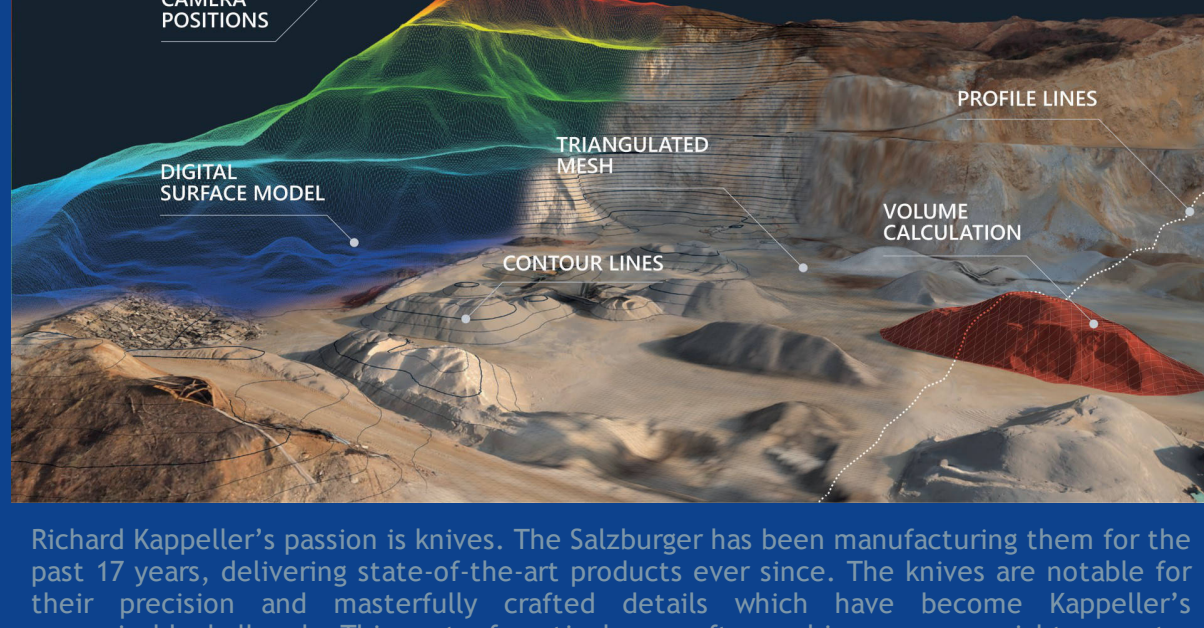


THINGS+ in practice

3 great examples of giving products a new life

An Austrian knife maker, Italian milling company and high-tech Slovenian land surveyors are on the forefront of the servitization revolution - turning products into advanced services.



Richard Kappeller's passion is knives. The Salzburger has been manufacturing them for the past 17 years, delivering state-of-the-art products ever since. The knives are notable for their precision and masterfully crafted details which have become Kappeller's recognizable hallmark. This sort of meticulous craftsmanship - as one might expect - requires time - Austrian entrepreneur invests up to 20 hours of work in producing one single knife!

The majority of his customers still come from Salzburg and the surrounding region, but international demand has increased enormously in recent years. "It has become challenging to handle hundreds of requests from different costumers while maintaining high-quality knives. Necessary resources, on the other hand, are limited and expensive," he points out. As a savvy businessman, Kappeller understands that some aspects of his business have to evolve further by implementing intelligent processes and digital tools.

THINGS+ project helps companies find services in their products

The "Messermacher" - as his company is known - has been one of the participants in the first pilot program of THINGS+ project. The project helps participating companies to introduce services and solutions that supplement their existing product offerings. This particular transformation is also known as servitization and it's one of the most efficient and profitable ways of increasing added value and customer retention.

Kappeller, specifically, has defined several possibilities for servitization of his products. "One is an online configurator that would visually and intelligently support customer service. This way we would be able to collect and integrate customer data," he explains. Kappeller is also considering automating some of the business activities which would allow him to focus even more rigorously on the creative work with the knives. "All processes in the company were questioned and all customer needs were clarified during the project," Salzburger recalls.

Latofres' win-win idea

An interesting way how to increase the added value of its manufacturing has also been discussed across the Austrian border, in Italy. Latofres, another of the participating companies in the project, has specialized in high precision turning and milling of materials, such as steel, aluminium, and titanium. Their flexibility and efficiency have won them domestic as well as international recognition with many customers coming especially from Germany.

Latofres is an ahead-of-the-curve company that continually improves its processes. They have already implemented, for instance, advanced robotic machinery, equipped with sensors for remote monitoring. "The pilot project has been a great opportunity to go even more in-depth into developing potential new services," the company from Italy's Friuli Venezia Giulia region explains.

Latofres idea, developed during the project, is advanced management of raw materials which could be stored at the company's warehouses until needed. The customer would be then able to buy huge amounts of raw materials at lower costs, sending them to Latofres which would use them according to the production orders. The customer could also monitor the production process and the availability of materials.

"The workshops of the pilot action have been a useful opportunity to better focus on such ideas, evaluate pros and cons, define possible activities - all thanks to the use of the methodology and the support from the project's team," the innovative Italians point out.

Modri Planet came up with a more comforting presales support

Tomaž Izak, CEO and co-founder of Slovenian company [Modri Planet](#), shares Latofres' opinion. "Having an opportunity to learn and implement the service innovation methodology helped us with the internal growth hacking," he emphasizes.

Modri Planet has developed software for digital surface mapping based on 3D imaging and the use of drones. In practice, the solution allows land surveyors to take photos from above and transform them into precise orthophotos, volume calculations of excavated material or digital 3D terrain models. The magic, however, is under the hood where complex computer vision algorithms crunch and make sense of the data.

The servitization proposition for their product has been a more systematic and comforting presales support. "The product sometimes gets presented only in a technical manner which does not ensure long-term customer loyalty. We have, therefore, made changes in our customer support process," Izak explains. He believes that such changes will increase their competitive advantage in the market.

Servitization: the question is not if, but when

Messermacher, Latofres, and Modri Planet are fully aware that competitiveness in today's business environment fuels on continual innovation and customer-centricity. They understand that the product is - in large part - becoming a platform for delivering services.

Some companies can already provide first-class examples of how servitization is done. The classic example, for instance, is Rolls-Royce. Instead of simply selling jet-engines, the British manufacturer decided to offer service packages whereby customers pay by the hour. Rolls-Royce also uses sensors and analytics which allow them to maintain the engines before possible failures - reducing their repair costs and customers' cost of engines' downtime. Similar examples of product servitization include Alstom, Siemens, Xerox, and Philips. The latter, for instance, has developed a service package for Schiphol airport in which the airport pays for the light it uses while Philips remains the owner of the fixtures and installation.



Interview with Tina Osojnik, a mentor in THINGS+ project



"Servitisation for me is data processing for a specific purpose, offered to customers," says Tina Osojnik, an expert, who helps companies protect, lead and integrate the development of innovation and knowledge. A founder of a service providing company, familiar with servitisation process and implementation of it in companies will answer a few questions, related to Servitisation - one of the most discussed topics on Industry 4.0.

Is servitisation just a name for improving efficiencies in product maintenance and after-sales services, or is there more to it?

On our everyday life, we are considered impatient customers, we want everything on-demand, we have customer support 24/7 for every product that we buy, same day shipping, last-minute flights and the list goes on. We need it NOW, yesterday if possible. And "right-now" customers demand "right-now" brands. This is where servitisation comes, as a "1+1 offer". By being a user-friendly, customer-oriented company, focused on what customer demands are, your service comes as a life-changing experience to make your customer life easier.

Imagine a company that offers a product but not the after-service that comes with it, it just wouldn't be appealing to the customer. And that's why, servitisation is completely the greatest offer that companies can give to customers, for example: in manufacturing companies it has become the best way for the industry to show their support their customers, not to say the easiest way to create contact with them.

Do you think that service market should be considered as a next phase in the product lifecycle or a process that goes along with the product lifecycle?

Service market is definitely a phase that comes different in the product lifecycle based on the company maturity. Servitisation now is the new concept, new trend let's say. But here comes the trick. We have start-ups which embrace servitisation within the product development phase, as part of it-and we have matured-companies in which servitisation develops afterwards.

The new start-ups are working on the new product to develop it, so servitisation comes of course as part of it. They are more agile and think upfront because they are actually living it.

While matured companies already have a product, a strategy for which they have worked on for a long time. Changing it requires resources, data digitalization, mindset change and not to mention the challenge to implement it.

What is happening now, we can call a "collaboration" between mature companies and startups, in order to face these challenges together.

Mature companies are inviting startups in order to broaden their agility and change their mindset on an organizational and commercial matter. Re-locating the resources, making projections and sticking to it, isn't easy. For these companies it can be game changing to keep the product but also to know that the revenue can come from the service.

Click [HERE](#) for the whole interview.

Interview with Alessandra Gruppi, the business innovation expert

Alessandra Gruppi is the business innovation expert that led the pilot action to test with SMEs the effectiveness of THINGS+ Service Innovation Methodology in Friuli Venezia Giulia, Italy.

She took part to the train-the-trainers in Ljubljana and together with Friuli Innovazione tutors delivered the end-users workshops and supported 13 manufacturing companies in implementing their servitization pilot projects.

What is the ideal ratio between providing products and services to customers for a company?

Servitization is a competitive choice and as such, the ideal percentage is tied, on one side, on how much the target market would value and hence ideally pay the service implicit in the offer and, on the other side, on the financial and managerial capacity of the company to manage, in full or in part, a service productive process.

At what stage in its development should a company look into servitization?

In a startup phase, it could represent the core of the business model. In a development phase, it could be the element of competitive advantage that allows to gain new market spaces. In a maturity phase or decline, it could be the element allowing business survival.

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