



How to successfully move from pilot to full-scale roll-out





Fortos has developed a framework for how to successfully take a new service from pilot to full-scale roll-out

Automotive companies have for decades developed and provided services to their customers. However, with evolving customer demands come new types of services. Although companies have initiated pilots and co-created these new services with customers, there are few examples where companies have been able to industrialize the process of successfully taking a new service from pilot to a full-scale roll-out. Based on our experience, Fortos has developed a framework for how to successfully move from pilot to full-scale roll-out.

THREE TYPES OF

service-based business models

Many product-based companies are seeking to increase their competitive edge by moving towards new service-based business models. Services as add-ons, vehicle subscriptions and Mobility-as-a-Service (MaaS) are all different service-based business models emerging in the automotive industry.



Three types of service-based business models

Service as add-ons

The service add-on model is a value-adding compliment to sold products. Service add-ons are not stand alone. Instead, the add-on is bundled with existing products, and offers additional benefit for the customers. This is the traditional way of selling services in the automotive industry and includes, for example, the sale of service contracts or extended warranties.

Subscription

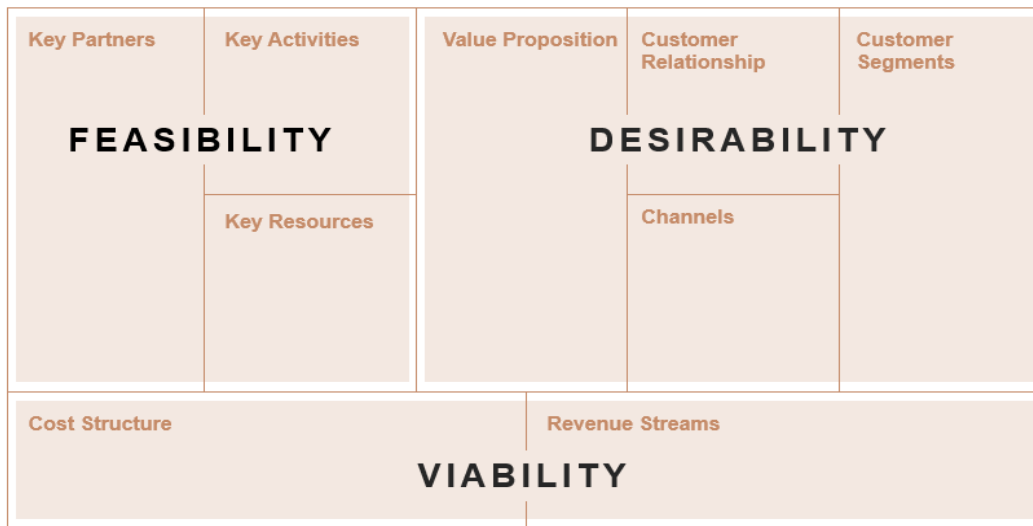
Vehicle subscriptions are a service-based model designed to offer value through the convenience of an “all-in” monthly fee. This new business model provides hassle-free access to the vehicle, insurance, maintenance, service and potentially other services, such as roadside assistance, relieving the customer from the responsibilities of traditional car ownership. Vehicles sold via subscription models will end up on the OEM’s balance sheet, transferring all the responsibility and cost for the car to the OEM. Automotive companies may struggle with developing fleet management capabilities while still managing a legacy operating model.

Mobility-as-a-Service

Mobility-as-a-Service (MaaS) is a new mobility business model that promises to revolutionize transportation as we know it by offering bundled transportation options as a service via one mobility app. Emerging mobility models will disrupt the traditional ones that involve manufacturing and selling cars, and gradually remove the need for private vehicle ownership. Instead, in the short run, automotive companies will become manufacturers and wholesalers of fleets to mobility providers. However, if the automotive companies succeed, they could dominate the manufacturing of autonomous vehicles, which is one of the enablers to turn MaaS into a mass market. Nevertheless, automotive companies may struggle with moving fast enough to beat new entrants already influencing rapidly rising customer expectations.

business model framework

Traditionally product-centric companies within the automotive industry are becoming more service-centric. Automotive companies as well as new entrants in the field of mobility are piloting new services in the market. However, moving from successful pilots to full-scale roll-out is challenging. To successfully launch new services, they must fulfill three essential characteristics: desirability, feasibility and viability. If any of these three criteria described below are not met, the roll-out of a new service is likely to fail.



Business model canvas

Desirability – The Value proposition, are we solving the right customer needs and challenges?

The criteria of desirability relate to the unique value proposition of a new service from the customer perspective and tests whether it is solving the true customer problem. A service is desirable when it is truly user-centric and addresses important needs of the customer. Desirability is the fundamental building block of the three dimensions. If there is no desirability, then feasibility and viability do not matter. The desirability must be verified both before and during the service pilot.

Feasibility – Are we building on our core operational strengths?

Feasibility measures the operational capabilities leveraged in the new solution. By objectively assessing existing operational strengths, including activities, resources and partnerships, the feasibility of a new service can be determined. If existing capabilities can be utilized or adjusted at a reasonable investment, the risk of failure is low. If a new solution requires building completely new organizational and/or technical capabilities that cannot be acquired at low cost, the investment becomes more uncertain. To summarize, feasibility determines if the new service can be delivered at a reasonable cost.

Viability – The business model, does our solution contribute to long-term growth?

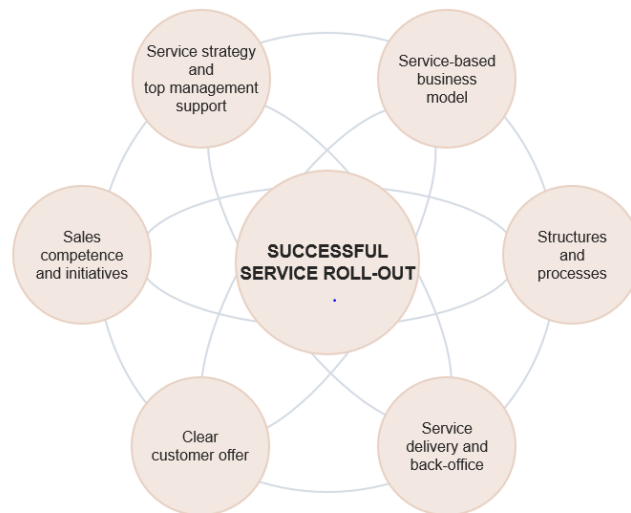
Viability defines the value proposition of a service from the business perspective and relates to the value creation for the company, for its partners and for its customers. Viability tests if the new service is economically justifiable, if the business model fits with the way the customer wants to use and pay for the solution, and if the investment is in line with the business strategy. Viability also answers questions related to sustainable economic growth for organizations, as there must be a sustainable value for all parties involved.



If any of these three criteria described are not met, the roll-out of a new service is likely to fail.

FORTOS FRAMEWORK FOR successful service roll-out

Fortos has developed a framework to define *how* to successfully move from pilot to full-scale roll-out for new services.



Framework for successful service roll-out

Service strategy & top management commitment

Why is it important?

A successful roll-out is highly dependent on a company's ability to clearly define and commit to a service-based strategy. This is especially crucial for established companies within the automotive industry, transitioning from a mature product-based strategy to a service-based strategy¹. For the defined service strategy to be widely accepted in the organization, it is crucial that top management act as champions for the strategic direction.

Current situation

As automotive companies' profit pools shift towards new services, companies are increasingly communicating new strategies aimed at capturing the value of such services. Nevertheless, committing, achieving and maintaining a coherent service strategy is challenging for automotive companies. Corporate culture legacy, along with organizations' lack of understanding of the true cost of achieving a service strategy, is one reason for not being persistent enough to stay true to, and achieve, the defined strategy – this is often due to lack of top management commitment.

Service-based business model worked out in detail

Why is it important?

To successfully move from pilot to full-scale roll-out depends on a company's ability to create and capture the value of the new service. However, to create and capture the value of a new service, a well-defined and detailed service-based business model is crucial¹. Hence, companies that succeed with business model detailing are more likely to create sustainable competitive advantages, and thus capture the value of a successful new service roll-out.

Current situation

Companies within the automotive industry that are traditionally product-based may find it challenging to implement the new service strategy throughout the business. Such companies have realized that current business models do not align with the value proposition of new services. For automotive companies to develop a new service that is desirable, feasible and viable the business model needs to be redesigned. It is not enough to ensure desirability through a unique value proposition for the customer. Companies need to detail all areas and make sure that the new service is feasible by utilizing the core competencies and strengths of the organization. The new service must also be economically viable to ensure profitability and sustainable growth.

Organizational structures & Processes

Why is it important?

Product-based companies often have rigid product-style structures and processes which support product development and delivery. To simply try to reproduce a service version of the structures and processes that are developed for products will not allow for a successful roll-out of a service. It is therefore important to have a dedicated organization with internal structures and processes that support the development and delivery of new services².

Current situation

Automotive companies realize there is a need for structures and processes that support both their currently successful products and their new services. Our understanding is that companies are not yet adapted for both. They lack structures and processes that fully support the development and delivery of new services. The reason for insufficient structures and processes is dependent on the organizations' inability to acquire relevant competencies and the legacy of existing systems that mainly support products. Companies that struggle with balancing the development and delivery of both products and services need to do a review of the organizational principles, structures and processes in order to successfully move a new service from pilot to full-scale roll-out.

¹ Towards a service-based business model – Key aspects for future competitive advantage, Kindström (2010)

² Managing the transition from products to services, Oliva, Kallenberg (2003)

Efficient service delivery and back office

Why is it important?

An efficient service delivery model is important in order to keep the quality of the service while minimizing the overall cost and delivery time. Standardized service delivery and back-office support set-up that allow for a repeatable and scalable way of working increase the chance of being profitable. The blueprint service delivery and back-office set-up should be in place before moving on to full-scale roll-out and the set-up should be tested in small scale during the pilot phase.

Current situation

Launching new services involves new ways of service delivery that automotive companies are not used to and might not have the capabilities in place for. This causes complexity as some services, for example, require physical and extensive administrative work while others depend on new digital solutions. The lack of modern and appropriate solutions combined with the legacy of existing systems cause an environment of manual work that will negatively impact the ability to deliver the service as volumes increase.

Furthermore, a well-developed service infrastructure is crucial to secure service delivery. Companies that lack the capabilities or market presence to deliver the new service need to consider cooperation with partners. Product-based companies that are set up to deliver a traditional offer may find cooperation with partners strategically important. Nevertheless, automotive companies are often uncertain when to build their own service infrastructure and when to cooperate with partners.

Customer offer clearly defined

Why is it important?

New services are often bundled with core products and/or services, a bundle of benefits that needs to be clearly defined for consumers to perceive its full value. However, customer offers can be challenging to define, as services are often more abstract, and intangible compared to hard products. However, if done correctly new bundled mobility services will be easier to sell and promote to consumers. Therefore, it is crucial to understand and define how to offer the customer a new service that is relevant, beneficial and differentiated.

Current situation

Even if automotive companies are developing, co-creating and piloting services, they are experiencing challenges with having a distinct customer offer to complement product sales. To overcome this hurdle, a shift in the mind-set of the organization is key, increasing the focus on customer value. In addition, a clear service development process and extensive knowledge of market conditions and customer needs will have a positive impact as well¹.

Sales competences and incentives

Why is it important?

To sell new services companies need to adjust their sales process, develop their sales competence and adapt the incentives to service sales as well as product sales.

Current situation

The sales forces within automotive companies are often specialized and skilled in selling products. Selling services requires different skills and techniques that companies within the automotive industry currently do not focus on, and their existing incentive models do not mirror the new service-based business models. These companies need to define new value parameters that enable the sales team to understand and promote services in a better way¹, but the companies express that they currently lack experience and competences to set these parameters.

Conclusion – looking forward

To identify service opportunities and take advantage of them while moving from a small-scale pilot to ramping up and delivering the service on a larger scale across several markets is highly complex. Achieving all areas of the Fortos framework for successful roll-out will help to mitigate this complexity and get your organization closer to a successful roll-out of new services. If you want to know more about how your organization can successfully achieve all areas of the framework, contact Fortos for more information.



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