



INTRODUCING SERVICE INNOVATION INTO PRODUCT-BASED COMPANIES IN CENTRAL EUROPE

Selected works of the Things+ servitization pilot projects

Interreg 
CENTRAL EUROPE European Union
European Regional
Development Fund

THINGS+

Foreword

Despite vast investments and development of innovation technologies, many industries in Central Europe still focus on product manufacturing. Low cost competition from non-EU countries, together with gradual commoditisation further challenge their competitiveness. Thus, it is essential especially for SME companies to adapt their skills and successfully overcome rapid changes, following innovation and technological progress. Servitisation of products through adequate human capital investment could be one of the solutions for a greater prosperity on an ever-changing market.

THINGS+ project helps product-based manufacturing companies to upgrade their product portfolios with additional services that will deliver additional value to customers. Companies will thus be able to improve their market position. 10 partners participate in the project and they have jointly developed a methodology for the introduction of service innovations and for the improvement of entrepreneurs' skills in their regions. Project actions focus on testing this methodology and transforming small- and medium-sized companies (SMEs) from a traditional business to regional innovation motor without excessive investments. The project additionally trains so-called "Service Innovation Consultants" according to a train-the-trainers concept and plans to leverage more than 6m € based on successful development of new services and their increased competitiveness on the market.

This e-catalogue includes an anthology of business cases describing the servitisation projects of a sample of small and medium sized Central European companies.

Examples of internationalized product + service offerings

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**Why did you decide to participate in the internationalization action?**

After development of the water dispenser we tested it in the real-life environment first. It performed excellent. At that moment we turned our focus into sales. The machine was ready, so someone should buy it to start our business. Very soon it became clear that we are not going to sell machines. The machines themselves are not an object anyone would like to buy. It became clear that the water is the commodity to be offered and sold.

We found the servitization/internationalization action absolutely suitable. The challenge was direct. How to sell water instead of the hardware.

What are the main challenges identified in collaboration with your SIM mentor during the process?

The main challenge during the process was identification of the first – might be one single as the first one of course – client who would be interested to negotiate about the service.

And we found it. It was even much better – not a single client, but a type of a client; airports. The water is extremely expensive there and besides, the airports are well aware about the environmental issues caused by the plastic bottles.

The first negotiation talks to the airports were more than an ordinary experience to us. They are tough and highly experienced negotiators on one side and really looking for an alternative on the other. Talks with the airports were the best reality check for us.

How did you adapt your service/product according to the foreign market specifics?

Getting in touch with our first potential European customers brought us to priority change in our presentation. Sustainability mattered. The second point was a reliable business model expressing a clear profit value for the client. Anyway, sustainability came first. Our offer for the European market was therefore a clear set of the two chapters – sustainability and the business model options. The profit should be a clear result of any of the different possible business models. All the possible models needed to be presented very simple and clear.

Did servitization methodology help you in this regard? If so, please explain how.

The servitization methodology offered us the best help or support regarding defining the right business models. The methodology is simple, step by step and it offers a clear path based on a decision-

tree approach that leads to the final definition of the business model. In our case several business models were necessary. This was easily reachable going through the methodology steps case by case.

We expect that our future clients are going to require even some different business models. We believe that business models could be developed using this same methodology.

What advice would you give to companies considering implementing the servitization methodology in internal processes?

We would certainly advise the companies to consider implementing the servitization methodology to go forward and use this step by step methodology. The servitization gives the company a clear picture of their product/service - the real use-value for the client is revealed without compromises.

Robert Slavec
CEO



COUNTRY/REGION
Slovenia



FOREIGN MARKET REACHED
UK



INDUSTRY
Payment Gateway



Why did you decide to participate in the internationalization action?

Every experience is welcomed, especially from round tables, events, education, which help you in further development. They guide you, help you find certain answers that you may not have been able to see or simply didn't pay attention to.

When a company starts a new product or a new business model, there is an infinite number of possibilities in front of the team. The ideas are coming from all the corners of the imagination, mostly based on some experience or things team members had heard before. The selection of those ideas is done in the same way - very open, but somehow limited to the knowledge and experience of present people.

Joining such an initiative as this one enables the incorporation of ideas and decisions experienced by other people. This is especially interesting and useful in case when you are joining a group of other startups from different industries and mentors who have experience with developing multiple business ideas and who know the outcomes of some particular cases. Such an environment enables quicker and more reliable idea elaboration and decision making.

What are the main challenges identified in collaboration with your SIM mentor during the process?

The main challenge identified was how to improve or refine a product to be competitive, suitable for a wider audience, and especially to the users. Working on the whole construction of the product and user experience with

insiders alone often results in closed circle thinking and ignoring outside view of the product and especially user experience. This challenge was quickly on the table. The point of view of the mentors and the members of other teams is by default different, they are much more on the "user's side" as opposed to being the idea owners. Their questions are sometimes discomfoting. But the result is usually positive. In some cases the user experience is improved, in other cases, the inner team proves the original solution - as the "outsiders" didn't know the topic deep enough. Even in these cases, it brings that good feeling of confirmation.

How did you adapt your service/product according to the foreign market specifics?

We made some improvements, such as supporting multilingualism, examine customer habits, etc.

Discussing the challenges we got we just paid much more attention to the actual (known) differences between potential customers from different environments. The main result here was the acceptance of the fact that every different environment should be tested or examined. The default assumption should be that the people are different and not vice versa.

Did servitization methodology help you in this regard? If so, please explain how.

Of course, helped us. We gained the opinions as well as the experiences of the directors of various companies that we would not otherwise have and thus found some common ground that we had previously discussed with the mentors.

The servitization philosophy itself brings you much closer to understanding the user's needs and boundaries. Some people simply want to own something. This is something else. Most of the things or tools people need are in fact just in aim to achieve something third - something beyond your product. The servitization philosophy brings you to an understanding of the real need of the user. You are offering to the user leverage and he is paying for the leverage only.

What advice would you give to companies considering implementing the servitization methodology in internal processes?

Let them start introducing it as soon as possible because it is a really useful thing.

First, I would suggest them to forget praising their product and forget thinking that people want to own it. They have to switch to outside. They have to understand what their product is useful for and what leverage it gives to the users. They have to put themselves in a position of a serviceperson - how they would approach a customer if their product won't actually be a product but just a piece of tool in their hands - in hands of a serviceman.

Simon Šabjan

Compliance & Support



COUNTRY/REGION
Rijeka, Croatia



FOREIGN MARKET REACHED
Bosnia and Herzegovina



INDUSTRY
Information and
communication technology



Why did you decide to participate in the internationalization action?

We wanted to expand our business to neighbouring countries, in line with our strategy of becoming a regional leader in cool chain management in pharmaceutical industry. We succeeded in entering the market of Bosnia and Herzegovina.

What are the main challenges identified in collaboration with your SIM mentor during the process?

The main challenge was engaging potential clients and finding suitable partners that would support us in delivering the service. Competent partners were the key for delivering the service remotely, without having additional cost of setting up a company branch in a foreign country.

How did you adapt your service / product according to the foreign market specifics?

We relied on partners experienced in ICT that were able to be trained on installing our Pharmalogger system. After we establishing relations with our clients, we could provide the service remotely, while being supported by our local partners in case of need for maintenance of the system.

Did servitization methodology help you in this regard? If so, please explain in what way.

Entering foreign market should be carefully planned and approached in a strategic way. The last two workshops of the servitization program were focused on change management and new service integration, but the tools that were used were also applicable for designing our specific business model for the foreign market and internationalization strategy.

What advice would you give to companies considering implementing the servitization methodology in internal processes?

We would advise them to be open to different ideas and persistent in making their service concept a reality. If they are a manufacturing company, mentoring support such the one we experienced in scope of THINGS+ project is really convenient for reinventing their business, because it does not require significant efforts or resources, while it results with concrete possibility to enhance the offer.

Predrag Krndija

CEO



COUNTRY/REGION
Rijeka, Croatia



INDUSTRY
Electronic security and
technical protection



FOREIGN MARKET REACHED
Slovakia, Hungary, Romania, Bulgaria,
Slovenia, Albania, Bosnia and Herzegovina,
Montenegro, Serbia, Kosovo, Macedonia



Why did you decide to participate in the internationalization action?

The vision of Alarm Automatika is to play a leading role in the Central and Eastern Europe electronic security industry. We have branch offices in a number of countries across these regions and also an established network of partners and distributors that help us deliver our solutions to the customers. Designing a new service that will be internationally transferable and scalable was in line with our business strategy. The servitization program in scope of THINGS+ project came in just the right moment for us, and allowed us to approach our new idea for a service in a structured and appropriate way.

What are the main challenges identified in collaboration with your SIM mentor during the process?

Important challenge was to carefully assess our resources and capabilities to successfully implement the new service based on the self-installation home security system, and to efficiently deliver it in different countries through our branch offices and partner's distribution network. We had to be careful in order not to bring too much disruption into our existing business processes.

How did you adapt your service / product according to the foreign market specifics?

Alarm Automatika is present in 11 countries of the Central and Eastern Europe, and for each country certain specific circumstances need to be taken into account when delivering a service. Language is the obvious one since all communication and marketing activities need to be adapted to local language. But also some cultural, economic and legal differences need to be taken into account. We collaborate closely with our local partners in order to fine tune the service for particular market. Also, all partners were trained on using our platform in order to introduce the service in their local markets as smooth as possible.

Did servitization methodology help you in this regard? If so, please explain in what way.

During the new service development, Service Innovation Methodology kept us focused on our customer segment and their needs while we were shaping and adapting our strategy for commercialization. Workshops in scope of THINGS+ project helped us to draft a strategy that can be efficient and implementable across the markets where we are present, but also beyond.

What advice would you give to companies considering implementing the servitization methodology in internal processes?

It is always good to have expert support when going through a process of creating new services based on existing products. Structured, gradual and lean customer-centric approach is the right way towards creating an offer that will successfully deliver value to customers. Competing only based on price leads nowhere, therefore embracing new technologies that allow you introduce new services, will deliver more value to your customers, and also bring more value to your company.

Luka Kučić

Sales representatives



Why did you decide to participate in the internationalization action?

The opportunity to join the THINGS+ pilot action occurred in the same time when we started an H2020 project focused on "OpenSource ICT platform development for manufacturing industry" where Video Systems was involved.

The know-how acquired from the application of Things+ methodology was very useful both for Video Systems' role in implementing the H2020 project and for the general understanding of a trend that will characterize the next years of economy, being therefore strategic from a general company perspective.

Joining such an initiative as this one enables the development of new competences because the servitization process generates a necessary transformation of company approach towards a customer oriented mind-set. Thanks to the THINGS+ project my team started thinking about service innovation like a big opportunity for company business model change.

What are the main challenges identified in collaboration with your SIM mentor during the process?

The SIM methodology was useful to let my company reflect on some crucial aspects that led the team to the final shape of the servitization project, in consideration that we didn't have experience at that time (2019) on servitization or rent solutions. In particular, THINGS+ supported Video

Systems to highlight some additional benefits of our product perceived by the customer, on which to leverage. The main challenge we faced up was related to the identification of KPIs for the enhancement of the service and the development of a detailed economic-financial plan to support the launch of the new integrated product-service offer on the market. Currently, the discussion is shifting to how to create partnerships with our customers (plant manufacturers), in order to enable them to activate servitization policies towards their final customers.

One of the most painful parts for my company when developing this servitization pilot project was related with data security management, that nowadays represents a critical aspect in all Industry 4.0 solutions considering customer data exchanges.

How did you adapt your service/product according to the foreign market specifics?

The system is already suitable for being offered in an international context. Any adaptations will be necessary to comply with local regulations.

Did servitization methodology help you in this regard? If so, please explain how.

Of course, it helped us. The servitization philosophy itself brings you much closer to understanding the user's needs and barriers. SIM tools

used to deepen the knowledge about the customer and the analysis of the market context enabled comparison between needs at local level and international level.

What advice would you give to companies considering implementing the servitization methodology in internal processes?

First, I would underline that adding value to products through the servitization is a game changer in the strategy of companies wishing both to retain long lasting customer relationships in the manufacturing industry and to achieve long term competitive advantages.

Secondly, I would like to tell other entrepreneurs that the implementation of the THINGS+ methodology has proven to be very effective in my case, because it forces you to take into consideration all relevant aspect of service innovation that means strategy, financial and marketing drivers, insurance and contractual and so on. Indeed, it has to be considered that creating value for customers by combining goods and services means the review of the whole company business model. THINGS+ helps in embracing the whole picture in a very concrete manner and it adapts to one's own business needs and features.

Alessandro Liani
CEO



COUNTRY/REGION

Italy /Friuli Venezia Giulia



FOREIGN MARKET REACHED

Bangladesh



INDUSTRY

Heat exchange solutions



Why did you decide to participate in the internationalization action?

When we took part in THINGS+ Thermokey was already working on a service innovation idea for a customer in Bangladesh. We were highly motivated from the beginning to complete the pilot action also in its last mile, targeting the specific needs of foreign clients and our servitization concept was entirely planned considering an international dimension.

The company wanted to test a product+service offering where cooling equipment, empowered by IoT, is sold with a remote monitoring and control service, able to program maintenance intervention before any eventual loss of productivity at the customer plant (preventive maintenance).

Having the opportunity to deepen the international-related aspects of our servitization project has been really important. Using the SIM approach my company identified some features of our products perceived as "additional" benefits from our foreign customers, representing the valuable drivers on which it is worth to build our corporate servitization strategy.

Joining THINGS+ enabled the development of new competences for us, because our experience in the field of servitization was limited to after sales and interventions on sites.

What are the main challenges identified in collaboration with your SIM mentor during the process?

The main challenge was above all to select the ideal prospect, more "sensitive" to the new type of product+service offer. As a result of the analysis made with the THINGS+ mentors we decided to test the new offering with a customer located in the Asiatic market, but we faced up some difficulties in finalizing the contract because of resistance on data management exchange.

Nowadays, as we learned, one of the most common barriers in adopting Industry 4.0 solutions and smart products is related to the data exchange between clients and producers. To overcome this trust problem, at the moment my company is reflecting on how to create partnerships with customers (plant manufacturers or other complementary products manufacturers in plants) in order to co-design an integrated product-service offer together with clients. This is especially important in the international context, where physical distance and cultural differences can really slow the adoption of new up-to-date offerings.

How did you adapt your service/product according to the foreign market specifics?

The predictive maintenance project was meant to be sold on the Asiatic market since the beginning; no adaptations were required in a second step.

Did servitization methodology help you in this regard? If so, please explain how.

The SIM tools used to deepen the knowledge about the customer and the

analysis of the market context enabled comparisons between the needs of domestic prospects and foreign clients, if any. In our case the servitization methodology applied has been useful to understand the main cultural barriers behind the resistance of the Asiatic market, but unfortunately it could not produce a ready-to-use solution because the contractual aspects of product-service offerings were not covered during the pilot action. Nonetheless, the opportunity to discuss the obstacles we were facing has been absolutely relevant to decide how to proceed and opt for a larger change in terms of co-creating tailor made servitization projects for our most important clients.

What advice would you give to companies considering implementing the servitization methodology in internal processes?

We would certainly advise the companies to consider implementing the servitization methodology in their internal processes. For example, in our case adopting the Service Innovation methodology step by step was very stimulating because it highlighted the importance both of "analyzing the added value created for the customers" and mapping examples of servitization by suppliers or other actors operating in our value chain/markets. This is useful in order to develop partner networks or draw inspiration to identify more interesting prospects.

Enea Zampolli
Export manager

PROJECT PARTNERS



