

The service replaces the product

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The offering of industrial enterprises is changing; the provision of services to customers in the form of subscriptions is replacing the previous product-centric approach. That requires a fundamental paradigm shift.

[Digital transformation](#) is shaking companies to their foundations: they must move away from the familiar product-centric approach and focus on their customers instead. This change means a cultural shift especially for industrial companies. Up to now they have been developing their products in a relatively isolated environment. There has been no provision for the end customer to influence and improve the production process. Once a product leaves the company, the relationship with the manufacturer is broken. There are no opportunities for feedback and it is not possible for further development to be based on feedback regarding the product's use.

On the other hand, if companies find a way to stay connected to their product, the relationship is not broken. Manufacturers can collect data on the use and function of a product throughout its lifetime. This gives them the opportunity to better tailor their offering to their customers' needs and to offer more innovative products. Most importantly, companies can focus more on the service they provide.

From product to service

These two approaches can be demonstrated by the example of a car: today, a customer buys a car at the dealer. The buyer selects a model, pays for it or makes a down payment, redeems it and arranges the insurance. When it comes to service, tyre change and assistance in the event of a breakdown, the owner has to sort it out themselves or place corresponding orders with third parties.

If the car manufacturer provides the service of mobility instead of the actual vehicle, a new business model is possible: the customer does not opt for a particular car but opts for a subscription. Instead of the purchase price or a down payment, a monthly subscription fee is payable. In addition to the costs for the vehicle, this also includes insurance, taxes, service, tyre change and repair, as well as replacement in the event of damage. The only thing the driver has to take care of themselves is filling up the tank. What this might look like in reality can already be seen in "[Care by Volvo](#)" or the "[Porsche Passport](#)".

Transformation creates cost transparency

The service is no longer subject to a one-time purchase price, but a regularly recurring fee. For customers, this has the advantage that they no longer have to deal with technical details. Instead, they receive a service with transparent costs and clear reliability. Suppliers, in turn, can shine with their service and their relationship with the customers, instead of facing the fierce price war of international competition. In addition, they create a reliable income base that can be planned better than was previously possible with the mere sale of physical products.

Zühlke supports its customers in the digital transformation. Companies are usually aware of the problems of the product-oriented approach and the benefits of customer-centred functionality. The necessary fundamental change is nevertheless very demanding. It can only succeed if the company is really ready to change and is willing to bear the consequences.

Locking system on a cloud basis

A [project that Zühlke managed for dormakaba](#) shows what such a paradigm shift might look like. The company is known as a supplier of locks and locking systems. It grew large by selling products that are installed and maintained by the customer themselves or by a third party.

Together with Zühlke, Dormakaba then developed Exivo, a cloud-based access system. From the planning to the management of the system, everything is done in the cloud; the customer does not have to worry about technology and configuration, but only needs to specify who has access when and where. Installation of the hardware, maintenance of the platform and account management are handled by dormakaba. Thus, the industrial enterprise developed into a service partner.