INFOR AEROSPACE & DEFENSE

Turning service-based offerings into a key differentiator and source of revenue

Fueled by Internet of Thing (IoT) technologies and a growing demand to stand out from global competition, servitization has become a growing trend in aerospace and defense. But what is servitization? How does it relate to digital transformation? And, how can you best take advantage of what servitization offers? This paper will help you find the answers to these questions and more.

With servitization, the data insights that are generated from sensors and IoT systems are often at the heart of a new service offering. Sometimes the new offering is used to generate revenue, replace the old product-centric business model, or act as a complementary add-on designed to boost loyalty.

Servitization use-cases

Servitization means taking a traditional product and offering it as a service, often bundling with it with value-add features. The new customer-centric offering then becomes a differentiator, adding value, building relationships, preventing commoditization, and adding profits.

For the aerospace and defense industry, servitization is more than offering repairs and maintenance or setting up a call center to answer customer questions. Yes, those are often part of the strategy. But, it goes deeper than that. Servitization is likely to mean a new business model. Here are two examples:

- **Selling propulsion service instead of engines**—Everyone has heard the terminology "power by the hour" or talks about delivering the service. However, contractors today are faced with the challenge of delivering affordable and dependable propulsion services for aircraft or to thrust rockets into space. Aerospace and defense contractors attempting to deploy these strategies face the challenge of not only taking on the service, but also the risks associated with selling the propulsion service along with the engine itself.
- **Providing navigational services**—Many aerospace and defense companies are undergoing changes to their core business model. For example, a contractor who once sold maritime navigational hardware now provides a subscription service to share the information provided by their systems and network with their business partners. This new model bundles the complete service offering, changing the traditional hardware sale into a billing subscription sale, much like that of a cell phone service provider.

Developing the strategy

In the servitization model, the point of sale is not the end of a transaction, but the beginning of a customer relationship. This business model also provides high-margin revenue to the company—as well as ongoing responsibility for product performance and maintenance to the customer. It can be risky, though, because it requires companies to take on the responsibility for a product's performance throughout its lifecycle, not just when it is new. But, if successful, this can foster stronger relationships with customers.

Tips for getting a service operation started

A servitization strategy is most likely going to rely on a highly functioning maintenance or field service operation. For aerospace and defense manufacturers, you rely on your field service teams to handle everything from set-up and calibration of equipment to service contracts, warranty claims, and emergency break-fix repairs.

In today's service economy, customers have little patience for service technicians who arrive late, aren't well-equipped with the parts or tools, or don't understand the equipment you have installed—or what is required to service it. This applies to the business to business (B2B) world, too. In fact, the demands may be more pressing in B2B situations since the equipment might be high-value and mission-critical, like diverted flights or delayed missions due to disrepair or unavailable parts.

Technology essentials for deploying a servitization plan

Not only will you need to look at your internal systems for managing the customer relationship, you will also need to focus on the departments and applications that will engage with customers and their systems. This can be anything from field service to tools to solutions which receive and analyze sensor data from the customer's location. You and your customer will likely be closely connected, with data intertwining.

Field service and asset maintenance technology is often a key part of a servitization strategy, so you can deliver, install, maintain, and service equipment for customers. These are some of the typical needs to consider as you plan how to make your organization service-centric.

Customer view—You need a complete view of the customer, past purchases, likely future purchases, account status, and service history.

Visibility—Visibility to processes throughout your organization, from orders to delivery, is essential to ensure a broad commitment to putting the customer first, continually improving the customer experience.

Service contracts—The ability to offer, manage, and execute service agreements is a critical element. The contractor must have qualified technicians, tools, a service fleet, parts inventory, and tools for tracking the terms of the agreement.

Preventive care—You need technology systems that can monitor machine performance and predict maintenance requirements. Being proactive is the key to keeping the shop floor running without unexpected shutdowns or delays. Data from sensors can help detect early warning signs of maintenance requirements.

Parts and assets in inventory—The service operation relies on the availability of replacement parts, even slow-moving or costly parts. Predictive analytics will help forecast demand, so excessive just-in-case stock doesn't tie up capital.

Service-centric workforce—You need a customer-centric approach that is authentic and technically adept. Skilled service technicians must be recruited and retained—no easy task in today's highly competitive labor market.

Field service processes—The service operation must be streamlined and ultra-efficient to keep the call desk, service center, and schedule/dispatch operating smoothly.

Sensor-generator data—IoT technologies add advanced capabilities, letting companies track physical confliction and performance of numerous characteristics, from temperature to vibration. These data points can be analyzed to predict performance or trigger automated reactions.

Advanced BI, predictive analytics, and A.I.—If you are going to offer a product as a service or commit to customers that you will offer an outcome, you will need some advanced technology to support your efforts and make the process efficient. Without the proper technology, you face large risks. In most cases, advanced business intelligence (BI) solutions with predictive analytics will be necessary so you can finetune needs, demands, supply chain trends, and respond with insightful decisions.

Urgency to get started—The digital era is here. Enterprises that are slow to embrace modern concepts risk becoming obsolete. This can happen, seemingly, overnight. Customers today have little patience for organizations that are slow to respond, hold onto antiquated systems, or lack meaningful data insights. For organizations that falter or stumble in the digital journey, there is always another company that is more nimble and can easily step in. Startups, born with a digital makeup, are abundant, hungry and, often, quite assertive about usurping market share and displacing companies with old-school business models and outdated technology.

The foundation of digital transformation

*The following section is adapted from an article by Infor's Carol Tyler titled "**Finance digital transformation in the age of innovation and artificial intelligence**." It is presented here to provide you with context for how servitization and digital transformation work together.*

As the world continues to race in a highly digital direction, leading digital change is at once both exciting and challenging. It creates massive opportunities for organizational transformation in a wave of technical evolution. New positions are being created that didn't exist several years ago, such as a Chief Digital Officer and a Digital IoT Infrastructure Manager. There is a revolution in the way a business operates and interacts with customers and within its own establishments.

What does it mean to digitally transform a business? Is there an ideal and strategic methodology to a digital transformation process? One key to approaching digital transformation is to consider that it is not a technology initiative, but a business strategy, and in today's world, all organizations require a digital business strategy. It is not only key to organizational growth, but it offers a tremendous competitive advantage.

The best answer may be that it can have different meanings by industry, by organization, and by phase and readiness depending on who and what the strategic vision and desired path is for that organization. Another key question to be asked is "why go through a digital transformation?," which will lead to the inevitable—how to approach, strategize, design, assemble, and run the success of the digital transformation phases and processes.

Learning how to "be digital" is often at the core of better serving customers, obtaining market share, and delivering value.

Some organizations consider their digital strategy to solely be a move to the cloud, however, there is much more to a digital transformation strategy that includes:

- Investing in technologies that support new or expanded operating models to make processes more effective, responsive, and digitally connected to assets, trading partners, and people.
- Investing in information, data science, and data outcomes that allow organizations to leverage information for competitive advantage through better decisions, creations of products and services that help deliver the desired customer experience and streamline operations.
- Realigning business units to fully connect with the customer experience to meet unique and individualized demand.

A wave of global digital expansion

The industry of digital transformation continues to expand—**with worldwide spending on digital transformation technologies including hardware, software, and services, expected to be nearly $1.3 trillion in 2018**. This is an estimated 16.8% increase in the $1.1 trillion spent in 2017.

According to an update to the Worldwide Semiannual Digital Transformation Spending Guide from International Data Corporation (IDC), digital transformation spending will maintain a strong pace of growth over the 2016-2021 forecast period with a compound annual growth rate (CAGR) of 17.9%. In 2021, digital transformation spending will nearly double to more than $2.1 trillion.

A less fortunate statistic in this new world of digital transformation indicates that **85% of digital transformations fail**. One of the most challenging aspects of digital transformation isn't the technology but getting people to embrace it and effectively managing change. Impeccable communication and face-to-face contact is the key to true engagement. Winning the hearts and minds of people involves meeting them and discussing strategies and changes in common language, not "management speak".

Getting transformation right is critical. Companies that get digital transformation right win market share, and for those that don't, it can actually have a negative ROI for their investments.

With the buzz of digital transformation, numerous organizations are literally "in the business" of digitally transforming their business—or at least, that is what they would like to do.

In almost every consulting project, organizations want both internal and external resources to create and install technology that automatically solves all problems. instead, businesses need to start by closely examining their own business processes, to identify opportunities for improvement, and audit their systems to target interdependencies and weak links. Without these steps, new technology may not make the desired meaningful difference.

To create real competitive advantages, the scope of change needs to be greater than just incremental enhancements or improvement of software features. Organizational change management plays a pivotal role in the process as business change agents are shifting the roles of the employees and the way the organization does business.

A digital strategy is not merely an IT strategy but the overall digital and transformative approach of an organization. This includes the assessment of the human capital, change readiness, and the technical aspects applied to the strategy. The human aspect of strategy helps to define the goals for a transformation based on both short- and long-term benefits. The technology drives innovations of inclusion of new roles, process automation, and the overall view of effective change. The business and operating strategic model of leading-edge, intelligent automation technologies have a goal to streamline business, lower costs, and deliver quick outcomes. To ensure a successful strategic deployment, the executive team should define the vision and engage and align with any short- or long-term strategies. A digitally enabled organization has the potential to provide professionals more time for strategic endeavors. The intriguing strategy of adding A.I. and robotics, whose goal is to help streamline business process, lower costs, and deliver outcomes more quickly, changes the way the finance group operates. In particular, A.I. could help by automating simple tasks and eventually scale to handle more complex predictive analytic assignments.

These additions suddenly change the game to dramatically improve a variety of strategic outcomes, providing finance the ability to execute on the vast amounts of data, turning it into actionable information. Adding A.I. and robotics to the finance function requires an examination of the business and operating model, regarding the types of work that could be automated with an A.I. and/or robotics strategy. By collaborating with the many teams involved in any implementation to bring their best to the project, the business can move forward fueled by vision and empowered by greatness. Data can be used to produce insightful decisions which can lead to financial innovations, industry differentiations, and ultimately, business and digital transformation. It's now easier to assemble and activate the most proficient talent and adept teams to execute on a project. As teams across the business rally around a shared purpose, strong partnerships can be created to move the business objectives forward.

Digital transformation and change

Any digital transformation strategy and implementation will fundamentally alter a company's mission-critical processes. When done correctly, these strategic implementations could completely improve the way a company strategizes, thinks, and addresses challenges and innovations.

If an organization wants to truly embrace a digital transformation, it must strategize, design, evolve, assemble, and differentiate in both the areas of technology and organizational change management to achieve innovation and culture shifts. Infor® understand the issues and opportunities within our customer's industries, and can help companies tap into emerging technologies, automate processes and leverage data-driven analytics. It empowers finance operations to adopt the digital platforms that transform today's way of working into tomorrow's disruptive innovations.

Your foundation for transformation and progress

As you can see, servitization is just one aspect of a larger modernization and digital transformation process for aerospace and defense companies. To be successful, you need the strategy before you invest in any technology. Working with a reliable, respected technology provider gives you many benefits, from access to experts to help orchestrate the broad objectives to insights about the most modern solutions and typical results.

An innovative solution provider can help you determine what technology tools make the most sense for your objectives. This partner can help you plan a strategy and test your theories, as well as control risks by starting with pilot projects or proof of concepts. You can learn from the successes of early adopters. But, perhaps the most important advice is: Don't wait. Get started on your servitization plan today.

More than technology—a partner invested in your success

With Infor, you can easily find the right solutions for every aspect of your business. We build complete industry suites in the cloud and deploy software that puts the user experience first, leverages data science, and integrates easily with your existing systems. Over 90,000 organizations worldwide rely on Infor to help overcome market disruptions and achieve business-wide digital transformation.

Infor's complete product portfolio gives you everything you need to run your day-to-day operations and grow your business for the long-term. Whether you need to optimize vital back-office functions like HR and financials, jumpstart your customer experience, or initiate digital transformation, Infor solutions have you covered.

Beautifully designed, with contextualized business intelligence and user-centric collaboration tools, our applications help you solve any business problem and are built for secure and scalable cloud deployment.

Infor's diverse leadership team sets the standard for all 16,000+ global employees by demonstrating how transparency, collaboration, and accountability foster better business outcomes. Through passion and problem solving, they drive continual progress in every aspect of work for Infor customers, partners, and employees.

Our customers inspire us

From co-development initiatives to customer communities and everything in between, collaboration and a deep understanding of our customers' real-world requirements motivate us to challenge the status quo and improve everyday work experiences.

Meet Infor OS

For aerospace and defense organizations interested in embracing the potential of servitization, the digital economy is creating new opportunities abound—for those with the vision to pursue them.

Infor OS is your operating service for the future, designed to serve as the platform for your own digital transformation, in whatever form it may take. Its focus is on delivering technology that goes beyond enabling business—to driving it, putting the user at the center of every experience, and serving as a unifying foundation for your entire ecosystem. The result is a connected, intelligent network that automates, anticipates, predicts, and informs your stakeholders in everything they do.

Infor facts at a glance

168	90,000	15,000+	1,750+	1,200
direct offices	customers	employees	partners	support experts

Infor OS serves as the underlying foundation for your entire enterprise ecosystem, ensuring that systems work seamlessly together, deliver business insights automatically, and have the flexibility to support changing business and industry needs. Designed to maximize the potential of both your technology and your people, it provides a conversational UX that makes systems intelligent, intuitive, and exponentially more valuable.

Collaboration

Infor OS serves an intelligent portal to your application suite, establishing a common workflow and organizing conversations ito enterprise-wide streams where employees can share key screens, data, attachments, and documents. By marrying business processes to employee communications, Infor OS's collaboration capabilities allow you to contextualize intelligence, make single sign-on a reality, and increase efficiency by enabling employees to work smarter and faster.

Extensibility

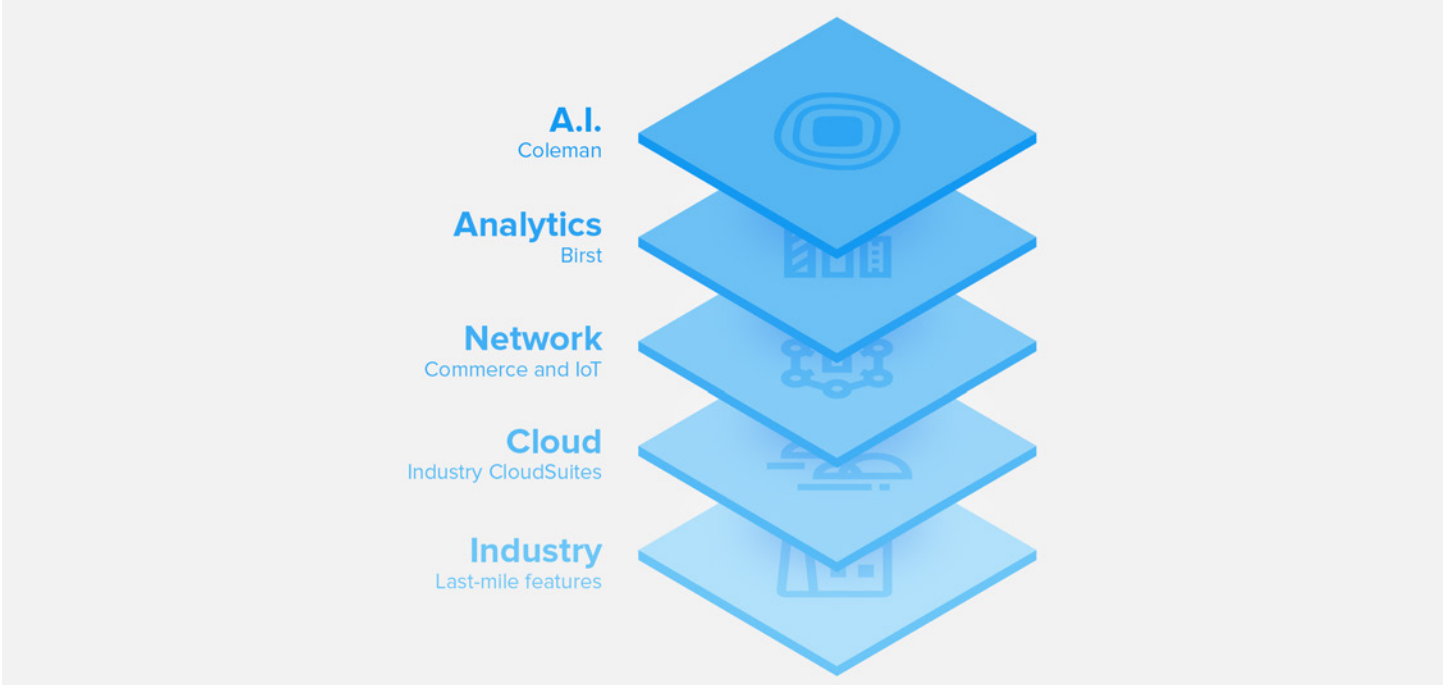
Rapidly develop robust enterprise capabilities based on your needs with the extensibility capabilities provided by Infor OS. Whether you need an intuitive consumer-grade web interface or a high-productivity form, Infor OS can help create the right experience with minimal coding via desktop, tablet, or smartphone.

Process integration

Easily integrate both Infor and third-party software applications with Infor OS's purpose-build middleware solution. By providing a simple but powerful and scalable framework, Infor OS allows you to eliminate operational silos, dramatically improve exception management, and achieve unparalleled end-to-end efficiency.

Business Intelligence

Get pertinent, pre-built industry analytics content that works across enterprise systems and makes pivotal information easily accessible and actionable for your users. Infor OS leverages cloud-native BI, analytics, and data visualization capabilities that draw on data from across your enterprise, providing a broad choice of modern, machine learninginfused, self-service analytics interfaces. These capabilities are powered by Birst, an Infor company.



Infor business applications are specialized by industry and built for the cloud to enable a global supply chain, networked analytics, and an artificial intelligence-led user experience.

Artificial intelligence

The artificial intelligence (A.I.) capabilities of Infor OS are designed to maximize human potential by reducing the burden of repetitive administrative tasks and giving employees more time to do work that matters. Accessible via voice or chat, the AI capabilities of Infor OS automate tasks and draw data from across your enterprise systems to deliver insights both on-demand and proactively based on continual analysis and learning.

Commerce network

More than 80% of the data companies need to run their businesses resides outside their own four walls. Infor OS leverages GT Nexus to provide a cloud-based collaboration platform that automates processes on a global scale, across entire trade communities. The result is visibility across the supply chain and the ability to drive new levels of operational efficiency and business agility.

Data

Easy access to real-time data from across your enterprise systems becomes a reality with Infor OS. All your data sources are wired together, with information from various sources aggregated into a data lake that makes analytics accessible across the organization. Fast, reliable, and refreshable at the touch of a button, your data is visualized in real-time, giving users at all levels the information they need to make better decisions faster.

CloudSuite Aerospace & Defense

Infor OS's cloud-based delivery makes systems flexible, cost-effective, and forever modern. Serving as the foundation for CloudSuite Aerospace & Defense, which provides the last-mile functionality you need without costly and limiting customizations, Infor OS gives you a technology foundation capable of handling today and whatever comes next.

A partner invested in your success

With Infor, aerospace and defense companies like yours have a business partner that will design, develop and deliver a strategy to create the business model required in today's digital economy even if it involves collaborative co-development of micro-vertical capabilities within our standard offering that will make your business and ours more competitive. Infor has long history of partnering with some of the largest names in A&D to deliver solutions that are not customized software that make cloud digital strategies a reality like those required for servitization of your offerings to your customers.

You get everything you need to run your day-to-day operations and grow your business for the long-term. Whether you are beginning to monetize the services your products provide in addition to selling the products themselves or are undergoing digital transformation across your enterprise in other ways, Infor solutions have you covered. Beautifully designed, with contextualized business intelligence and user-centric collaboration tools, our applications help you solve any business problem and are built for secure and scalable cloud deployment.

Learn more ›

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