, and we’ll process as many as we can toward the end of the call.

[00:30:21] So, Jiva just continuing on with Mike’s answer to the question, how do you see your clients addressing some of these challenges?

[00:30:33] Well, Brian, I’m very much doing projects within the area of a front office transformation and let me give you the answer from this perspective. What I see in my business area is an increase of the need from big corporate front office for information and programs. And that is put in different segments, in the different steps. So, everything starts with an integrated, let’s say, business and product planning approach between the sales and the service -- this is the first step. Many companies after the process, or during this process, are discussing new KPIs; for example, classical product-oriented companies want to see KPIs by growth, revenue and profitability. And many of them start thinking about, including also an ARR, or a net promoter score ROI, in their segments. So, this is the second step. And the third step are these big transformation programs, which aim at a 360-degree data transparency of the customer data, but also they aim -- as Mike said previously -- to achieve a better collaboration between the sales and the service organization.

[00:32:14] Now back to you, Brian.

[00:32:16] Yes, thanks; it certainly is a different business. Services is a different business than selling a product, you’ve got to sell it differently and you certainly have to measure it differently. And as they say, you get what you measure.

[00:32:27] So let’s go over to Arno.

[00:32:32] Why is now the right time for ABB to pivot to these digitally enabled services? Why is
I would like to start with what Mike mentioned -- technology. I think we started 10 years ago to connect the world via GPRS – and, at that time connecting was very difficult, one due to the technologies, and two, due to the cost. And every time we had a robot, we had to put on extra equipment. So, as you said, the sensor costs are going down tremendously now. In every mobile phone, you have eight sensors; that has brought down that the sensor cost even more. For example, now your iPhone 12 has a sensor that before would cost twenty thousand dollars. So, the sensor costs are going down; and also, the transmission cost of data is going down.

The second thing is that now the customers are more open to embrace and get into digital and are not so afraid to connect. I think something that really increased quite a bit the speed of acceptance was COVID. So, in March, April, we launched actually a digital campaign to support our customers, where we had the simulation software -- free of charge -- and we had an immense amount of downloads only in a few days. And the acceptance also increased due to remote assistance because everybody’s now used to this. For example, a medium like Zoom and others and Microsoft Assist. I think customers realized that, before the technology was there, but maybe the acceptance was not there. It was always easier to have a technician on site.

But now it’s different. We have started offering virtual training, and the first time that customers did it, they were hesitant. But after they did it, they tested and saw that the results were quite accurate and quite similar to what they had seen for in-person training results. So, I think a combination of this will continue in the future. I think customers are more open to that. And that’s why I think it’s a good moment now to speed this acceptance up.

Yeah, for sure, they’re definitely not only open to it, but expecting it in many in many ways.

Jiva, we’ve heard from Mike and Arno. what advice can you give to industrial companies that are in the middle of this pivot to services?

Very good question. And I can tell you the most favorite story that I’m telling my customers because I have many customers who jump into this new world of data databases, new business revenue streams and so on. And they are very disappointed. Why are these projects not running?

So, my clients need to always look at two dimensions for a service portfolio. (1) This means to look at extending and further developing the service portfolio, but to begin actually by the utilization of their installed base, because without transparency on your installed base, without basic connectivity, you will be never able to really connect or drive the new service work.

And (2), service execution should be driven at the same time, this means the alignment and the optimization of all services, service processes and systems across the company. And this second point is something – that in my experience -- is not always going hand in hand with the business development.

Know that there’s definitely a portfolio management component to this, in terms of how much energy goes to the new services versus how much does to optimizing the core. That balance, I think, is an important thing, and I think we see that in the in the results, certainly with the champions.

Mike, let’s talk about what it takes to be successful based on your experience. What are some of the critical success factors to pivoting to one of these powerful services businesses?
I’m not sure I can speak as much from experience as I’d like to, Brian. As much as we’re looking to where we’re headed and how we’re trying to be great at this, first, is just maintaining constant focus on value creation for customers. Our customers are construction companies, road builders, aggregate companies. They’re not changing. They’re not waiting. They’re evolving through this and learning how to get more and more data off of all of their portfolio of equipment and how to manage the projects and jobs and everything. So, constantly understanding the end; and they vary in shape and size and aptitude. So, focus on our market is our number one priority. Number two is embracing digital channels, you know. Well, that’s more commonplace, if you will, in consumer. By digital, I mean and channels, I mean, you know, mobile and online and the integration of all of those. We’re not in B2B. It also includes direct integration between companies. That’s part of the supply chain. So, all of that is critically important for us. And then, the third priority is what you mentioned around KPIs. We need new measures that reflect how we perform differently in the future. We need not only management KPIs, but new incentive systems, reward systems and how we remunerate and compensate our management and teams to reflect the behaviors that we’re moving toward versus what we’re coming from.

That’s good.

I mean, those are three important points for sure. Urban, how are you seeing your clients addressing these points and just the urgency in general of making this pivot happen sooner rather than later?

Yeah, I can talk a bit about that. If you look to my left, you can see the eight imperatives that champions are implementing. And let me take you through each of them very quickly.

1) Business transparency. It may sound trivial, but it basically is very important to have an understanding of where the profit is coming from; what’s the true profitability of the business in order to make the right business decision and not compensate loss by making product businesses, but by allocating funds to them from service, et cetera. So successful companies, have that transparency.

2) Customer centricity. For a service organization, this need is quite obvious. But you would be surprised by the survey data that shows that even champions don’t have customer satisfaction as the number one KPI. They have it, but it’s far down the list.

3) Solid digital foundation. It is important not only to invest in the new, but also to have a foundation where I can actually use the new technology. If I don’t have a foundation and can hardly send an email -- which we see in many of the traditional industrialist companies -- then there’s not enough investment going into technology.

4) Investment into the new. This relates to KPIs. Very few companies have long-term KPI; they have short-term KPIs -- next quarter, next six months – but they do not have enough KPI to pivot to the new and have a three- to five-year horizon of where they want to go.

5) Standardization of knowledge or subjects. This does not sound very exciting, but is very important. Successful companies standardize the way they design the offering, the way they sell it and the way they deliver it, both for the core business and for the new business. And this standardization differentiates them significantly from companies who are not successful.

6) Knowledge management. This is also very important. And I can take one concrete example of a company that I work with in life sciences in Switzerland, about sixteen thousand people in the service field force. They have a real issue, and that is that half of them will retire within five years. And as you know, these
days, very few people want to become service managers or service technicians. It’s very hard to recruit new ones. So, how do you make that knowledge on the people who are retiring available to everybody who needs it, including clients? So, knowledge management and how you set up that structure is becoming more and more important.

7) Customer participation. Driven by COVID, we also see that as a trend. People do not want technicians running in and out of their premises anymore. If you are in life sciences, your clients are hospitals or clinics, and they don’t want people running in and out; they want to have a service. But if you can do it remotely, it’s really good. And if you can use their own workforce, who are already in the hospital, that’s even better and they will even pay you extra for it. It also goes for the elevator business where we see the trend that people want elevator inspections done remotely now these days and not really having people on site.

8) Ecosystem. I come back to that point because it’s key. I mentioned the company I worked for the last 20 years. I’m working with them on the transformation into a new ecosystem environment because, nowadays, strictly speaking nobody can do everything by themselves anymore. You need partners and you need to share with partners and have a more open attitude toward what the partnership will bring. Perhaps, you need not have the engineering-driven mindset that we see in most industrial companies. So, ecosystem, again means the quality of your partner network.

These things are very clearly coming out of the study and are confirmed by my experience of successful companies. It may not look like rocket science, but consistency is lacking. You may think, everybody does that, but everybody doesn’t do it all the time. And if you want to be successful, if you have to do this, and you do it in the in a good way.

I talk to clients and I ask, why don’t you do this? And it’s hard for them to explain. But there’s one thing that really is the biggest hurdle for my clients to overcome when it comes to doing these things. I call this the 12 centimeters – and these 12 centimeters are really important -- companies spend millions to come up with just 12 centimeters – what these basically are – they are the circumference of the head, from one side of the head to the other side. And that’s where you have the drawback today in companies who want to go forward. It’s not that this is difficult to do; it is difficult to comprehend what it will mean for the organization going forward. But it’s clearly there for those who can see, and more and more companies are taking this direction. So back to you, Brian, for closing.

[00:44:09] Excellent, Urban. Thank you. Certainly, the cultural aspects of this is half the battle, there’s no question there -- the last 12 centimeters to your point. So, I want to make my own pivot here and take some questions from the audience. We have a few that came in. I would say that if you have questions, please put them in the chat window now and we’ll address them in a minute before we go to the questions from the audience.

So, let’s take a look at the at the Mentimeter results. So, our research said that about a third of the respondents were champions are masters. We clearly have overachievers in this audience because about two thirds of the folks on this call say they are champions and masters. So, they are advancing nicely in terms of the pivot -- which is awesome. would welcome an opportunity to understand more about some of the things you all are doing.

[00:45:14] You’ll see some contact information a bit later in the in the broadcast where you can reach out to us, but definitely we would be interested to hear more about what you’re doing, because we do have some overachievers in the group today. That's awesome. Let's go to some questions.
So, I want to address the first question to Urban since he’s already on the mic. Urban, there’s a question about champions and whether or not champions can emerge in companies where service is not a business unit. Service is a function, like HR, like sales and marketing.

[00:45:52] Can you talk a little bit about that?

[00:45:55] I don’t believe that they can champion it; it becomes more a technical support organization. I believe if you have a strategic intent to grow your service business, if you set yourself up as autonomous service organization, including your own sales force, your own marketing organization, and you are really owning your own destiny, you’ll be successful. Companies that set up a separate service organization initially to focus on it are more successful in their service business, but they are also more successful as companies. It’s very important to remember that people who are embedding in the service organization in a product driven organization will not have the same success. Service people will be the encapsulated in the product culture and mentality and will not be able to flourish and drive the business forward. That’s very clearly how we see it, from my experience.

[00:46:54] Excellent, excellent. Definitely need to treat it like it is, and there is a separate thing. There’s no question.

[00:47:02] Let’s go to another question. This one is, is for Arno

[00:47:08] How much of your business -- how much of ABB’s business volume -- do you foresee coming from data driven or digital driven services five years from now?

[00:47:19] It’s a very good question. I think that it depends on how you measure it. We have been discussing that a lot internally. OK, what is digital? And some people say, well, it’s digital, allowing us to connect. Then we said, well, most of our robots, are connected. But some of those services are enablers. So, it’s hard to separate. So, for example, we offer all our sales production with certain digital dashboards; these come with the equipment. But then you have services that are additional to what we do today. For example, the fleet assessment I was talking about, or really creating a suite of software that not only monitors the robot, but monitors, for example, a complete line or cell and helps you to optimize your line that is not even linked to the robot. In this case, I would say around 20 percent. We want to grow this kind of service to be about 20 percent of the revenues in 2020.

[00:48:24] Thank you. Let me we got one more coming through here. Let me address or direct this one to Mike Cuddy. Mike, what is the one thing that is most important when transforming your services business?

[00:48:42] But I think my best answer to that is that there isn’t one thing. Unlike many other sort of digital journeys we’ve been on with the general industry -- like Web application development or services, architectures and things -- this relates to a lot of things that were referenced as part of the ecosystem earlier, when we were talking about sensors and IoT technologies. Data management has to be understood, and data science and statistics are needed. Digital channels -- we’ve talked about commercial models -- are now new and different. How we sell services or monetize those between ourselves and our customers is different. And we talked about internal change. Management has to be addressed. Management systems -- things as simple as commission plans and simulation-based supply chain methods. All these things have to work together and be changed and move forward to create a much higher performing, higher value and much more efficient industry. This is why I think it is probably the most exciting place to be in the working world today.

[00:50:10] Yeah, I mean, it goes back to this
point, Mike, about how this is separate, it's
different, it's different from product-centric
businesses and therefore it has to be treated
different. And all those things you just rattled
off are part of what needs to be in place to
effectively run that different business. So, I think
that's good. Thank you. Let's take one more
here. Maybe we'll have time for one or two more

[00:50:40] Jiva, there's a high portion of
champions in the US, according to the research.

[00:50:44] Why is that?

[00:50:47] Very good question. Maybe we will
try to answer this question together, Brian, as
you are our industrial champion in the US, but
in my opinion that is that you have to look at the
MedTech industry.

[00:51:14] And in my personal opinion, of course,
the number of MedTech companies in the US is
very high. So maybe this is one reason. And the
MedTech companies are, of course, one of the
leaders of digital innovation.

[00:51:36] Yeah, I mean, I think I think it's a good
point when we think about industrial, it's made
up of a lot of different subsegments, including
the MedTech manufacturers. And that industry,
or subindustry, tends to be out in front a little bit
now.

[00:51:58] It'll be interesting to see are we
seeing a similar thing for that stuff and industry
in other parts of the world? But certainly, in North
America, those companies are out in front when
it comes to technology and disruption and all
that.

So, I'm going to go one more and then we're
going to and then we're going to be done here.

[00:52:18] Arno, what is the next wave of
technology you see coming into the services
marketplace?

[00:52:26] Well, I think since 2008, there is not
some dramatically new technology, but there
is a dramatical change in how do we use the
data? The amount of data we're getting today
is humongous, but there's still a lot of progress
to be done when it comes to what we do with
that data. When we look at customer sites, they
get a lot of data about how to take it apart and
really make sure that you get to the right root
cause analysis for an issue. That's where I think
data analytics, and some technologies, such as
machine learning, can be used. That's the future.
How do we use machine learning to improve in
services? How do we use the data with machine
learning, with algorithms and how do we really
get to the root cause of an issue? Now we have
all the data, but it's very difficult to take it apart
and get to the root cause.

[00:53:31] Yeah, I think that's a great answer,
I mean, massive amounts of data that are out
there across every industry, every subsegment
within industries is over the top. And how do you
take that and do something with it? Leveraging,
machine learning and all the things that come
with it. So, thank you.

[00:53:50] That that brings us to the final part of
this, which is just a couple of closing remarks.

[00:53:56] First of all, I want to thank everyone
for attending, our panelists for sure, and then, of
course, everyone in the audience.

[00:54:05] This is a hot topic.

[00:54:07] You heard from Mike about their
business and what it means to the Toromont
business. You heard the research. It's a hot
topic. You know, we can debate the number, but
suffice it to say, not too many years down the
road, a significant amount of these industrials
business will come through services. We
certainly think not too many years down the
road. It could double from what it is today. So,
getting in front of this and beginning the pivot is
important.
[00:54:33] Hopefully, you all got a bit out of this today and can take some ideas back to your companies. The research we talked about was launched today. It’s the blueprint for service success. And I think there’s a link. Yeah, there’s a link in your window now that you can see where you can access that research.

[00:55:04] And finally, I just want to say thanks again to our speakers and everybody. I want to say thanks to our audience.

[00:55:11] And if there’s any questions, comments, ideas, feedback on the session, sharing your learnings in terms of service that you want to you want to share with us or double clicking into any part of the research you can see, I think our contact information is showing or it was it was showing you can reach out to Urban, Jiva or myself at any time, and we will make the right connections for you.

[00:55:38] So, again, thank you. Thank you so much for attending.