Androschin & Partner

Now is the time to digitalize!

For some years now, everyone has been talking about digitalization in machine and plant engineering – words like IIoT, Industry 4.0, digitalization and digital transformation are on everybody's lips. More or, regrettably, less quickly, companies have transformed their business models, products and services, processes or IT systems. In the current coronavirus crisis, it's the more digitalized companies that are benefiting at the expense of the less digitalized. The current unprecedented situation is leading rapidly to the "forced digitalization" of processes – and will have a permanently disruptive effect.

The digital transformation has been ongoing in machine and plant engineering for almost a decade now. Its reception seemed to be similar to that of a typical hype cycle, whereby a *technological trigger* causes a *peak of exaggerated expectations* before developments plunge into a *valley of disappointments* – from which the *path of enlightenment* eventually leads to a *plateau of productivity*. The valley of disappointments in this case appears to have been deeper than expected – and it seems that this has strengthened some companies' resolve to dismiss the transformation as mere hype and to pin their hopes on good old traditional business models.

Unlike in the United States or certain other countries, change in Europe has been hampered by conservatism, a lack of resources (in software development, for example) and even reservations on the part of customers. "As long as you can't send apples by e-mail, we'll have to share the road" is a sentiment expressed on bumper stickers found on many a cargo truck plying Europe's roads. And many a machine and plant manufacturer still seems to believe and see themselves reflected in the idea that underlies that message: As long as you can't send machines by e-mail, the danger to our business model cannot be that great, they say.

But what happens in times like these when you don't have online access to your installed base of machines, you can't process and evaluate the relevant information in digital form off-site, you don't have the necessary hardware and software to do that and you can't send a service technician to the customer's facility by car or by plane? Then you'll find that your business model is very soon at risk – or at the very least, your company's position is weakened in comparison to competitors who are more advanced on that count. And the effect becomes

even more pronounced as the problems mount and customers in the food processing or pharmaceutical industries, say, are barely able to maintain the machines and systems they need to operate their facilities with the standard tools at their disposal.

Added to that, the after-sales business is usually a more stable source of income in times of crisis than the much more volatile new machine business. But when spare parts are no longer being shipped to countries outside the EU and service technicians are basically unable to travel, this business too suffers to a much greater extent, while online-based services naturally remain unaffected.

By way of an excuse for being so slow to put in place the essential prerequisites for the required services – such as connectivity of the customers' machine fleet – many companies have so far cited customer hostility to the whole idea: They say customers are fearful of the risks (think cybersecurity) or don't trust data protection assurances when it comes to process-relevant parameters.

Right now we are seeing this negative attitude on the part of many customers (and entire customer groups) beginning to give way to extreme openness to the idea. It's now likely that the moment you start to market such services you will find customers biting your arm off to buy them: Companies will demand connectivity (from the machines to the machine builder) quickly and on a massive scale.

So what to do?

We recommend a hands-on approach. This means focusing on measures that will have a rapid effect in terms of customer utility and profit contribution – without too much discussion of strategy. Specifically:

- Rapidly screen existing activities and assess the status quo (2 days)
- Prioritize the existing individual measures (or sub-projects) (1 day)
- Add new measures or extend existing ones (as necessary) to ensure successful delivery of the approach (3 days)
- Reschedule the individual measures, e.g. from 6 months' project duration, as may have been originally planned, to 4 weeks (1 day)
- Set up the necessary project management organization – with subsequent support from us to ensure that the necessary know-how (on software, cooperation partners, best practices in the industry, etc.) is available and the requisite speed of delivery is achieved and sustained

- Time-to-market: 4 weeks (at least with pilot projects); subsequent rollout

Adopting this approach will not only quickly lead to higher customer satisfaction and a positive EBIT contribution. It's also likely that these measures will ensure long-term customer retention too.

Digitalization will experience a boost during the crisis. The economy will (have to) get used to different business models and firms will not fall back into old habits after the crisis. The world will change, a disruption will have taken place. It is time to think fast and act fast – and in doing so you'll be preparing yourself for the world of tomorrow.

Androschin & Partner regularly supports clients in the machine and plant engineering industry in developing and realizing digitalization strategies. A particular focus of our project work over the last three years has been developing digital business models in the after-sales business. We have carried out projects with manufacturers of plastics, packaging, die making and paper processing machines, for example, and supported them in continually generating new business by bundling hardware products and (digital) services based on remote service and maintenance functions.

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Androschin & Partner Management Consulting GmbH was founded by Christian Androschin in 2005 as a boutique consultancy specializing in machine and plant engineering and automation technology. Our focus is on executing strategy projects, developing and implementing value-add concepts, preparing and consulting on acquisitions and mergers, facilitating business integration and providing management coaching.

Androschin & Partner Management Consulting GmbH
Sandgrube 29
CH-9050 Appenzell