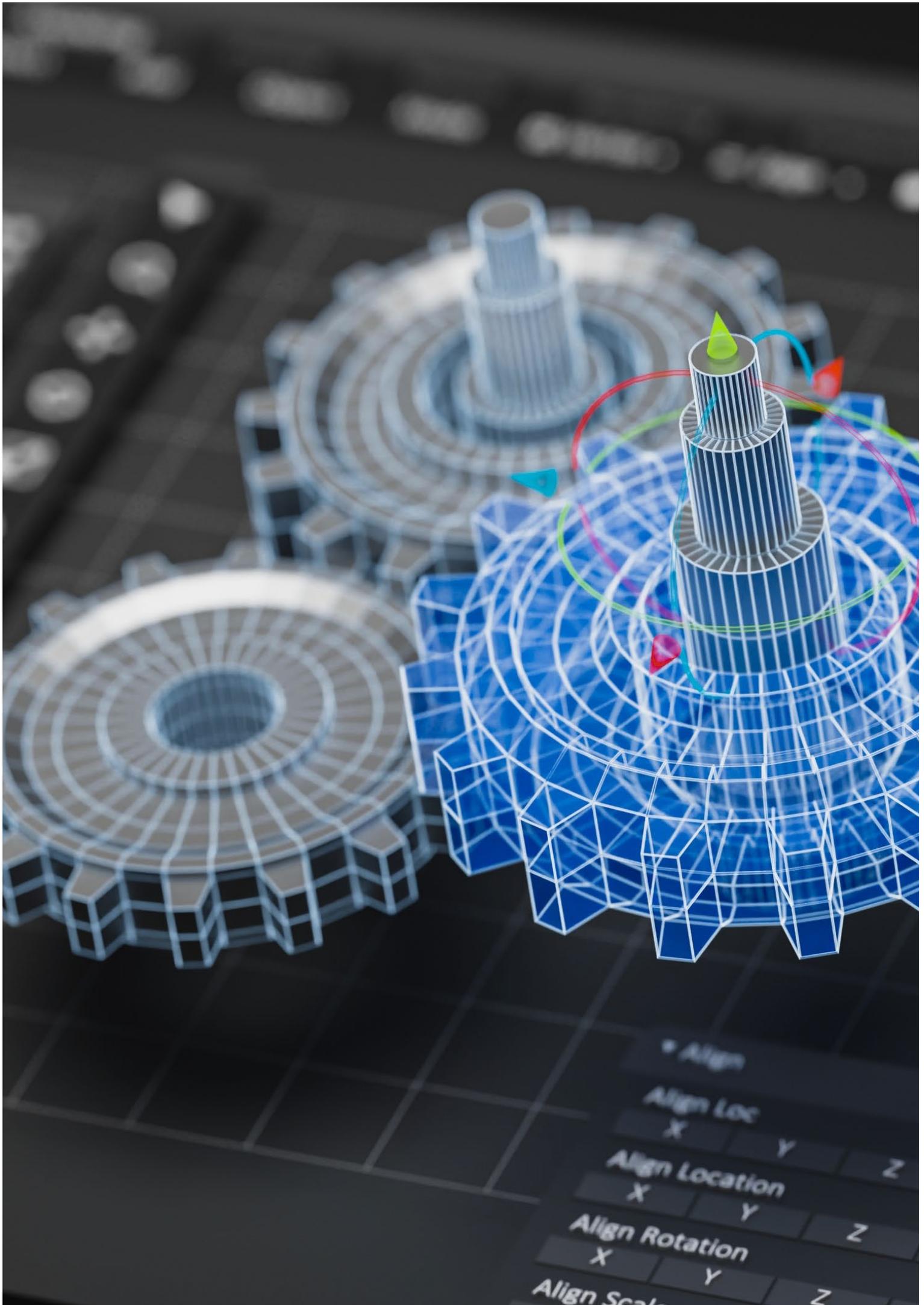


Customer Excellence in
Industrial Manufacturing
Sustainable growth through
customer centricity

**Volume 2: Target your customers more effectively -
on the right channels and at the right price**

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Customer Excellence in industrial manufacturing

We have seen huge advances in the area of Customer Excellence over the past two decades, though the focus has mainly been on sectors where the customer is also the end user. The main goal for today's enterprises is to drive business performance through Customer Excellence, relying on a more customer-centric approach. Interacting with customers and offering services tailored to their needs both play a key role. In our digital age, this goes hand-in-hand with collecting, aggregating and gaining insights from customer data as well as leveraging digital communication and sales channels.

Why Customer Excellence is such a critical success factor (now in particular) for industrial manufacturers

So far, we have not seen the industrial manufacturing sector go all in on the customer excellence trend. This is due in part to the fact that they have clearly had other more urgent priorities in recent years: implementing ERP, optimizing industrial processes, introducing cost-cutting and digital service initiatives and, more recently, dealing with fulfillment and supply chain disruption. For many manufacturers, overhauling the sales strategy has simply not been a priority.

Increasing connectivity and digitalization in both equipment and customer relations is creating new, promising business models for industrial manufacturers, particularly with customers demanding more digital services. Amazon and other B2C "e-tailers" have taught them to expect excellent service at any time of the day or night. Over time, 24/7 online services are becoming a key factor for buyers on the customer side as well. Digital transformation in sales offers machine manufacturers the opportunity to maximize revenues and profits over the long term, though it won't happen without a robust strategy that aligns new machine sales, spare parts and consumables with after-sales service.

Integrating existing sales channels, at least at the digital level, is a vital step. Industrial manufacturers will also have to learn how to gauge the perceived value of each product for their customers to determine the optimal price point. With digital channels, manufacturers have enormous opportunities to unlock hidden potential and leverage new business models. Of course, selling industrial products is nothing like selling consumer goods – and the realities of the different industrial manufacturing segments vary considerably. That does not mean companies cannot profit from Customer Excellence strategies in industrial manufacturing, with initiatives such as multi-channel campaigns or product monetization.

Three levers of Customer Excellence

This is the second in a three-part Point of View (PoV) series highlighting the advantages and improvement potential of Customer Excellence in the industrial manufacturing sector. We define Customer Excellence as activities that aggregate and leverage existing customer data to drive sales growth, optimize processes, improve marketing and much, much more.

The first volume of this series focused on levers designed to help you get to know your customer. And now, in Volume 2, we focus on the second lever: a more targeted approach to sales. The third and final volume in our PoV series will look at working with customers to transform your business.

Each of these three growth levers rely on different drivers and different factors, so not every enterprise will need to invest equally in all three levers. Your Customer Excellence strategy should align with your business model and deliver the results that are relevant for your business.

Fig. 1 - Structure and key themes



“Customer Excellence is the springboard for industrial manufacturers to grow revenues – even in challenging times – and to optimize sales and service operations while keeping customer satisfaction high. The more positive you make each experience with your customers, the greater the chance they recognize the added value of the entire journey.”

Carina Garbe, Director Monitor Deloitte

Our goal in this PoV is to help you find the ideal multi-channel strategy for your business. As we outlined in the first section, this strategy involves integrating new machine sales with your spare parts and after-sales business, adding a digital platform to make the overall approach more customer-centric. It doesn't matter at the start whether you use indirect sales channels for mass-produced equipment or direct sales channels for custom machinery.

Multi-channel sales help streamline in-house processes, reduce friction between sales and service, and allow sales and service staff to use their time more effectively by automating routine tasks. At the same time, a multi-channel strategy can considerably add value for customers and help industrial manufacturers cut costs. One example here would be self-service options for customers that are available around the clock and use automation and chatbots to save technician hours.

Automated data analytics are not only a valuable tool for the customer; they can also improve sales management. After all, if you know which issues are relevant for which customers, you can target your products and services more effectively. "Next best offer" (NBO) is one approach to online customer-centric marketing that also appeals to B2B enterprises. The idea here is to develop algorithms that determine what customers want based on their data. Even though e-tailers have been using this strategy successfully with millions of customers, the concept is still relatively new in the industrial manufacturing sector.

And finally, a multi-channel sales strategy helps you transform your existing business model to add more value – for example through consulting, training or online tools. We will delve more into this topic in the third volume of this series.

Every market segment has its own sales strategy

There is hardly any other sector as diverse as the industrial manufacturing sector – and the sales approach of each company varies considerably as a result. Those

involved in series production often rely on multiple sales channels: direct sales, partnerships with distributors or wholesale and online sales. We have recently seen a trend towards more direct sales in the core markets of our customers in this segment, while they continue to work with distribution partners in smaller target markets. For many of them, the online channel is particularly important for after-sales service. We have, however, recently seen more and more industrial manufacturers not only initiating but also transacting a large part of their new machine business online.

The picture looks very different in custom machine and equipment manufacturing. The machinery in this segment is not only much more specialized and complex – requiring more in-depth explanations – they are also big-ticket items for the customer. They spend a lot more time and energy finding the right solutions and invest a lot more financial resources (compared to standard mass-produce machines). So, manufacturers have to allow for considerably more customer interaction and support with sales staff, who provide in-depth advice to a relatively small customer base. In our practice, we are seeing online channels and the opportunity they provide gain traction – with artificial intelligence and other new technologies promising a wide range of use cases in plant design and after-sales service.

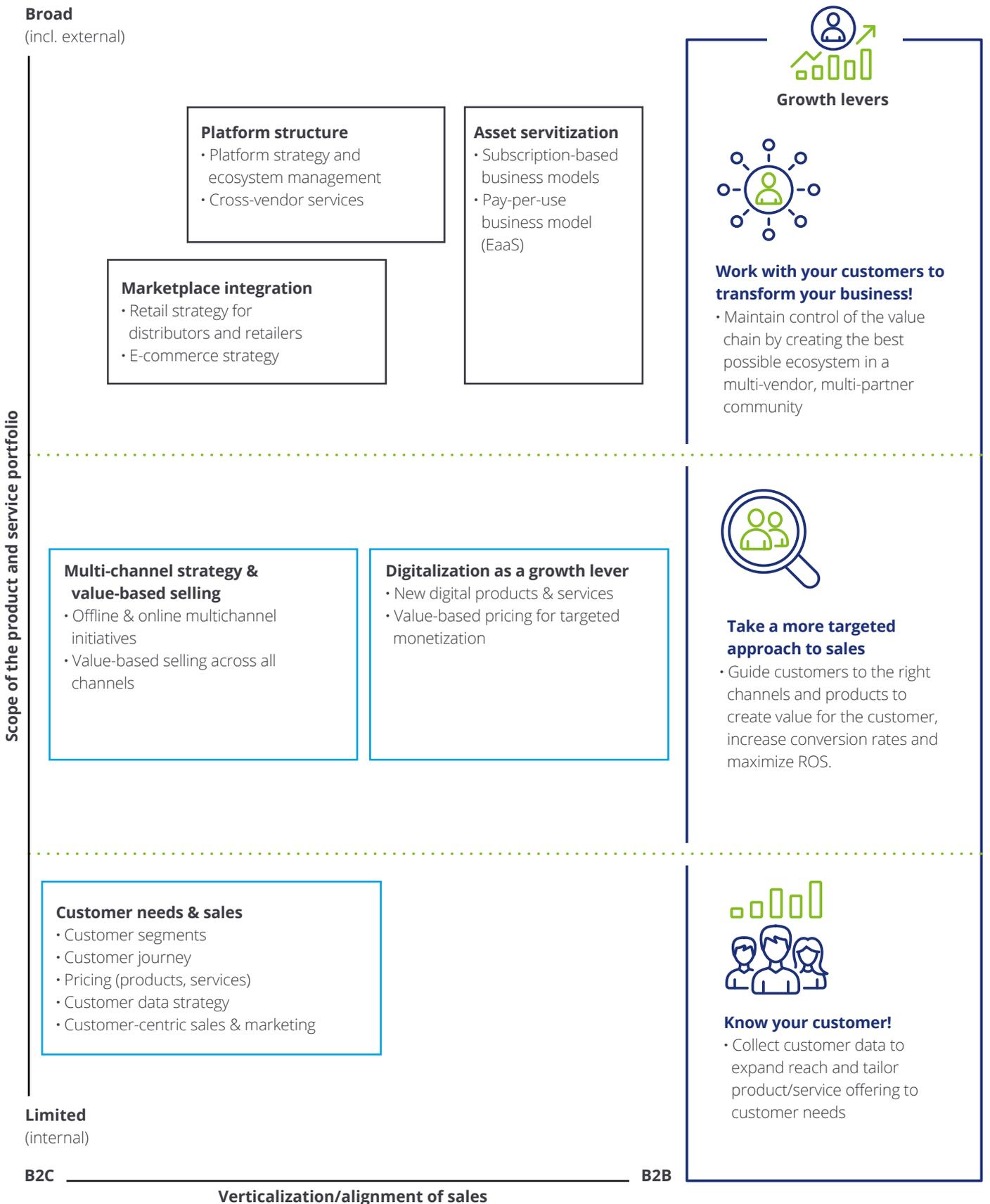
Customer-centric and digital – even in industrial manufacturing?

Traditionally, capital goods manufacturers tend to be rather skeptical about the Customer Excellence approach. Their arguments are often surprisingly apprehensive: They have always sold their products this way, so why fix what is not broken? And isn't there a risk that new sales channels could jeopardize existing sales, for example through new incentive structures for online channels or cannibalization? In other words, if their old team is still winning, why gamble with making changes?

At the same time, the digital world keeps advancing, even in the industrial manufacturing sector. B2B portals for spare parts are suddenly appearing, the competition from China is heating up and customer expectations are rapidly evolving – disruption threats everywhere you look. And then there is the new software solution your company has just launched, which your sales staff cannot even begin to understand, so they simply refuse to sell it.

According to the experts at Monitor Deloitte, quite a few machine and equipment manufacturers are at this point and wondering how to proceed. There is a wide range of options and opportunities in this space, but also serious risks. In our view, the time is now to develop a master plan tailored to your company's needs. The plan should take a holistic approach to customer centricity and put an end to the competition between new machine sales and after-sales service – from initial customer contact all the way to the incentive structures. Today's manufacturers need to rethink and coordinate the channels they use for new machine sales, spare parts, after-sales service and customer training. That is why we decided to focus this PoV on how machine manufacturers can use an multi-channel approach to give customers more targeted and more effective support.

Fig. 2 – Structure and key themes for the three growth drivers



Take a more targeted approach to customer sales

How can your sales team adopt a more holistic mindset and a more effective, more targeted sales strategy? The focus here is not only on new machine sales, but also on existing customers, on technical support and customer care across the entire machine lifecycle as well as on opportunistic one-off business. In our experience, these principles will help your sales team tailor their services to each customer’s individual needs:

- Multi-channel sales strategy to ensure you can reach customers with the right message in every situation – and that they can find you!
- Value-based selling in line with customer value
- Digital services as an integral part of the overall offering to maximize the potential of your multi-channel strategy
- A better monetization strategy for your own (digital) services that minimizes the number of products and services given away “for free”, as is currently the case for many digital and customer training offerings

Tab. 1 – Overview of the Customer Excellence themes for lever 2 “Take a more targeted approach to customer sales” and the needs of each type of customer

Type of company		1. Multi-channel strategy and value-based selling		2. Digitalization as a key growth lever	
Business model (representative)	Customer base	1.1 Multi-channel models	1.2 Value-based selling	2.1 Digital	2.2 Value-based pricing
Standardized product range (e.g., drills, electronic parts)	Many customers, many locations, often working with third-party distributors	●●●●	●●●○	●●●○	●●○○
Mass-produced machinery with variants (e.g., CNC machines, material handling equipment, pumps etc.)	Many customers, many locations, often working with import partners in foreign markets	●●●○	●●●●	●●●●	●●●●
Custom machinery (e.g., chemical equipment, specialized presses)	Few large-scale customers, usually managed directly	●○○○	●○○○	●●●○	●○○○

●●●● = highly relevant ○○○○ = less relevant

Multi-channel strategy and value-based selling

The turnover and margins of industrial manufacturing companies often come under pressure in cycles of high inflation and slow growth. That drives customers to find short-term relief through process optimization, cost reductions and delays in capital investments. The demand for new machines falls, resulting in empty order books for machine and equipment manufacturers. At the same time, after-sales and technical support gain importance for manufacturers, who rely heavily on stable service margins during a downturn. It is vital in this situation to manage sales via the various channels, using value-based methods informed by deep customer insight.

Your multi-channel strategy is key here; in other words, introducing a comprehensive sales strategy for all channels and the entire product lifecycle, from new business to spare parts and after-sales service to software support. In practice, that means coordinating all sales activities across all channels, especially online. There are two tasks fundamental to succeeding with this strategy. First, you have to determine how to bring together the traditional channels on the supply side with a comprehensive range of products and services across the

entire lifecycle. Second, it is important for the teams responsible for new machine sales and after-sales service to work in sync, with coordinated career development and incentive structures for the entire staff.

In the second step, the focus shifts to sales efficiency, all the more important our current downturn, and a more value-based approach to sales management. This approach translates deep customer insight into tailor-made offerings and manages sales in line with customer value – the key to efficiency. The multi-channel approach and the focus on customer value are the two main levers here.



Customer journeys

The customer journey is essentially a path that leads customers through all of the necessary steps until a deal is done – and for industrial manufacturers, that includes tailored after-sales services. You need to provide positive experiences for your customers (“moments of truth”) throughout the entire journey. When it comes to cultivating a truly customer-centric mindset and building a successful multi-channel sales strategy, customer journeys are extremely important (see the first Point of View in this series for more details).

Of course, the “ideal customer journey” for machine manufacturers is a lot more complex than it is for conventional consumer goods manufacturers. For example, it includes an extensive information gathering and suitability testing phase up front, requests for quotations from various manufacturers, complex contract negotiations, machine installation and commissioning, maintenance and troubleshooting, and, at some point in the future, perhaps even new machine sales. The customer journey as a concept originated in the online space but can be used on any sales channel. Implemented properly, it will enhance customer care and drive continuous improvement in sales as well as after-sales service thanks to the systemic collection and analysis of feedback through the so-called customer journey map. These maps also help industrial manufacturers understand which digital services they can and should be monetizing – ideally to improve the customer experience even further. At the same time, the customer can be directly guided along the customer journey in the multi-channel environment, for example, by being directed to self-service.

Guiding customers with customer journeys

Example “Fixing a performance problem”: A mechanical engineering customer identifies a loss of performance in his machine and wants to fix (or have fixed) the problem.



1. Machine data analysis (in online platform)

The customer checks the performance of the machine over the last shift after retrofitting and detects a loss in throughput.



2. Manuals (in online platform)

Via the dashboard in the (online) platform, the customer has direct access to the essential manuals and can search for the problem that has occurred.



3. How-to videos (in online platform)

Within the manuals available online, “how-to videos” are suggested to the customer to illustrate possible troubleshooting.



4. Service technician chat (in online platform)

If independent troubleshooting does not lead to the desired success, the customer uses the platform's chat function to receive remote help from a technician.



5. Remote service technician (via online remote service with video chat or augmented reality support)

The technician is connected directly to the customer and can use video or augmented reality functions to guide the customer directly to resolve the problem without the need to travel.



6. Service appointment (via online remote service)

If remote assistance does not lead to the desired result and a service technician visit is necessary, an appointment can be arranged directly with the customer and the necessary spare parts can be ordered by the remote technician at the same time.

Make the most of your multi-channel strategy

The basic idea of a multi-channel approach is combining online and offline channels in a way that optimally addresses all target groups and their individual needs. Your channel mix should not only work well with existing (sales and after-sales) services; it is essential for all of the channels across your customer journey to align with each specific target group and its needs – whether they are production managers, the IT department, in-house technicians, procurement staff, etc.

Multi-channel does not, however, mean you have to replace all traditional, personal contacts in sales and service with a digital channel; on the contrary, multi-channel is never a purely digital model. Instead, it is designed to connect, complement and augment traditional offline channels through new, digital channels. Self-service portals help improve efficiency, for example by making it easier for customers to order spare parts online rather than over the phone. This takes the pressure off the in-person sales staff and makes better use of everyone's time. You can unlock additional potential with an integrated channel approach, for instance with automatic alerts for the sales department when service technicians detect outdated machines. Ideally, the multi-channel approach will also empower you to initiate, advance or complete all processes from any

channel – you can make an initial offer online and the second offer by email or in person, for example, followed by a phone call for final negotiations and a repeat order online.

In the end, it is essential to coordinate all channels and all interested parties with each other in your multi-channel model – including, for example, the processes and protocols for sales meetings and pricing negotiations. This may be difficult initially, but over time it will foster a more consistent and trusting relationship between the sales and after-sales teams.

To make the multi-channel model work, you need to train your staff in sales and service, expand their IT skills and establish a learning mindset enterprise-wide – especially if you plan to eventually introduce AI-based tools and pricing engines to support sales decisions or try out new customer messaging models. According to a Deloitte survey¹ of more than 50 executives from the industrial manufacturing sector, 74% of respondents are not currently using the multi-channel approach though they have identified its potential, while only 35% believe that they are already maximizing the potential of their multi-channel strategy.

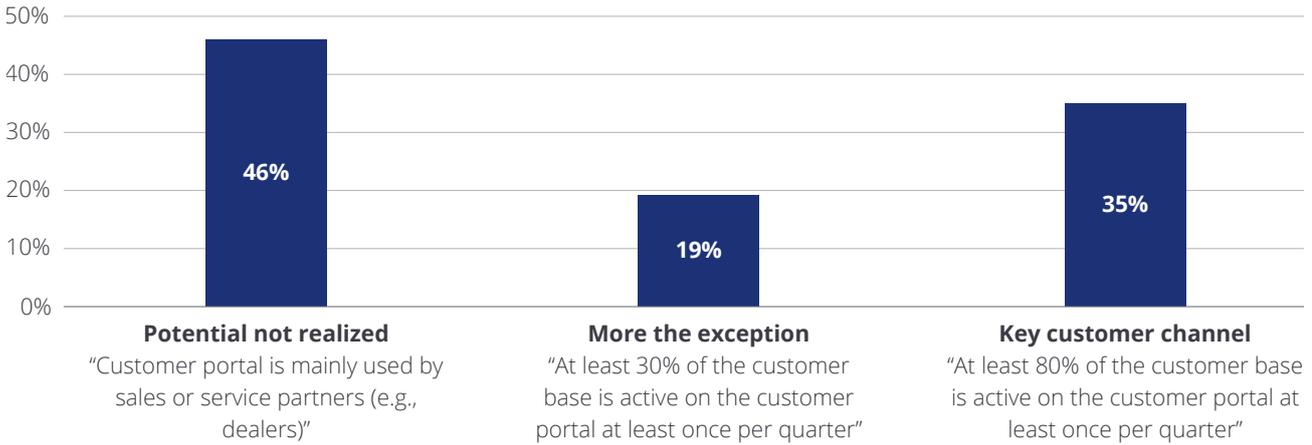
Fig. 3 – Customer Excellence survey results: Multi-channel strategy



Digital (customer) portal

35 % of respondents offer **digital portals** with **high customer interaction**

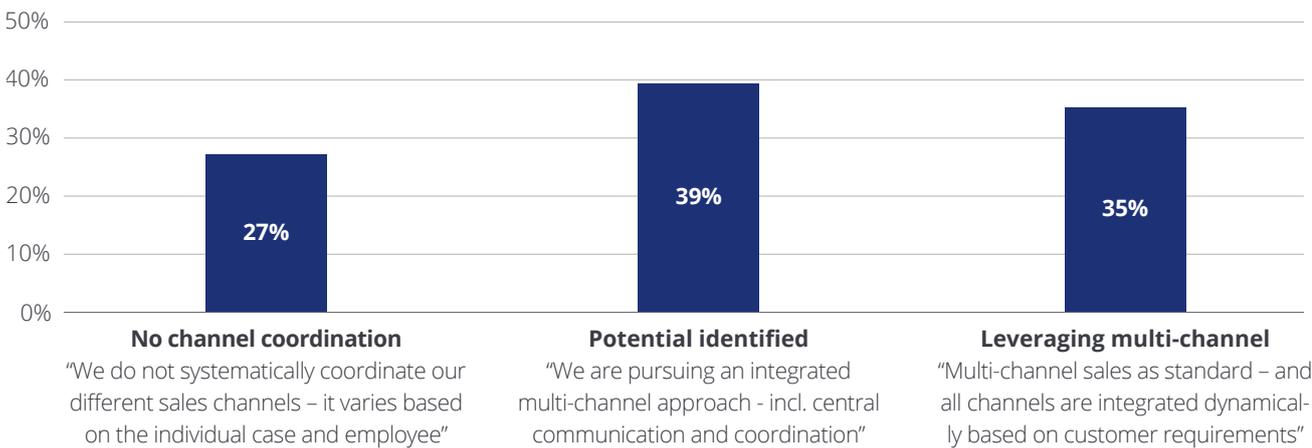
How would you describe the role of partners in your current (digital) sales model?



Multi-channel customer-centricity

Three out of four respondents say they are **leveraging** the potential of **multi-channel effectively**

Do you have a customer segment-specific channel strategy that defines how to sell what products to which customers on which channel?



Source: Monitor Deloitte's 2022 Customer Excellence Survey (survey of more than 50 executives from the industrial manufacturing sector; not representative)

Hidden potential in digital transformation and multi-channel strategies

In a recent Deloitte study,² around one-third of industrial manufacturing companies surveyed have successfully launched a portal where customers can view their monitoring data, order spare parts and accessories, and submit service requests,

among other things. Another third of the companies in our survey recognize the potential for a successful customer portal but have not yet launched one. On the other hand, only one-third of the companies surveyed have implemented a multi-channel approach and started leveraging its potential.

² Source: Monitor Deloitte's 2022 Customer Excellence Survey (survey of more than 50 executives from the industrial manufacturing sector; not representative)

Multi-channel strategies can vary considerably depending on the strategic objectives of your company as well as the relevance and the benefit of different channels for your business. A lot of industrial manufacturers see digital channels as secondary, preferring to address their customers' key needs through direct contact. According to Monitor Deloitte, however, the online channel is particularly well-suited to responding to customer needs faster and in a more competent way. You can also encourage the experts at your customer companies to visit the portal regularly by posting interesting content and making it easy to maintain contact. It makes sense to proactively position your online presence with customers.

Fig. 4a - Sample channel outline in a multi-channel approach (varies from company to company)

Customer contact (I)		Customer (II)	Marketing channel (III)
Contact through centralized system	Direct sales campaign (with detailed offer)	Existing customer via dealer	Personal contact
			Letter
	Door-opener campaign (no specific offer)	Existing direct customer	E-Mail
			Phone
	Contact through dealer initiative	New customer via dealer	Social media
			Search engine marketing
	Contact through customer initiative	New direct customer	Price comparison portal
			Brand website
	Contact through dealer initiative	Partner customer	Customer portal
			Other online advertising
Contact through customer initiative	Prospect	Print advertising	
		Radio/TV	
			Other
			No marketing channel/initiatives

Fig. 4b – Sample channel outline in a multi-channel approach (varies from company to company)

Contact channel (IV)	Lead (V)	Proposal (VI)	Closing channel (VII)	Closing (VIII)	Customer care (IX)	
Personal contact	Lead system ¹	Consulting	Dealer	Closing	Direct support	
Letter						
E-Mail						
Phone		(Additional) proposal	On-site			
Video Call						
Live chat						
Social media		Outbound phone call	Mobile			Dealer support
Price comparison portal		Access via direct channel				
WhatsApp						
Brand website		No action	Online			Other
Marketplace						
Dealerwebsite	No leads from the lead system	No (additional) proposal	No proposal	No dealer support		
Customer portal						
Other	Customer is not looking for contact					
Customer is not looking for contact						

¹ A "lead" is defined as a contact request issued by the customer, including the name and contact details, which is then entered into the lead management system. Direct contacts are not classified as leads because no further contact is required to close a deal.

Adopting a multi-channel strategy is quite demanding and requires careful planning. First, you should make sure it objectively makes sense for your company to develop and implement this kind of strategy. Second, it has to appeal to your customers. And third, it has to be workable on a day-to-day basis with your existing financial and human resources. You will need to introduce new

processes, roles and management tools and recruit as well as upskill sales and service staff. Finally, you need a good design, a robust implementation plan and the necessary IT infrastructure for your online offering, all selected based on data from various areas of the company.

Tab. 2 - What industrial manufacturers stand to gain with an integrated multi-channel sales strategy

		
Improvement potential	In the range of	Generated by
Increase in sales	<ul style="list-style-type: none"> • 10–20% 	<ul style="list-style-type: none"> • a more targeted approach to customer sales across various channels • an optimized customer experience thanks to the integrated channel strategy • more data-driven offerings including “next best offers” to improve cross/up-selling potential
Efficiency gains	<ul style="list-style-type: none"> • 5–10% 	<ul style="list-style-type: none"> • a reduction in staff-hours and touchpoints between sales staff and customer • the shift of some tasks to the customer (e.g., through online self-service portals)

Sample use-case from Monitor Deloitte



Situation

Our client is a market leader in industrial household products looking to transform its global business model to a more customer-centric, multi-channel approach. The plan, which involved 12 brands and 100 countries, was to improve direct interaction with customers over a period of three years and significantly expand the business through integrated online and offline channels. By taking a more holistic view of the customer experience, our client hoped to improve customer satisfaction and loyalty as well. The project was even more challenging thanks to the complexity of the business and a rapidly evolving organization paired with complex legacy systems and the client's minimal experience in developing a scalable multi-channel platform.



Solution

Monitor Deloitte recommended a two-step strategy to develop the centralized multi-channel platform. The first step was a detailed exploratory phase to refine the vision, develop the business imperatives, design the IT architecture, select the right vendors and prepare for transformation and implementation. The next step focused on the actual implementation of the multi-channel platform to ensure that our client was able to serve its customers seamlessly, whether via online platforms, email, text message, call centers or in-store.



Impact

Using an agile implementation model, Monitor Deloitte succeeded in integrating multiple platforms from SAP Hybris Commerce and AEM to Adobe Target as the replacement for the customized CMS and outdated e-commerce engine. Monitor Deloitte also helped the client develop, specify and implement the MuleSoft Anypoint platform for seamless integration with existing systems such as SAP ERP, SAP MDM, Salesforce, Microsoft Dynamics, Okta and custom customer service, warehouse management and reporting solutions. The result is a fully cloud-based, integrated platform for digital marketing, product content management, digital asset management, digital commerce and order management. The successful launch of this platform continues to inspire other brands and markets as they continue on their digital transformation journey.

Shift to value-based selling

Value-based selling is a multidimensional approach that focuses on providing value to the customer and optimizing resource allocation in sales and after-sales service. In many industrial manufacturing companies, a small number of high-value customers account for 70 to 80 percent of revenues, which justifies not only more extensive customer care, but also joint development projects and other wide-ranging initiatives. This goes beyond the typical key account relationship: These customers – particularly in certain lifecycle phases of the machinery – represent more potential value for the machine manufacturer than average consumers. There are two main components involved in shifting to a value-based selling approach.

Determining the value of each customer

It is important to manage customer portfolios according to the value of high-margin customers, but also of customers that promise growth, prestige, pilot projects, opportunity, etc. Higher-value customers require more intense care than their less valuable counterparts, and it is important to factor their needs into your future product and service development plans. Determining customer value should not be limited to a simple A-B-C system; it should include a variety of parameters, such as the age and after-sales potential of certain machinery and should be accessible to sales and after-sales staff in the CRM system.

Tailored, optimized resource allocation

Ultimately, this is about making the best possible use of the talent in your sales and service teams. The goal is to dedicate your most valuable resources to the most valuable customers and the activities that generate the most value. Then you can either automate less-valuable sales and service tasks or process them via a different channel – for example, with an online self-service portal for spare parts.

This is value-based selling in the most literal sense – “value” becomes the compass that industrial manufacturers rely on to gradually ...



... shift to a product and service offering that generates more value for high-value customers or customer groups (e.g., with automated alerts for spare parts or new equipment),



... set their prices based on the verifiable value you are creating for customers (e.g., in relation to what your customer can save),



... empowers the sales staff to pitch and sell these value-adding products and services to customers (e.g., by calculating what a customer will save ordering replacement parts online),



... allocate your sales resources to higher-value tasks and customers (e.g., with targeted customer messaging and follow-up from sales staff).

The value-based approach clearly indicates where you can increase sales and improve margins (e.g., offering new digital services, stepping up sales efforts and introducing more value-based pricing), but also where you should cut costs (e.g., automating certain services, offering a self-service option and bundling relevant spare parts). It shows what products and services offer the greatest benefit and which offerings are less appealing to customers, enabling the sales team to find and implement the right solution in each case.

Value-based selling not only helps you identify the hidden potential in your multi-channel sales strategy, but also translates this potential into measurable success. The majority of machine manufacturers are still relying on a sales strategy strongly focused on direct sales, historical sales data or even long-standing personal relationships. Monitor Deloitte sees huge potential here, not only to improve efficiency, but above all to focus your sales team’s efforts on deals that a) are more likely to succeed and b) have higher earnings potential.

Up-to-date customer insight is a must-have in the multi-channel approach

The foundation for value-based selling is a customer database or CRM system that is updated in real time. This provides a detailed overview of and easy access to everything you know about your customer – first and foremost the status of current orders and contracts, customer requests for products or services, and the contact person on both sides responsible for the relationship. A good customer database will also include additional information such as the history of the relationship, the responsible key

account staff, sales and earnings generated by the customer, any previous issues, the customer’s different locations, where they are using which machinery, how and for what purpose, any past service callouts, the position of the customer within a particular sales region, etc. As you may not have detailed information about every customer, you should endeavor to fill in the blind spots on your customer map in due time. For more information on this, see the first PoV in this series: “Customer Excellence in Industrial Manufacturing: know your customer”.

Tab. 3 – What industrial manufacturers stand to gain with value-based selling

		
Improvement potential	In the range of	Generated by
Increase in sales	<ul style="list-style-type: none"> • 10–15% 	<ul style="list-style-type: none"> • a focus on offering more relevant products and services based on deep customer insight • proactive customer messaging at the right time and in the right place
Efficiency gains	<ul style="list-style-type: none"> • 15–20% 	<ul style="list-style-type: none"> • systematic sales management based on customer value • a shift from lower-value to higher-value tasks and activities to free up sales staff • targeted channel management with, e.g., self-service options

Harness digitalization as a growth lever

When it comes to investing in digital business models or products, industrial manufacturers are often wary and slow to act. This is due in part to a lack of digital skills and expertise within the company and in part to the more decentralized structure of typical sales teams. The sales team itself, which is trained to sell physical products rather than complex software solutions, may also act as a bottleneck. It becomes a problem when sales staff is unable to communicate the added value of a software solution to potential customers, while also trying to introduce new pricing models. As a result, even predictive maintenance is rarely on offer, and neither are any of the other digitally-driven services we keep hearing so much about. That is why it is so important to lay the groundwork today for a robust range of digital products and services – and to get your sales team ready to pivot in that direction. In the following sections, we will outline why it is so urgent to focus on digital products and services now, and how you can approach the monetization issue.

Launching digital products and services

After-sales service is an invaluable source of revenue for Europe's industrial manufacturing sector and an essential tool for stability in a volatile economy. Thanks to digital transformation, this area has received a further boost in terms of additional service potential. There are a wide range of innovative digital services on the horizon, from remote monitoring and maintenance to problem-solving and from optimization programs to digitally-supported fault detection and repair. That said, very few industrial manufacturers have even begun to introduce them. It is high time to unlock these opportunities and increase revenue while also building more customer loyalty.

Offering digital services does not directly increase technician hours and, once they are in place, you can scale them cost-effectively. They also offer an opportunity to stay close to customers and respond quickly to requests, which in turn makes you more valuable to your customers.

This has turned digital services into one of the most promising growth areas in the industry. Most machine manufacturers have so far opted to offer some basic digital services for free, such as online user manuals. The next logical step is to offer (usually free of charge) checklists, maintenance tips, troubleshooting tools, etc. At some point, however, you need to generate revenues with these kinds of services – and most companies are still not sure how to find the right approach here (see the section entitled "Value-based pricing for targeted monetization").

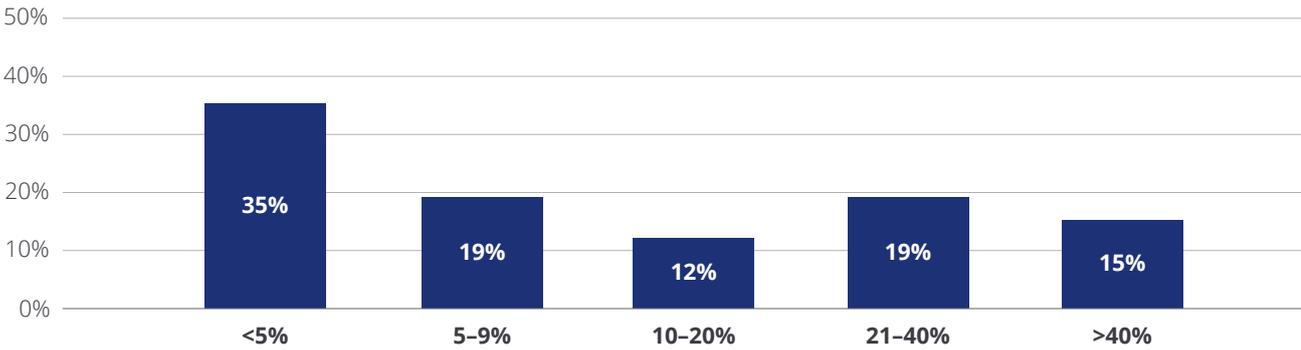
Fig. 5 – Customer excellence survey results: digital sales channel



Share of online sales

More than 50% of industrial manufacturers generate less than 10% of revenues online

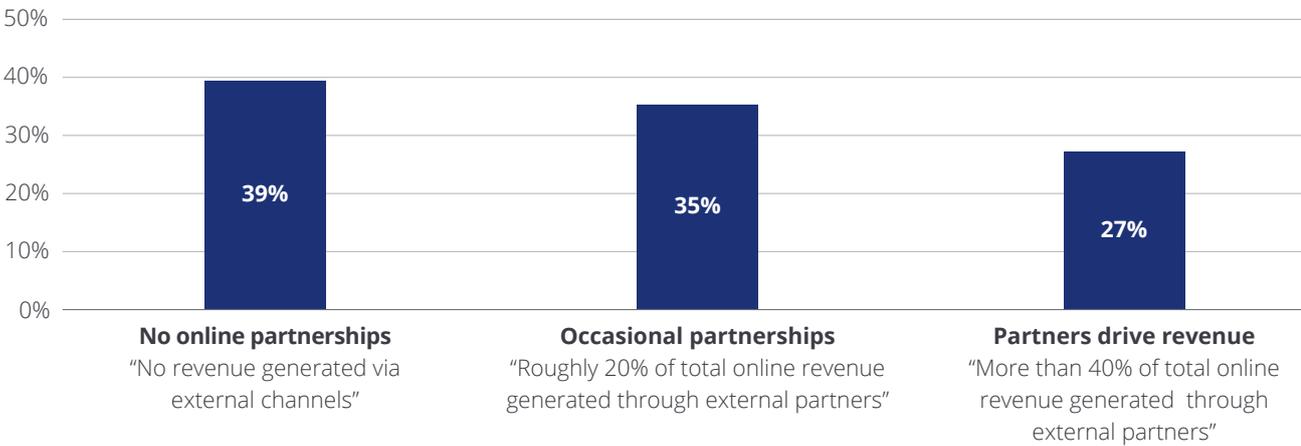
What share of your annual revenue is generated via online channels (incl. after-sales service)?



Online channel partnerships

Roughly 1/3 of respondents conduct most of their online sales through **external partners**, while **almost 40%** do not use **any third-party online sales channels**

What share of your total online sales is generated through third-party shops, platforms or marketplaces?



Source: Monitor Deloitte's 2022 Customer Excellence Survey (survey of more than 50 executives from the industrial manufacturing sector; not representative)

Early adopters show what is possible with digital services

According to a recent Deloitte study,³ two-thirds of the industrial manufacturers we surveyed generate less than 20% of their sales on digital channels, while half say they earn virtually nothing online. In other words, "online" has not become a major sales driver for most companies in the sector, although a few pioneers are making good money with digital products and

services. Just over a quarter of the companies in our survey rely heavily on online partnerships – often the key to success in the digital space – though most manage without any at all. More mature businesses say they can often achieve better margins without these partners if they switch from online partnerships to direct online sales.

³ Source: Monitor Deloitte's 2022 Customer Excellence Survey (survey of more than 50 executives from the industrial manufacturing sector; not representative)

Digital services that leverage the company's unique expertise and offer measurable benefits for the customer, whether it is lower labor costs or efficiency gains, have a particularly significant impact on sales and earnings. These usually include machine operating tips, problem-solving aids, process and production knowledge as well as machine data analytics and remote monitoring services (provided the customer's machinery is online). We believe the most promising future opportunities for digital services are in this area.

In our view, the reason long-standing topics such as "X-as-a-service" and "predictive maintenance" have not become more mainstream is because manufacturers are unable to position them within their existing sales structures and they have not yet become an integral part of the end-to-end customer journey or a fully-integrated multi-channel strategy. On the one hand, manufacturers have to guide customers to the service products that are right for them – and this is only possible through deep analysis of the customer journey. On the other hand, new machine sales, spare parts and after-sales teams have to work together on equal footing, particularly when it comes to selling complex service products, for example with the help of targeted incentives. This is where an integrated channel approach is so vital.

In future, predictive maintenance offerings could – with the addition of certain parameters – become part of a sustainable maintenance and sustainability reporting strategy. Chatbots are already in a position to replace expensive technician hours on service hotlines, especially for repetitive requests. We believe artificial intelligence in particular has the potential to revolutionize online digital machine services. Monitor Deloitte has outlined various promising use cases for generative AI in the industrial manufacturing sector (see also Deloitte's [Generative AI Dossier](#)):



1. Asset maintenance planning

Maintenance planning plays a key role in preventing premature equipment failure as well as costly repairs and replacements, while also extending the life of an asset. Given various short and long-term pressures and other factors, manufacturers can modify maintenance schedules and follow-up processes to adapt to production realities or to account for unforeseen events. However, modifying maintenance schedules can be costly and labor-intensive.



3. Virtual field assistant for engineers

Technicians sometimes work in remote or difficult environments and often encounter information problems, whether it is the lack of the necessary manuals or a search for the root cause of an issue. Engineers in these cases may have to wait for further instructions and return to the site at a later date.



2. Site design

Site design is a multi-phase, iterative process to optimize costs, efficiency and safety, but also an expensive and time-consuming endeavor involving a wide range of stakeholders and external specialists. It may also require complex site evaluations in remote, sometimes inconvenient locations. Predicting short and long-term impacts requires designers to explore a variety of factors, including, for example, often labor-intensive and expensive topological and geological surveys.

Tab. 4 - What industrial manufacturers stand to gain with digital growth levers

 Improvement potential	 In the range of	 Generated by
Increase in sales	<ul style="list-style-type: none"> • 20–30% 	<ul style="list-style-type: none"> • the monetization of value-added software solutions • access to transparent data for customers • performance-based guarantees via machine monitoring (OEE)
Efficiency gains	<ul style="list-style-type: none"> • < 5% 	<ul style="list-style-type: none"> • connectivity that enables rapid detection of issues and rapid response from sales and service staff

Sample use-case from Monitor Deloitte



Situation

Our client is a global automation company known for steady sales growth, mainly through M&As, struggling stagnant organic growth. Senior management recognized the need for digital transformation to improve business performance, as outlined in its most recent corporate strategy. However, the strategy failed to provide a roadmap or define the key priorities. They asked Deloitte to help turn their strategy into an actionable plan and accelerate the company's digital transformation.



Solution

Monitor Deloitte did an in-depth assessment of the company's digital maturity and developed a digitalization target for each business unit at more than 15 sites. We used in-depth customer interviews, competitive analyses and intense team workshops as the basis for our approach. Monitor Deloitte also developed a detailed business case to assess how the proposed digital transformation initiatives would impact corporate sales and profits. This helped provide certainty about the true potential of the initiatives. By focusing on clear value levers and customer centricity, Deloitte succeeded in delivering a robust implementation plan based on the company's digital transformation roadmap.



Impact

The project delivered positive results for the company, significantly increasing sales (15-20%) and cutting costs in procurement (8-10%) and development (8-12%). The company was also able to increase production throughput by 4-6%. With this project, we demonstrated the power and the urgency of digital transformation as a key growth driver in the industrial manufacturing sector and highlighted the potential for other companies in a similar situation.

Introduce value-based pricing for targeted monetization of digital assets

Proper use of the value-based approach (see section entitled "Introduce value-based selling") involves calculating and introducing new prices in line with the value you create for customers. Traditional pricing models such as cost-plus or competitive pricing will no longer work here, which is why we recommend a value-based model. The idea is to set the minimum price of products or especially digital services in line with the production and distribution costs incurred by the supplier (cost recovery), while the maximum price corresponds to the value as perceived by the buyer. The fairest price point for both parties would be somewhere in the middle. You also have to factor in market fluctuations in a value-based model – when the economy

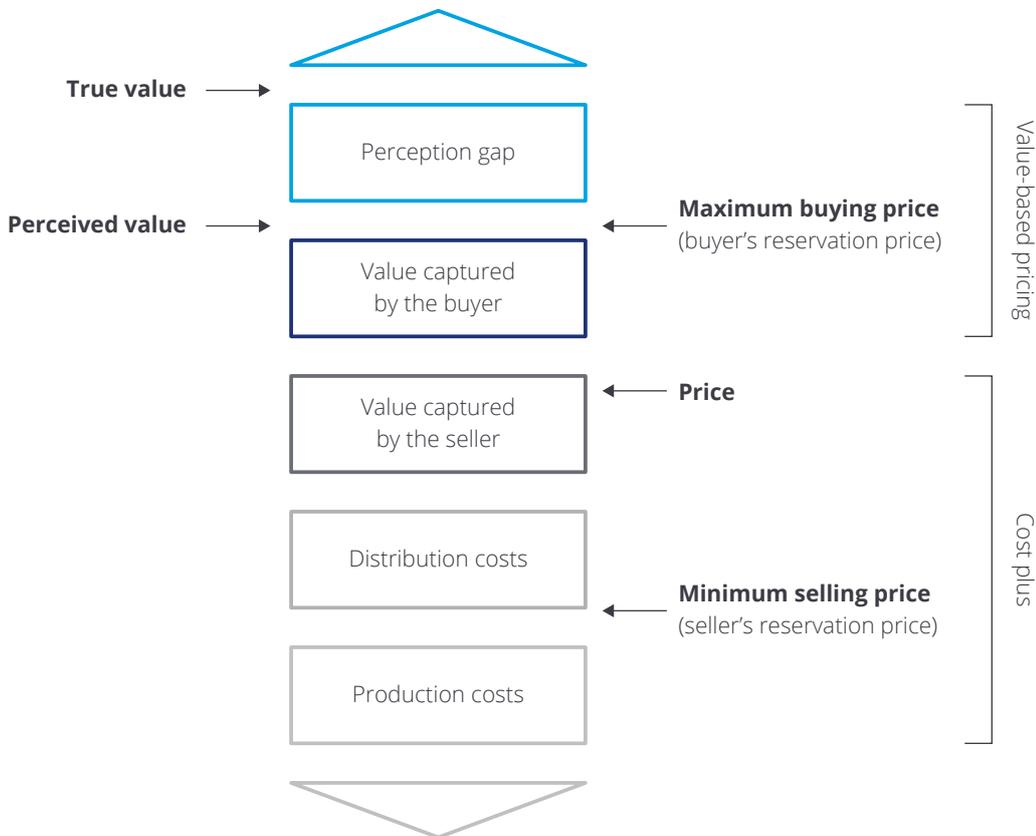
slows down and machine prices fall, the customer's perception of what is cheap or expensive may change considerably.

This pricing model is based on ongoing analysis of (potential) customers. Although this is more difficult in the B2B context than with consumer surveys, a smaller sample size should be sufficient to quantify the customers' perceived value. This gives you an opportunity to assess not only the value of your services, but also to test your monetization model and identify your customers' key drivers.

The path to monetizing digital products and services poses a particular challenge for machine and equipment manufacturers. A common misconception is that customers are not prepared to pay for

digital products and services. Our survey⁴ shows that only around one-fifth of respondents believe that digital solutions are important for sales. Based on our work with other B2B sectors as well as current trends, we have found the opposite to be true: Customers are indeed willing to pay if they believe the services provide a clear benefit. The projects in our practice have shown that customers who believe the benefits far outweigh the costs will become more committed, loyal customers. In other words, a successful monetization strategy also ultimately increases customer loyalty!

Fig. 6 – Value-based pricing model



⁴ Source: Monitor Deloitte's 2022 Customer Excellence Survey (survey of more than 50 executives from the industrial manufacturing sector; not representative)

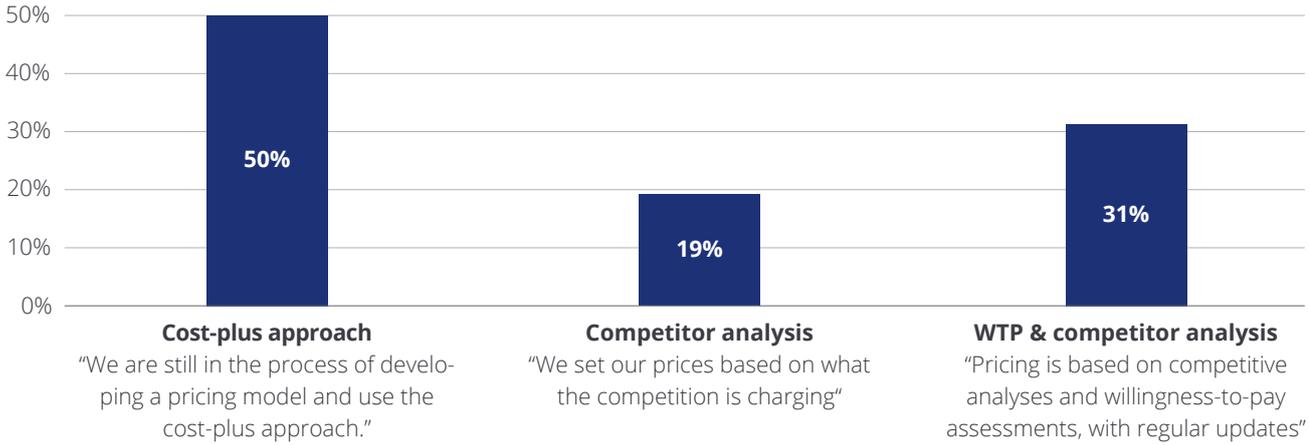
Fig. 7 – Customer Excellence survey results: monetizing digital products



Market-based pricing

Cost-plus is still the leading pricing model, however, **roughly 30%** of respondents set prices based on a mix of **willingness-to-pay assessments** and competitor analyses

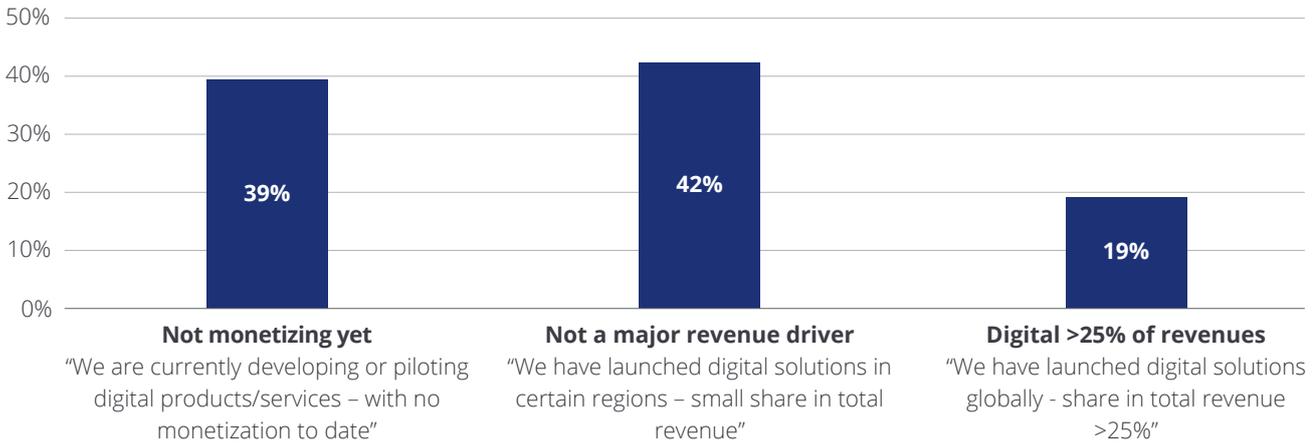
How do you currently price your digital products/services?



Monetization of digital products

Monetization of digital products and services **plays little to no role** as a **revenue stream** for **more than 80%** of respondents

To what extent are you already monetizing digital products/services (e.g., condition monitoring, predictive maintenance)?



Source: Monitor Deloitte's 2022 Customer Excellence Survey (survey of more than 50 executives from the industrial manufacturing sector; not representative)

Digital services are already a hot topic today

Deloitte's recent survey of industrial manufacturers reveals that around 40% of the respondents currently offer digital services at no cost to the user. Even though around

60% are already selling digital solutions to their customers, more than half of the companies we surveyed do not see them as a major value driver.

Clearly it isn't easy to quantify the real added value of machines and machine services for each customer. So, even though the road to monetizing machines and services may be rocky, it is the only strategy that makes sense over the long term and may even be key to developing and providing a sophisticated, state-of-the-art offering. We expect digital products and services in particular to account for an increasing share of overall value in the future of the industrial manufacturing sector. Investments in value-based pricing models are investments in your future; after all, it is the best way to access this long-term digital revenue stream.

Tab. 5 – Arguments for value-based pricing

Example: digitally-driven “predictive maintenance” services



Customer benefit

- No spare parts inventory
- No need for dedicated technicians
- Less downtime
- More reliable operations



Backed up by verifiable savings

- Real-world examples/calculation using algorithms
- Hourly prices/average savings
- Case study/typical downtime costs
- Case study

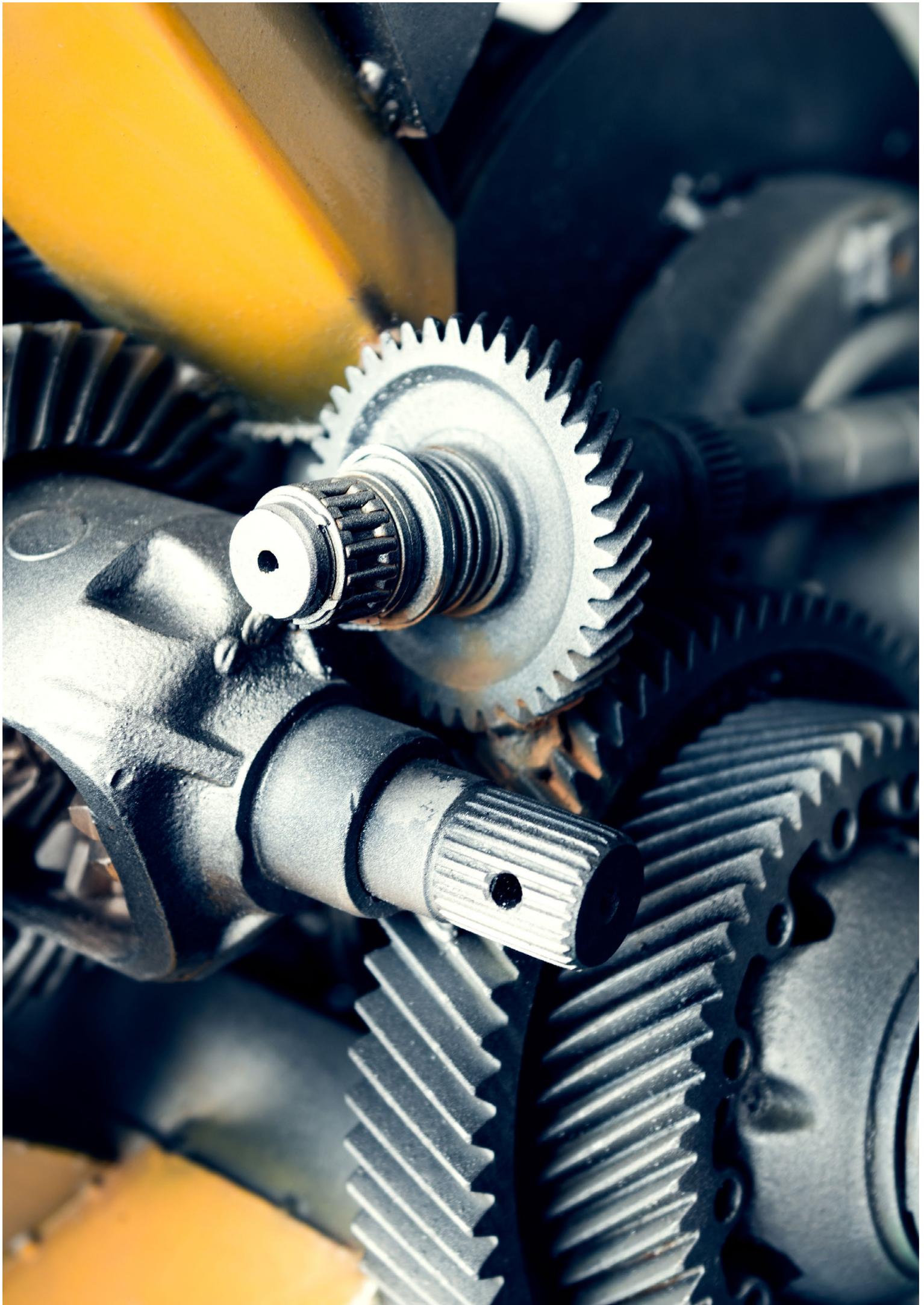
In the end, your customers should be able to compare the added value of your value-based model with the costs of the service. Case studies, real-world examples, model calculations, etc. provide evidence for these estimated savings, which customers might otherwise struggle to understand, and give you more credibility and clout.

It is, of course, easier to calculate and justify variable pricing strategies directly linked to measurable performance gains, along the lines of: "If I can make this step five percent more effective, then I should get half of that as a service fee." In a system like this, the customer pays more if he can expect and measure the benefits. Both parties enjoy a fairer business relationship and appreciate each other more. It is easier to sell subscriptions, output-based pricing and similar business models with a value-based selling approach, mainly because machine manufacturers can prove that the product or service adds value (at least approximately).

To succeed with these prices on the market, you first need a method of easily calculating the value you create for each customer. Your sales teams should also have proprietary tools to calculate prices that are fair for both parties and in line with standard market rates. In the second step, your task is to persuade customers that your prices are indeed fair – and if you succeed, your customers will be able to better judge whether it is worth paying extra for your services.

Tab. 6 – What industrial manufacturers stand to gain with monetized services

		
Improvement potential	In the range of	Generated by
Increase in sales	<ul style="list-style-type: none"> > 20% 	<ul style="list-style-type: none"> basic monetization of services that add value and were previously free identification of the fairest price for the value added
Efficiency gains	<ul style="list-style-type: none"> < 5% 	<ul style="list-style-type: none"> partial recovery of the selling expenses incurred as a means of justifying the added value



Sample use-case from Monitor Deloitte



Situation

Our client is an industrial manufacturer finding it difficult to maximize its sales potential due to inconsistent pricing and a broad product portfolio. The tough online competition is making it even more difficult to be transparent about prices. One of the biggest goals of the project was to slow the downward trend in after-sales revenue caused by a decline in customer loyalty. We proposed a subscription model for three markets as a potential solution.



Solution

Monitor Deloitte and the client conducted an in-depth analysis of the current pricing model, identifying pain points and examining reference prices with a focus on identifying value drivers and customer needs through market research. This made it easier to adjust the pricing model in a way that is consistent and optimizes the margin. We developed initiatives to improve customer service, introduced an extensive customer survey and devised an assessment method to determine the intrinsic value of individual services/components and package them in line with the value of the customer in question. A nationwide customer survey helped determine whether customers were willing to pay for these packages. We then validated the resulting price ranges for the packages against competitor prices and estimated the potential profitability of the proposed subscriptions with a detailed business case calculation.



Impact

Thanks to our collaboration, the client gained a deeper understanding of the needs and the purchasing behavior of its customers and the willingness of the retailers to pay. Our client bundled services based on the value of the individual customers and set target prices for the packages. They succeeded in increasing net sales by 9% in the following year and used profitability accounting to validate the model.

Your first steps toward success

The industrial manufacturing sector is at a crossroads rich with opportunity, and customer centricity is the key to leveraging today's technology-driven market trends. It is high time for manufacturers to move from traditional business models to a more customer-centered approach and adopt a multi-channel strategy that seamlessly connects machine sales, after-sales service, spare parts and digital platforms.

The next-best-offer approach, which uses CRM data to identify potential offers and data analytics to measure the appeal of certain products/services, is crucial for improving the conversion rate of your sales initiatives. To exploit the full potential of the digital age, manufacturers need to monetize digital services and make value-based selling and pricing an integral part of the marketing strategy.

The transition from product-oriented sales to a value-based selling approach promises to maximize profits and increase efficiency by shifting the focus of your sales team to high-value deals while automating less valuable tasks. It is important for manufacturers to maintain an online presence to remain relevant in the market, e.g., through marketplaces for used equipment or company-owned online shops.

There are many obstacles along the way to a more customer-centric industrial manufacturing sector, but there is also enormous potential. From multi-channel strategies to value-based marketing, manufacturers can transform their processes and increase customer satisfaction, maximize revenues and improve their market position. Value-based marketing focused on creating value for your customers is a much more effective strategy, while digital services promise to enhance the traditional spare parts and maintenance

business while also creating a profitable future revenue driver with digital products and services.

Depending on your segment of the industrial manufacturing sector and whether you have already achieved the necessary market access, every individual manufacturer will require a fundamentally different strategy. For some, the objective will be to maximize the after-sales potential within their customer base, while others will endeavor to create more positive customer experiences, to name just two of many possible scenarios.

A more targeted approach to sales for beginners

We recommend the following five steps for industrial manufacturers starting to explore the potential improvements of a value-based multi-channel customer approach:

- Assemble a diverse team of experienced sales, customer service, marketing and IT experts committed to managing a multi-channel sales strategy and implementing a value-based marketing model.
- Task this team with developing a strategic roadmap for a multi-phase sales strategy, conducting interviews to identify customer needs and assessing the various touch-points along the current customer journey.
- Set up a technology assessment workshop with various software vendors to gain a deeper understanding of the technology landscape and plan any necessary upgrades or installations.
- Put the proposed strategy into practice, integrating digital channels into your existing sales and marketing processes as the first priority. Start with smaller pilot projects before full implementation, focusing on selected markets with the best conditions to test your concept.

- Schedule regular team meetings and feedback cycles after completing the pilot projects to assess how effective the strategy has been. Collecting and reviewing feedback and making necessary adjustments will help ensure continuous improvement.

A more targeted approach to sales for experts

We recommend the following five steps for companies that have already established a multi-channel strategy and integrated their sales channels for digital and other services:

- Conduct an in-depth assessment of your existing multi-channel strategy, focusing on the value drivers across the entire product lifecycle, e.g., the potential for selling spare parts for obsolete machinery.
- Using the value drivers identified in step 1, define clear, value-based goals. Improving customer satisfaction and optimizing earnings opportunities across the entire product lifecycle should be your main objectives.
- Evaluate and identify possible modifications of your system that will help you manage your sales activities more efficiently and align them with key value drivers.
- Realign your sales strategy as part of the multi-channel approach, prioritizing the key value drivers you have identified. Introduce new initiatives gradually and test the system on a smaller scale before full implementation.
- Adopt an ongoing review practice to assess whether your adapted sales strategy is effective. Gathering feedback and making necessary adjustments will help you maintain and improve your focus on the value drivers across the product lifecycle.

Stay Tuned for Volume 3

Customer Excellence in Industrial
Manufacturing: Sustainable growth through
customer centricity

“Part 3: Transform with your customer”

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