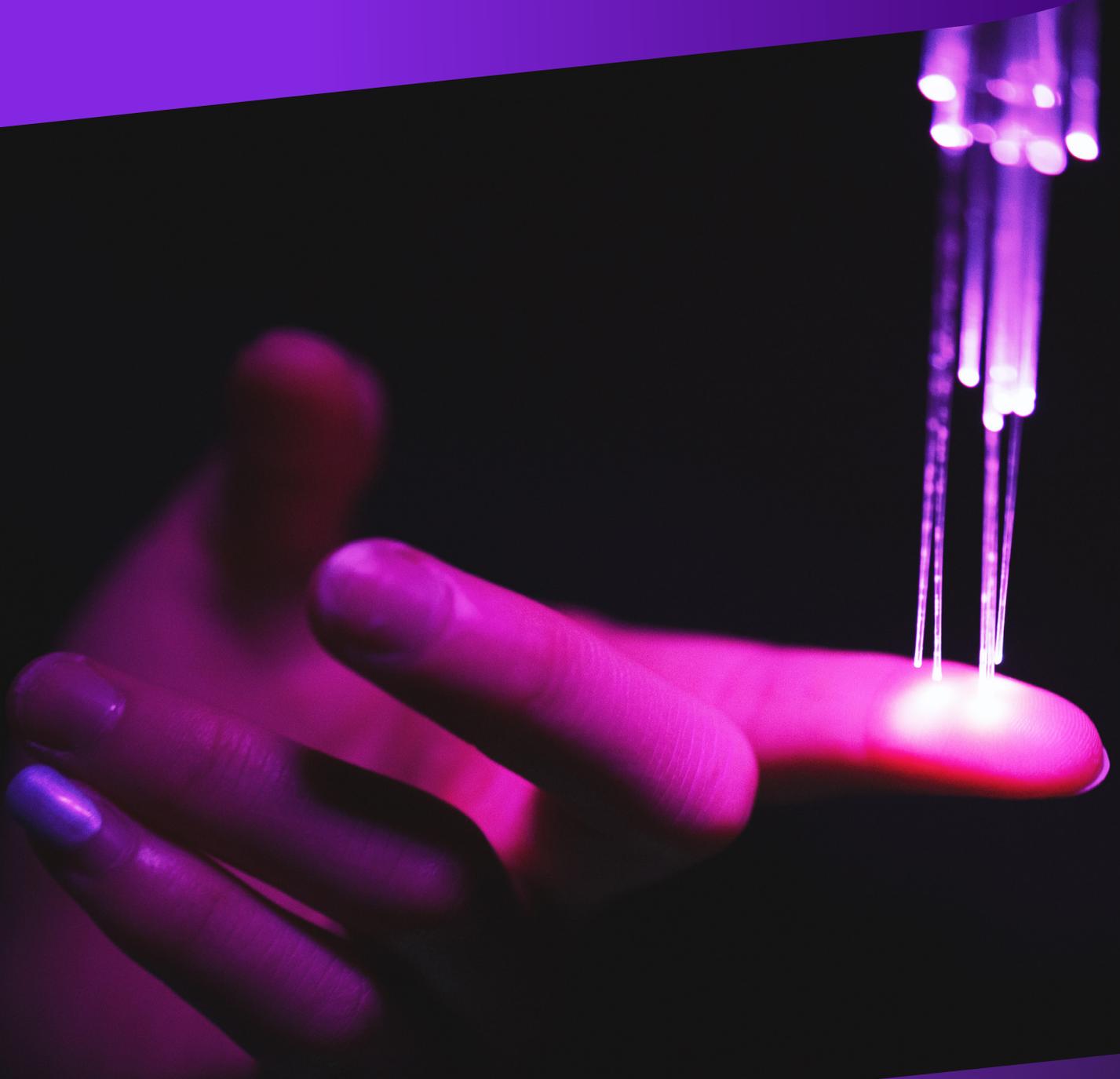


Fixing the fundamentals:

Understanding new business models and opportunities in the wake of Covid-19



From prioritizing products to
prioritizing customers and outcomes

Fixing the fundamentals

Over the past few months, businesses in all industries have seen their value chains disrupted, forcing them to rearchitect their organization and rethink their business models—virtually overnight.

Customer experience was already growing in importance when the pandemic laid new pressures on companies: fractured supply chains, reduced access to resources, and restricted movement, rendered it nearly impossible for people to travel and engineers to reach customers. Changing demand patterns further stressed value chains, while man-made disruptions like Brexit also reared their heads.

This landscape has fundamentally altered the fabric of business. Long before the pandemic, the ‘Amazon effect’ had revolutionized customer expectations for speed and consistency. But now, companies in industries ranging from paint manufacturing to air travel are finding the pandemic has made both business-to-consumer (B2C) and business-to-business (B2B) customers even more demanding.

Central to these new customer demands is service. They want reliability and consistency in quality, delivery and returns, and want to get continuous value throughout an asset’s lifetime. For this reason, expectations for quality service continue to increase, and businesses are recognizing that they must shift to selling ‘outcomes’ and ‘experiences’ instead of just products. As a result, it is critical that businesses ensure each part, department, and discipline in their operation is aligned not around immediate sales or revenue, but around delivering a quality **‘Moment of Service’**. This moment of service, in which people, decisions, processes, and technology come together to create a result for a customer, is the key determiner of business success.

However, while much attention has been paid to the rising **importance of customer service**, the critical inflection points that contribute to the overall moment of service are frequently overlooked, stifling business growth. But these inflection points—which occur throughout the lifecycle of an operation and encompass processes, technology solutions and human coordination—hold the key to success.



“The past year has been a time of reckoning for businesses. In the wake of unprecedented turbulence, companies across the world have accelerated transformation strategies and developed new business models. But as enterprises look to the future, they must evolve further to meet new customer demands. Business models focused on products are no longer fit for the digital economy. Instead, organizations need to shift to selling outcomes and services.

“At the core of these new business models is the moment of service—a point of view from where organizations see their business from the perspective of their customers. By designing for service instead of products, companies can architect their business to achieve customer advocacy, repeat purchases and increased sales. They can carefully orchestrate people, assets, and processes to ensure the right item arrives in the right place at the right time. And they can become truly customer driven.

“These changes won’t happen overnight. But as companies in every industry evaluate their offering, it is critical that they also rethink their approach to business. In placing their moment of service front and center, businesses can transform, grow, and thrive.”

Darren Roos, CEO

The composable enterprise

Businesses across industries need to shift to selling services and/or outcomes rather than just products, and the moment of service is the first step to designing for service and becoming customer driven.

With the moment of service in mind, organizations can orchestrate people, assets, and processes and define the application landscape that will best support them on the journey to delivering that great moment of service, repeatedly and confidently.

This means a new way of buying software. Not a wholesale buying approach but instead a composable one where organizations can shift away from left-to-right value chain planning.

This composability calls for a new way of running a business and involves take the building blocks of a business (functions, processes, suppliers, technology etc.) along with their underpinning technologies and composing them like Lego Bricks. A composable model empowers organizations to choose the best component needed for their business, allowing them to be more flexible and more open in order to adapt to new potential revenue opportunities.

“Fixing the fundamentals: Understanding new business models and opportunities in the wake of Covid-19”—a global study of more than 1,700 executives and 12,500 consumers sponsored by IFS—therefore aims to examine how the inflection points impact business objectives. More importantly, the study focuses on how frequently problems with these inflection points are ignored.

The study unearthed some surprising findings. While a huge 90 percent of companies have already or are in the process of reengineering their businesses in the past year to deliver better moments of service, many are neglecting to address issues with the critical inflection points that impact results. But as companies reevaluate their businesses in the wake of the pandemic, there is an unprecedented opportunity to evolve their approach, and ‘build back better’.

By designing a business around the moment of service that a company looks to create for

their customer—whether that’s a flight landing on time at the chosen destination, a mobile network having reception anywhere in the country or the power in a house turning on whenever it is needed, every day, without outages—companies gain a valuable new perspective on their entire operations. They can see how they must orchestrate assets and interactions with customers and people to achieve the desired end goal—and how this will fuel their growth. They will also be able to see what the customer truly wants and use these insights to launch profitable new services.

To achieve this, enterprises must rethink how they architect their operations, and become a **‘composable enterprise’** that harnesses a combination of packaged functions and technologies to deliver outcomes and adapts to the pace of business.

“

26 percent of respondents revealed they would be unlikely to engage with a brand after just one negative experience.

Understanding the value chain

In our service-driven economy, success is determined by how an organization comes together along its entire value chain, from sourcing materials and packaging a product to delivering it to the customer. Companies that take a siloed approach to business and fail to see the direct impact internal processes have on business outcomes will soon find themselves lagging behind. Yet, the study reveals that, all too frequently, businesses miss critical opportunities to rectify issues across their value chain, hindering service delivery.

These errors have a lasting impact: In the consumer-oriented section of the study, a resounding 26 percent of respondents revealed they would be unlikely to engage with a brand after just one negative experience. As organizations throughout the world rethink their approach to business, it is vital that they fix the fundamentals by augmenting business processes across the entire value chain, enabling them to thrive in this challenging climate.

Issues going ignored

Companies do not hold back when investing in customer experience evaluations. According to the study, 45 percent of organizations surveyed spend between \$250,001 - \$500,000 each year on tracking Net Promoter Scores, reviews, satisfaction ratings and surveys, while 21 percent spend \$500,001 - \$1 million. Similar investments are made each year on evaluating internal processes, with 44 percent spending \$250,001 - \$500,000 annually, and 23 percent spending \$500,001 - \$1 million. So far, so good. However, the research uncovers an urgent issue: Despite these sizeable investments, companies are neglecting to act when problems are identified across inflection points.

Although some 79 percent of organizations are investing the time and resources to identify where each inflection point is, nearly a third (29 percent) admitted that they report problems but don't act.

A further 18 percent said they are too busy to report an issue unless urgent, while 38 percent of respondents only take action when it is urgently required. In fact, only 14 percent said that they are proactively planning for problem prevention across their customer inflection points.

These shocking findings reveal a fundamentally flawed approach to business. In neglecting to address the problems they have gone to great lengths to identify, companies risk issues escalating, costing time and money and hindering service delivery. They become unable to execute on opportunities and become focused on reacting to severe issues or detractive customers, rather than proactively looking to deliver what customers want. And crucially, with operations riddled with moments of error, the likelihood of damaging the customer experience at the all-important moment of service is exceptionally high.

According to the study, some 30 percent of businesses see product/service quality as the single largest determining factor for winning or losing customers, while 25 percent feel success hinges on product/service reliability. By tackling issues with internal processes, enterprises can directly improve both product/service quality and product/service reliability—yet many are still not joining the dots.

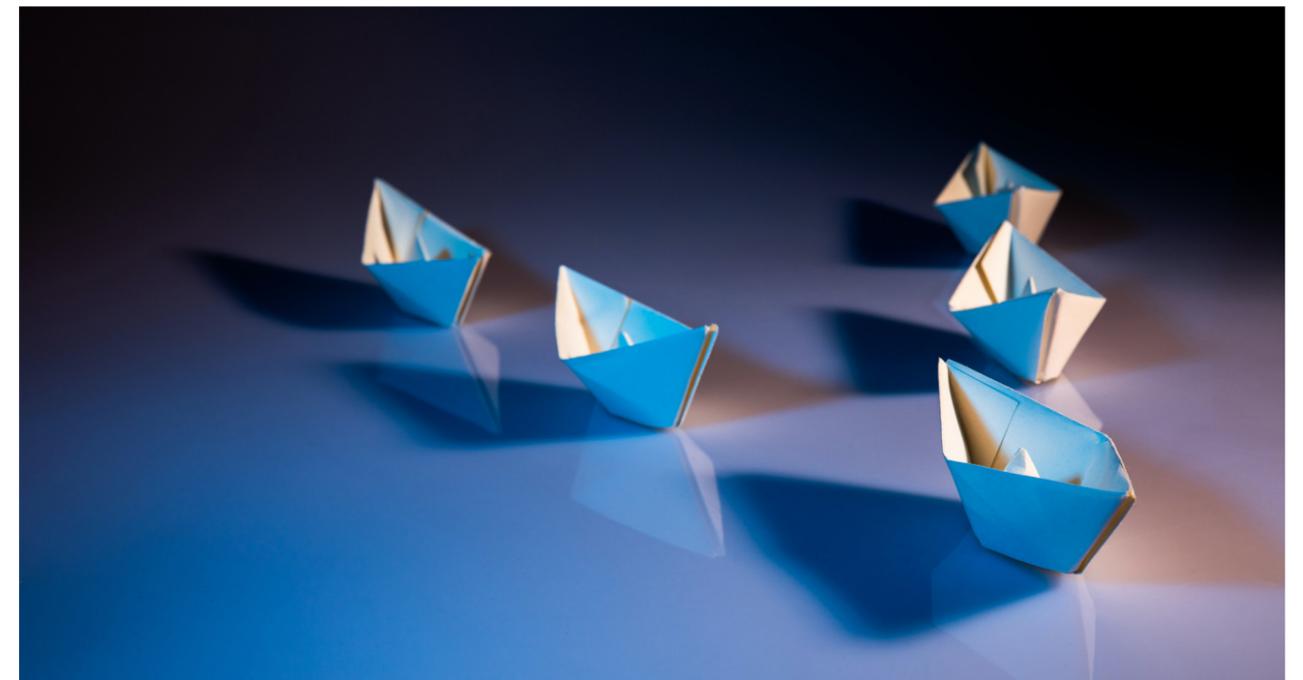
For companies that fail at the moment of service, the ramifications are significant. In addition to the quarter of the study's consumer respondents who said they would abandon a brand after just one bad interaction, over half (52 percent) of respondents said they would never engage with a company after two or three negative experiences. Businesses have a limited opportunity to get it right, and if they neglect to assure every single inflection point, they are gambling with their outcomes.

Understanding the amplification effect

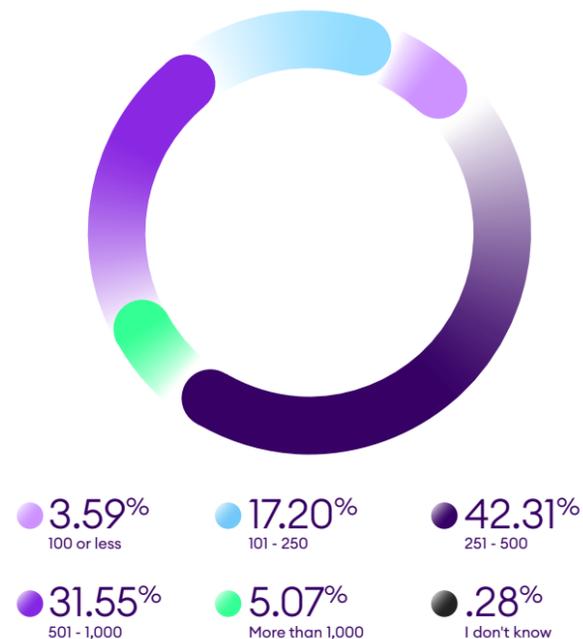
It's not, however, only the relationship with the individual customer that can be damaged by a poor experience. The consumer-oriented section of the research study showed that after a bad experience with a brand, 36 percent of people are very likely or somewhat likely to post about it on social media, while 46 percent are likely to post a negative review. A vast majority (58 percent) said they were very likely or somewhat likely to share their negative opinions with their network—more than those who said they would feedback to the brand directly. As these findings highlight, a bad experience can be amplified across traditional and digital channels, fueling negative brand perception.

But it's not all doom and gloom. An even greater amount (52 percent) are inclined to leave a positive review. This underscores just how much can be gained by focusing on delivering that exceptional moment of service, at which every internal process has taken place successfully, on time and on quality, to deliver the product or service exactly as the customer expects it.

To achieve this, companies must have a holistic view of the business, and the ability to carefully orchestrate customers, people, and assets. Here, the combination of technology and people—and the insight, intelligence, and empathy they provide—is a critical success factor.



How many people touch processes that affect customer outcome

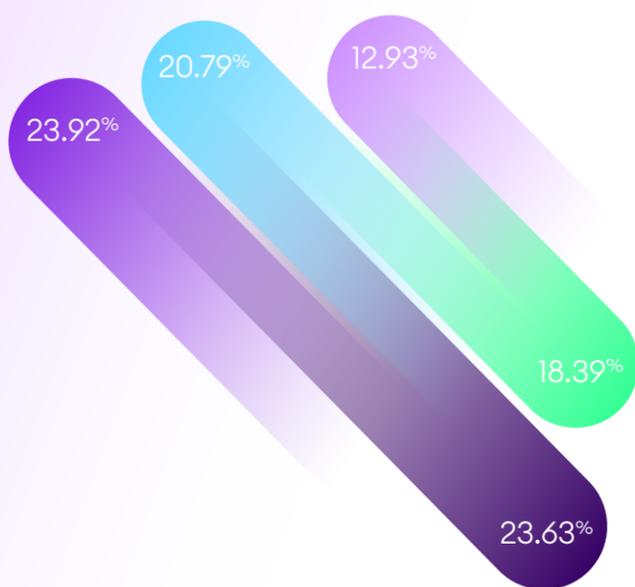


It takes a village

Ensuring a reliable, excellent and profitable moment of service is dependent on inflection points across the customer, product or service lifecycle, making it everybody's job. Almost 79 percent of respondents said 251 people or more around their organization touch processes that affect the customer experience. With these people working across different parts of the business, it is vital that companies have the ability to manage people and workflows across their entire operations.

Legacy enterprise resource planning (ERP) software, with its historical focus on manufacturing, inventory production and the initial sale, is not enough. Instead, businesses must rethink their approach to enterprise applications. Rather than adopting an inflexible 'one-size-fits-all' ERP platform, for example, companies must first understand which software capabilities they need to optimize their moment of service. Then, by adopting a composable model that mixes and matches different capabilities based on specific requirements, they can ensure they're laser-focused on delivering outcomes. This in turn will fuel growth, which is evidenced by a number of respondents in the study, who said the ability to manage the aftersales period is more important than on-time delivery when it comes to customer experience.

Single largest contributor to positive customer experience



- Ability to ensure a positive experience after an initial sale either through effective quality management, service/warranty and maintenance or customer support
- Access to complete information about what you are selling to the customer, be that provenance/origins of a product, structured electronic information about a product or asset
- Ability to meet expectations for on-time and complete delivery of products, projects or services
- Support for the end of life—recycling, re-use, disposal, decommissioning or transfer of customer information to a new provider or vendor
- Ease and consistency of communication with the customer across various mediums

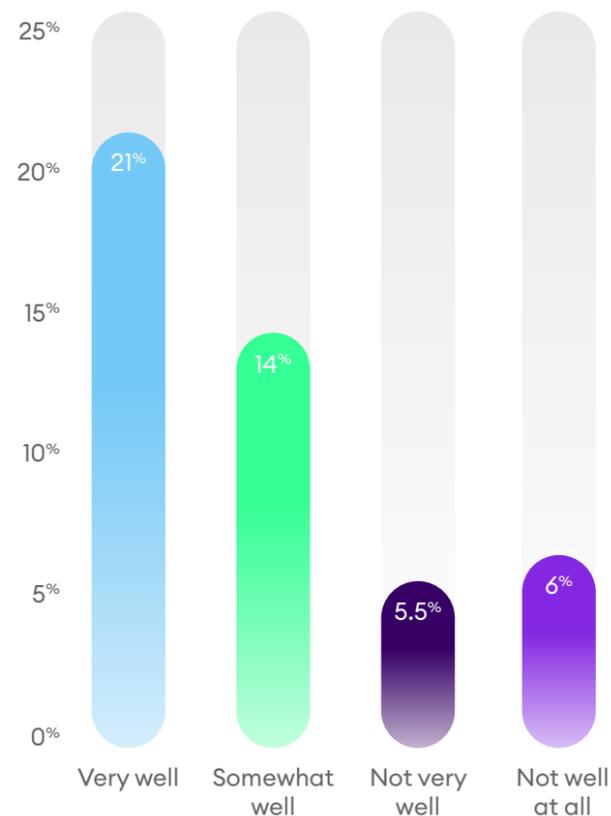
Enterprise software will separate winners from losers

The survey data suggests that only enterprise software optimized to deliver, not units, not revenue, but the inflection points that matter to customer experience, will be able to optimize the moment of service.

For instance, respondents answered questions very differently depending on how they rated their software's ability to measure and act on metrics that affect end customer outcomes: those whose enterprise software did a very good job were almost four times as likely to be able to take a proactive approach than other respondents.

Looking at the data, it is possible to divide companies into Leaders, Plodders, and Laggards, based on the performance of their software. Placing those who said their software did this very well or somewhat well in a Leaders category, those who chose a middle option in a Plodders category, and those who selected two answers corresponding with lower performance as Laggards, yield stark differences.

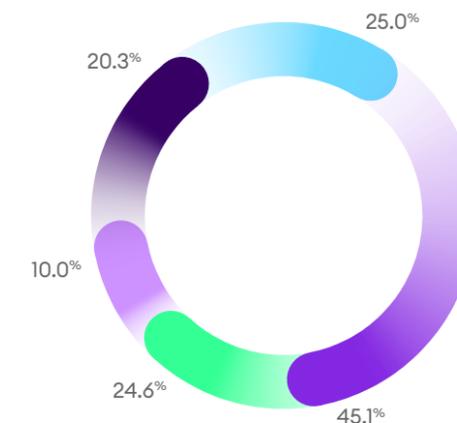
Proactive approach to service tied to how well software handles customer experience



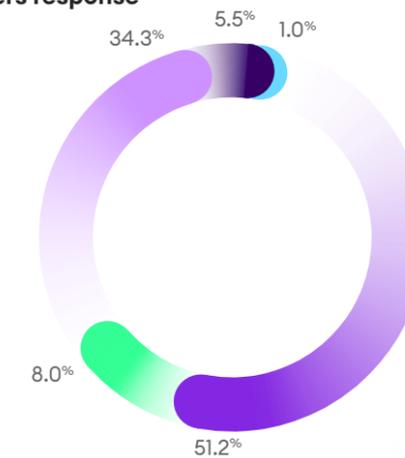
Response to service problems

- We actively plan for all changes required in the short and long term
- I don't know / problems have never been identified
- We take action on anything urgently required
- We are too busy to report them unless urgent
- We report them, but don't take action
- Other

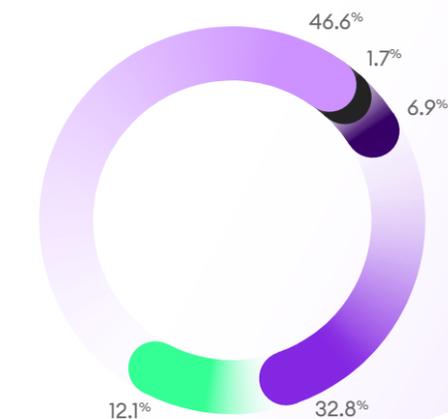
Leaders response



Plodders response



Laggards response



However, enterprise software is not only vital to enable businesses to address problems. The right solutions also enable organizations to shift away from selling products and instead focus on selling outcomes or services. Again, by designing for the moment of service, organizations can understand what their customers truly need, and evolve their offering accordingly.

And it is here where future opportunities lie. Speaking to the Financial Times at the start of 2020, German Chancellor Angela Merkel **stated** that, “It’s no longer enough to merely sell a product. One also needs to develop new products from the data on these products.” Crucially, businesses need to use this data not just to develop new products, but to launch new services that enable them to extend the relationship with the customer, while simultaneously boosting revenues and enhancing the customer experience.

This model is one mastered by big tech. Alexis Wichowski, a professor at Columbia

University, **describes** the US tech giants as “net states”—digital non-state actors unrestrained by borders, which, in some cases, have more influence than major governments. They have become valuable by forming customer connections that are near constant. As she notes, “once you purchase a product, that’s sort of the end of the transaction, whereas with net states there’s an ongoing relationship on a daily, even hourly basis—as we upload data or use their service.”

The dominance of big tech behemoths like Amazon is unsurprisingly a concern for business. The level of concern, however, is particularly notable. According to the study, businesses consistently ranked the changing expectations for customer experience and logistics driven by Amazon and other optimized businesses as the factor that makes it hardest for them to deliver successful customer experiences, retain customers and attract new ones—ranking it above Brexit and pandemic-related supply chain disruption.



IFS Cloud

This landscape has driven us to create IFS Cloud. One integrated, complete, open, and connected Application Programming Interface (API)-first solution; IFS Cloud encompasses the entire suite of IFS capabilities, spanning ERP, field service management and enterprise asset management. By offering this in one single product supported by one core underlying platform, companies can readily manage workflows across the entire spectrum of their business, carefully orchestrating complex, fast-moving processes, dataflows, workflows, material, people and so much more. By having this holistic view, organizations can anticipate customer needs, deliver high customer value, and achieve repeat business. They can ensure the right staff are always in the right place at the right time. And they can ensure assets work at maximum operational effectiveness, while plugging in the capabilities that suit their specific requirements. Through this approach, companies can run their business in an optimal way, deliver exactly what their customers want, on time and on quality, ultimately delivering that standout moment of service.

Executive teams cannot afford to be left behind as 51 percent have already reengineered their businesses

The IFS study showed how businesses’ ability to perform across a variety of customer experience inflection points have been impacted by Covid-19, Brexit, or both. In response, 51 percent of companies have already reengineered their business processes to deliver better customer experiences—proof that the moment of service movement has bolted from the gates and the time to get onboard is now.

As companies evolve their customer experience, it is critical that they emulate the models popularized by tech giants to meet consumer demand. According to the study, some 43 percent of people are much more or somewhat likely to purchase products on a subscription basis, as a direct result of the rise of brands such as Netflix, Spotify, and Uber. In the US, this figure is as high as 53 percent. These findings show us that there is a booming demand for subscription services that provide a key means for brands to boost sales while simultaneously enhancing the customer experience.

Ultimately, however, it’s about being closer to customers. Understanding those all-important moments of service are an integral part in this journey. By establishing and optimizing moments of service, organizations can plan their business based on achieving advocacy, repeat purchase and margin improvements. This enables them to switch from being reactive to being predictive, and in the end, take a proactive approach to business orchestration.

Takeaway #1



A shift from executive teams measuring and managing based strictly on current financial metrics has been around for a while, but it has taken on new urgency given the coronavirus pandemic and additional economic pressures.

Takeaway #2



Instead of investing in customer experience evaluation mechanisms, businesses need to take a step back and assess their holistic moment of service in order to make a real difference and delight their customers. This involves proactively addressing issues instead of reactively putting out fires.

Takeaway #3

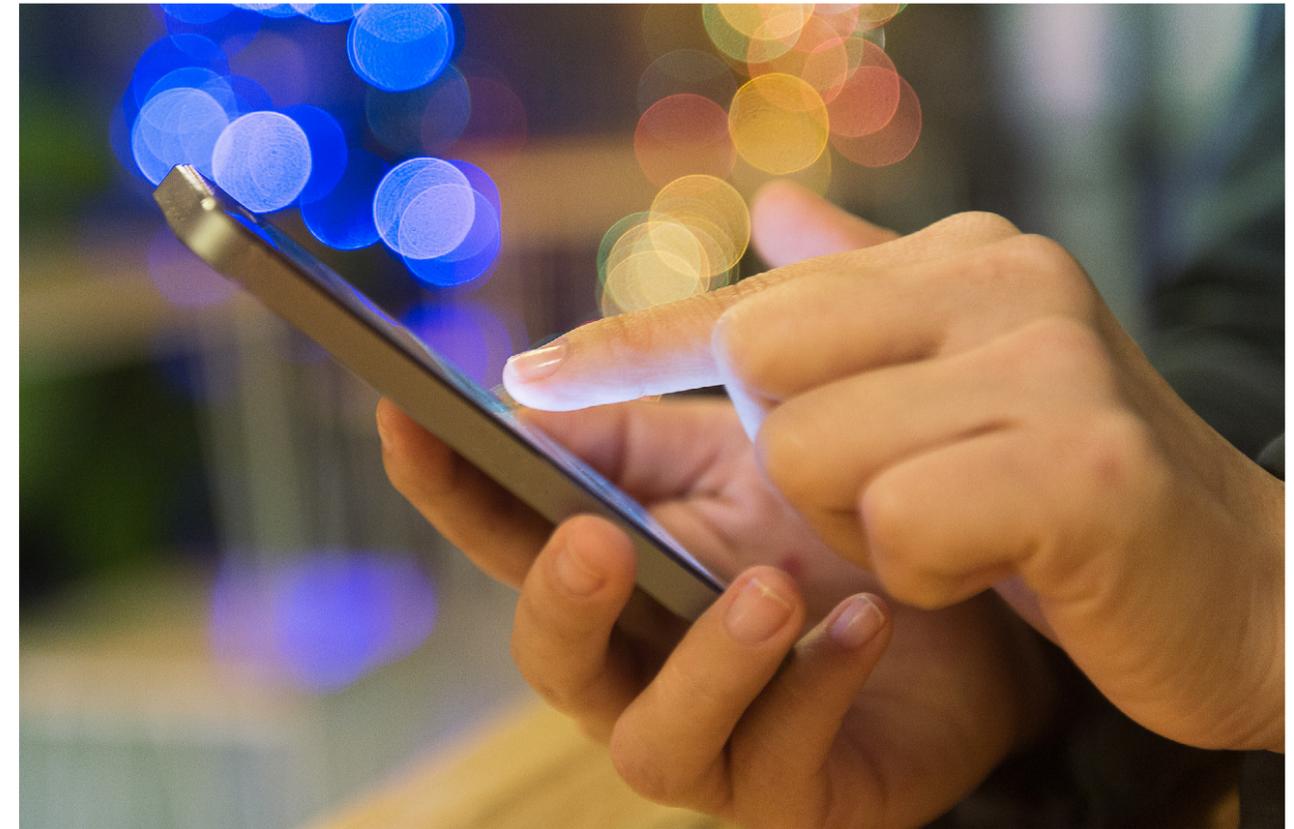


Hundreds of people around the business touch processes that feed into the customer experience. So, ensuring an excellent, repeatable, and reliable moment of service depends on enterprise-wide software. Only a standardized software solution used broadly across the business can enforce adherence to best practices and enable senior management to see and manage what matters. And only a modular technology infrastructure presented in a single product can truly enable a composable enterprise.

Takeaway #4



Enterprise software optimized for the moment of service will determine winners and losers in the market. Companies running software that enables proactive management of the customer experience right through their value chain will have an upper hand in winning new business and retaining existing customers.



We all know a great moment of service when we experience it

The data in this report quantifies the underlying trends in end customer expectations and what global businesses are doing to adjust to this new paradigm. Only a holistic view of an organization's value chain can create clarity for business technology investment decisions and associated business change strategies.

Consider the rise of e-commerce leaders like Amazon that make doing business with them so easy that we are prepared to pay an annual subscription for the privilege. We are thinking less about paying for a discrete item and more for the experiences we have around the item, be that a \$4 million manufacturing installation, or a \$300 bicycle. The purchase is just a part of the journey, and businesses must be able to see and manage experience, revenue, and cost over the entire customer lifecycle.

Imagine the complex series of steps required for an on-time takeoff of your commercial flight, or the intricate supply chain behind your family vehicle. All of these inflection points and the associated customer experience outcomes are where a company's management team must be focused, because that is where the next dollar is coming from.

For more information about identifying your moments of service, visit www.momentofservice.com or watch user organization panels at <https://www.ifs.com/corp/news-and-events/events/ifs-cloud/#Watch-now>.

About the survey

The study is based on responses from 1,700+ executives in the UK (251), the US (501), Australia (250), France (503), Germany (498), and the Nordics (251). Respondents represent a broad industry scope, including manufacturing, construction, healthcare, IT/Telco, energy & utilities, and travel & transport. A vast majority of respondents are from companies in the midmarket (\$250M - \$500M) and enterprise market (\$500M+), taking into consideration annual turnover and spending power. Data was collected in February 2021, by Censuswide.

A further 12,502 consumers were surveyed in the UK (2,000), US (2,037), France (2,047), Germany (2,040), the Nordics (2,367) and Australia (2011). Data was collected in April 2021 by Censuswide.

About IFS

IFS develops and delivers cloud enterprise software for companies around the world who manufacture and distribute goods, build and maintain assets, and manage service-focused operations. Within our single platform, our industry specific products are innately connected to a single data model and use embedded digital innovation so that our customers can be their best when it really matters to their customers—at the Moment of Service.

The industry expertise of our people and of our growing ecosystem, together with a commitment to deliver value at every single step, has made IFS a recognized leader and the most recommended supplier in our sector. Our team of 4,000 employees every day live our values of agility, trustworthiness and collaboration in how we support our 10,000+ customers.

Learn more about how our enterprise software solutions can help your business today at ifs.com.

#MomentOfService