Manufacturing is undergoing a fundamental transformation – driven in large by the increasing affordability, and subsequent prevalence, of advanced technologies.

Ethernet has become the de facto standard offering affordable, reliable connectivity; the emergence of the cloud has driven down the cost of data storage; industrial robots are now collaborative and multi-function, and additive manufacturing processes are beginning to migrate out of R&D and design labs and onto shop floors.

Against such a backdrop, Coventry’s highly-advanced Manufacturing Technology Centre (MTC) provided an apt setting for Oracle and The Manufacturer’s exclusive servitization event.

Following a private tour of the MTC’s impressive inner workings, Aston Business School’s Dr Andreas Schroder and Iain McKechnie shared their unique insights into servitization and its increasing adoption among forward-thinking businesses.

The experts explained how advanced technology – especially that pertaining to the Internet of Things (IoT) – could be a core enabler of a manufacturer’s transition from product-related (base) services, to customer business-related (advanced) services.

According to the duo, IoT is fundamentally affecting manufacturers’ service offerings, helping to create a diverse range of business critical market differentiators and growth opportunities.

Schroder explained: “IoT helps create service efficiency, extends service reach, and strengthens business risk assessment”

“(IoT) extends, rather than replaces, manufacturers’ base services; supporting both product and service offerings, as opposed to creating a trade-off.”

Servitization is being adopted as a “capability”, noted McKechnie, adding that; “Though identifying the right business model is essential for success, having the right people to embrace and drive through that change is equally necessary.”

“Servitization is the shift from selling products to selling an integrated combination of products and services that deliver value in use”

Food for thought
The conversation continued over dinner with Oracle’s Nina Kitching describing how the company had pivoted from cap-ex intensive, on-premise enterprise software to cloud-based, subscription services; illustrating the broad scope of businesses moving towards service-based offerings.

Kitching noted that servitization from a software perspective centered on constantly delivering innovation and best practise, – an approach equally applicable to manufacturing.

Cloud is a substantial enabler for servitization in the software industry, yet it hasn’t been something pushed onto the market by vendors, often vendors are playing catch up in enabling their solutions; it has been demanded by customers in order to keep business solutions aligned to the solutions we are all using in our personal lives. Employees today demand software solutions that will support them in their workplace, that are as intuitive and easy to use as the solutions they use at home, added Kitching.

McKechnie proposed that numerous manufacturers have been successfully incorporating servitization into their businesses for years, but they don’t necessarily refer to it – or recognise it – as ‘servitization’.

IoT and your servitization journey
A select number of leaders from across the industrial landscape came together to discover how advanced technologies are helping manufacturers adopt servitization.
It was agreed, however, that UK industry as a whole had a relatively low awareness of servitization, something that would need to change as the model represents substantial opportunities.

An example cited was how servitization could help keep work in the UK, allowing manufacturers to better compete with contracts historically given to low-cost countries.

**Innovation nation**

The UK’s struggle to effectively commercialise new ideas is frequently discussed, with many companies struggling to traverse the so-called ‘valley of death’, separating initial ideas and market success.

Servitization offers one route to do exactly that, helping to de-risk a new product for the market by creating an install base and demonstrating the benefits to new clients.

That’s of particular advantage to SMEs and start-ups who are often the most innovative in the marketplace, yet struggle to access finance and face stiff competition from multinationals and better-established peers.

Access to finance is one of the biggest barriers to SME adoption of servitization, with many struggling to transform their business model without a supportive finance model underneath.

Such a situation raises the question, do banks and investment platforms understand servitization and why are manufacturers looking to adopt it?

**Industry 4.0**

The conversation turned to Germany, and invariably a comparison of the two nations’ attitudes towards manufacturing. One speaker highlighted how the UK has a culture of ‘make do and mend’ and ‘sweating assets’, a mindset driven by a lack of investment.

Germany, however, has a more proactive approach towards investment, especially at a political level, and is subsequently more prepared for the fourth industrial revolution, or Industry 4.0.

It transpired that one of the biggest challenges facing UK manufacturing is attaining a similar level of investment, something the formation of a long-term industrial strategy using common, agreed-upon language would help support.

If we could get that right and increase our adoption of advanced Industry 4.0 technologies, one speaker noted, we could leapfrog our European counterparts, but warned, if we don’t act on this opportunity within the next two – three months, it will have passed.

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