

Operations Practice

From defense to offense: Digital B2B services in the next normal

After playing a crucial role in adapting service operations to COVID-19 disruptions, digital and analytics can help B2B service companies emerge stronger in the post-pandemic reset.

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In the wake of COVID-19, service organizations have faced the difficult task of balancing the immediate need for new safety measures and additional resources against the longer-term need to manage the recovery. Yet despite the vulnerabilities the pandemic exposed in their operations, some service companies are starting to redefine business-as-usual, allowing them to find a new path through the next normal.

Forward-looking leaders are rethinking how they run their service operations, with digital front and center. Digital and analytics (DnA) played a critical role in addressing the multitude of challenges that arose at the start of the crisis. It also shed new light on the transformative power of DnA to reimagine and transform a services business across three major areas: sales, delivery, and support.

For any individual organization, the extent of the digital transformation will naturally depend on the specific changes required to adapt the current operating model and leverage cutting-edge technologies. But what the most advanced businesses have in common is that they're using DnA to develop solutions that make their operations not just safer, but stronger.

Digital speed for reactive action—and proactive planning

Companies that were early adopters of digital to improve their service delivery were better equipped to react with speed and plan proactively, both of which are essential to thrive during a recovery. An analysis of performance during and after the 2008 global financial crisis shows that companies that proactively planned not only managed the crisis better, but also grew disproportionately in terms of market share and value creation during the following years.

Over the last few months, service-leading companies have started to make the necessary steps towards digital. These companies designed new ways of operating that adapted their business based on learnings from disruption—creating a new form of offense rather than staying on the defense

and simply reacting to demand shocks and changes in customer preferences.

The pandemic has resulted in severe economic distress for B2B companies: in recent months, a survey our colleagues conducted found that around 50 percent of US B2B organizations have reduced their budgets due to decreased demand. To stay competitive in the next normal, companies have expanded and accelerated their use of digital solutions. Indeed, in just the first few months of the pandemic, 96 percent of B2B organizations shifted their operating model to emphasize digitally enabled self-serve, remote, and contactless operations.

But digitization is about more than defending against threats. Our analysis shows that companies can capture 30 percent revenue growth by implementing new technologies such as augmented and virtual reality, and integrating data-based tools through the use of artificial intelligence (AI) and machine learning. Organizations around the world that have implemented these levers in reopening have achieved rapid bottom-line impact.

To date, the share of companies implementing transformative actions in each of the three functions that span a services business—sales, delivery, and support—varies considerably (Exhibit 1). Although many companies recognize the need to transform, those that do not accelerate the implementation of these digital levers risk being left behind by their competitors who have already taken action.

Enabling a best-in-class sales experience

For many companies, sales are highly dependent on in-person experiences, some of which occur on-site. Yet our colleagues' research has shown that changes in consumer behavior during the COVID-19 crisis have resulted in a doubling of digital sales relative to traditional B2B sales transactions. To thrive in the next normal, leading service organizations are leveraging DnA to

Exhibit 1

Only a few digital responses have achieved widespread implementation among B2B service providers.

Survey of industrial/OEM aftermarket and service executives, (n=107)



¹Including maintenance guided by augmented or virtual reality.

improve leads and sales-team productivity without face-to-face interactions. We find that companies that have embraced digital are not only building customer confidence and seeing higher sales conversion, but are also improving sales support effectiveness by approximately 25 percent.

As companies transition to contactless operations in response to customer and employee preferences, some have pushed further to adopt virtual solutions—such as video conferencing and virtual reality—to replace in-person interactions. For example, a heavy-equipment manufacturer

implemented virtual reality to provide an interactive test-use experience that highlights the major components of the product, without requiring a customer to have an in-person interaction with a salesperson.

Companies are also reinforcing competitive advantage by incorporating advanced analytics throughout the sales process. More data is becoming available, capturing customers' preferences and e-commerce interaction patterns. Sales leaders have built an infrastructure that allows them to mine the data for insights to prioritize key customers and dedicate more time to those with a higher propensity to buy, while minimizing time spent on low-propensity leads.

Companies have built advanced-analytics models to predict the probability of purchase across

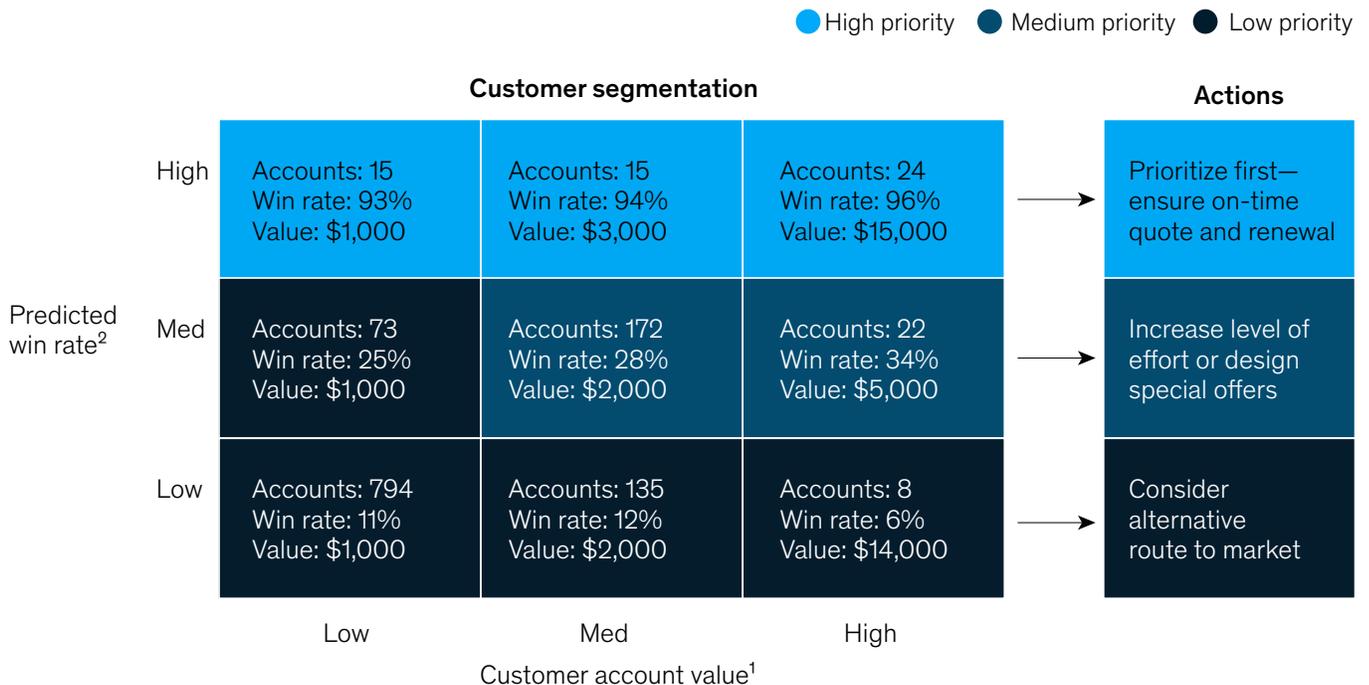
customer segments and products. These tools empower innovative sales leaders to make strategic decisions that maximize sales efforts, which can lift sales by 10 to 20 percent. A heavy-machinery manufacturer aggregated data from sources ranging from contract and sales records to product details and customer demographics to build a predictive model that yielded a list of customers with a high propensity to buy (Exhibit 2). By quickly shifting focus to providing these customers with tailored offerings, the sales organization generated more than \$30 million in incremental revenue.

The adoption of self-serve sales has increased by approximately 250 percent since the onset of COVID-19, according to a survey our colleagues conducted of B2B companies—increasing the need for a digital transformation to build the

Exhibit 2

Predictive models help prioritize high-value, high-propensity-to-buy leads, and define a customized sales approach.

Illustrative



¹Cutoffs for customer account value (in \$): low (<\$2,000), mid (\$2,000–\$5,000), and high (>\$5,000).

²Cutoffs for predicted win rate: low (<=20%), mid (20–50%) and high (>50%).

capacity that handling these sales will require. And because it appears unlikely that customers will revert to pre-crisis channels in the next normal, forward-looking organizations are taking the necessary steps to refocus their long-term strategies that prioritize digital. An aerospace OEM implemented a digitally backed sales transformation across the organization, which resulted in more than \$500 million in incremental orders. The company captured this growth by increasing its digital sales capabilities, as well as implementing digital performance-management tools to incentivize sales representatives.

Low-touch service delivery with high-tech capabilities

Businesses that have relied on in-person interactions have shifted to remote or virtual solutions to facilitate contactless operations. While safety risks have eased in some regions, executives report that consumers remain sensitive to in-person interactions, which will likely lead to a sustained need for virtual delivery models and fuel an acceleration of digital adoption. As an executive of a machine builder said, “We had a five-year plan for digitizing our service delivery. Now, after one year, given COVID-19, we are almost 70 percent there.”

In situations where remote servicing is not possible, such as a service call requiring parts replacement, service companies have increasingly deployed technology to reduce in-person interactions as much as possible. For example, field technicians use text messages for contactless signatures and payment. To reassure customers, leading companies communicate the steps they are taking to train their field technicians and the protocols they follow in protecting worker health. “Customers are moving to us from because they see we provide a safer and more reliable service”, an executive of an MRO service provider told us. “Our demand is higher than ever.”

The proliferation of connected devices and sensors in the Internet of Things (IoT) enables automation and the increased use of self-serve and sophisticated remote solutions. Companies

use the data generated by connected sensors to develop remote-delivery platforms that dramatically increase remote-servicing abilities and early problem resolution. Combining IoT with AI allows machines to improve their predictive-maintenance capabilities, while empowering service providers to track asset health in real time and proactively address issues before a breakdown occurs. In the event of an equipment failure, remote resolution and AI gives technicians the visibility to fix the issue with minimal downtime for their customers—often resulting in a reduction of 8 percent to 10 percent in asset downtime.

As organizations embrace DnA, they empower technicians and customers with the information necessary to make quick decisions on mission-critical operations (Exhibit 3). Imagine that on Tuesday morning before the commuter rush, an elevator sends a signal that maintenance is required. A worried landlord needs to decide whether or not to shut down the elevator, but a remote technician has already received the alert and understands the cause. The technician reassures the landlord that it can continue to operate the elevator during the busiest time of the day. In parallel, the technician is able to determine the precise resources required to address the issue in the minimal amount of time.

In addition to improving the reliability of a customer’s assets, remote monitoring and resolution tools increase the productivity of service organizations and reduce the need for in-field service. A telco leveraged machine learning to determine which machine-generated signals are actual alarms (10 percent) and which are noise (90 percent). Using this data, the service support team was able to remotely resolve more than 90 percent of the machine-generated signals, which increased overall service and repair productivity by approximately 15 percent.

Organizations are also using DnA tools to improve field-technician productivity. Across industries, field technicians tend to be underutilized, which leaves potential revenue on the table and reduces

Remote monitoring and predictive maintenance help reduce equipment downtime.

Constant eye on critical parameters



Proactive maintenance actions performed

Earlier discovery of service needs enables fixes before they develop into problems

9 early symptoms found per piece of equipment per year

Advanced technology detects faults in advance



Time saved and user convenience improved

Significant decrease in number of stoppages and other major incidents

60% fewer issues reported by customers

Full transparency throughout



Problems solved more often during one visit

Technicians know the nature of the fault before they arrive, so they have the right spare parts and can fix the problem quickly

25% increase in resolving all issues during one visit

customer satisfaction. Low utilization is primarily driven by poor scheduling and dispatching practices. A building controls manufacturer therefore used an advanced analytics-based staffing platform to address scheduling issues and deploy labor more flexibly, meeting demand when and where it was needed. Within about a month, field-technician utilization rose from approximately 70 percent to 90 percent.

Support functions, supported by automation

To maximize productivity and effectiveness, companies have incorporated DnA tools across all areas of the value chain (Exhibit 4). This allows an organization to make rapid strategic decisions that address issues before they interrupt delivery service and, in worst-case scenarios, directly impact the customer experience.

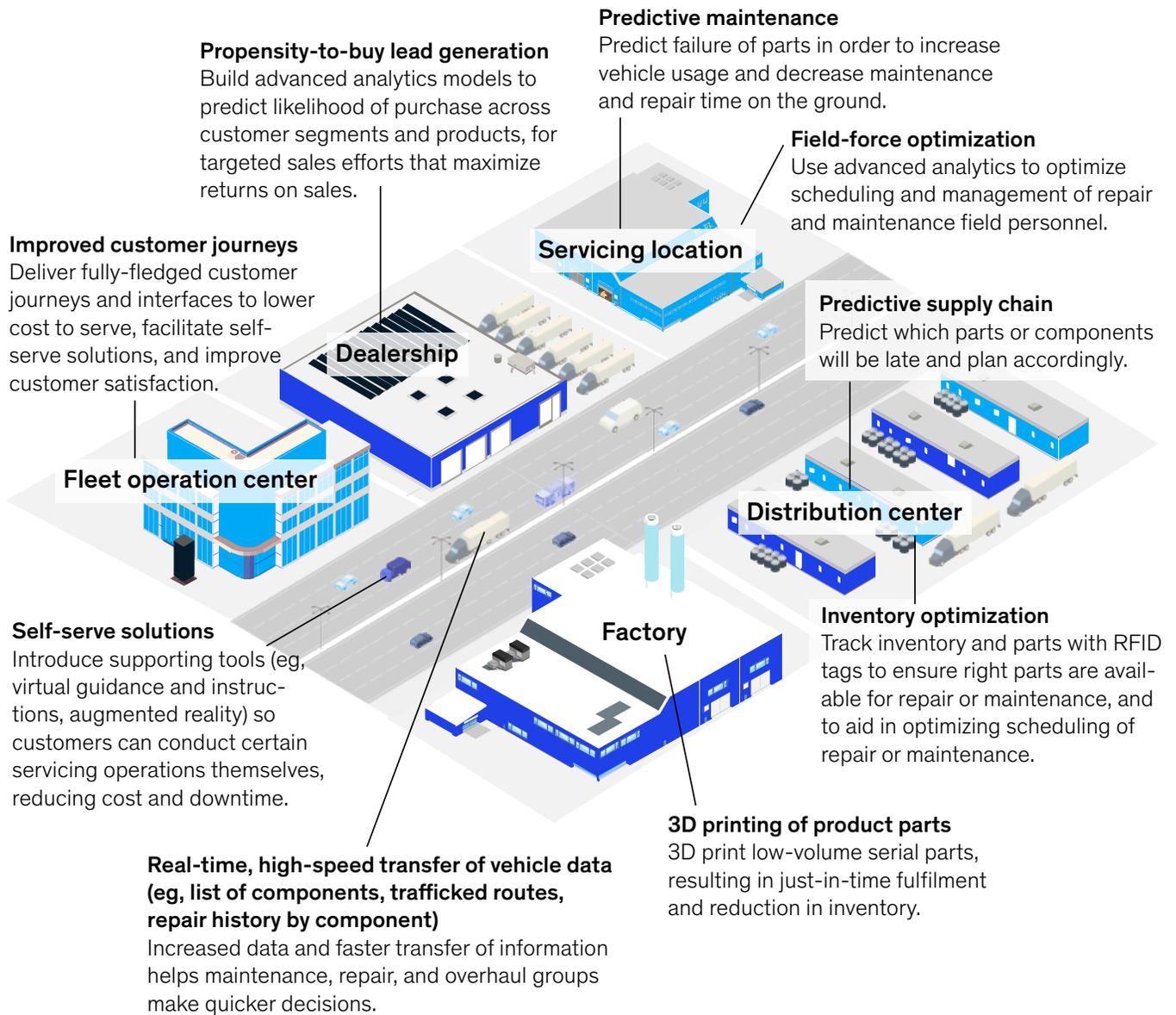
Companies are using process automation and digital performance management to improve the efficiency of administrative support in functions such as HR, accounts receivable,

and IT. According to our colleague's research, the use of nearly all digital support options—such as live chat—has increased by 10 percent as companies responded to COVID-19, while the use of most traditional support solutions has decreased by 20 percent. Companies have quickly implemented robotic process automation (RPA) to complete basic tasks, which allows support staff to focus on high-value activities. The opportunities are significant, as the finance function illustrates that at least 30 to 40 percent of back-office tasks can be automated.

Playing the long game: Adapting and sustaining change

The execution of DnA tools across sales, service, and support is essential for initiating a digital transformation. However, sustaining the change is the most critical component of any transformation and is often overlooked. Coming out of COVID-19, leading companies are building an agile and resilient operating model to execute transformation and then sustain it through iterative improvements.

The aftermarket services organization of the future combines digital tools across the value chain.



A transformation involves changing ingrained mindsets and behaviors, which makes a focus on change management critical to success. In many service organizations, especially those that have grown through M&A, mindsets and processes can wind up stuck. The digitization of processes and

tasks is daunting for field technicians—processes will fundamentally change and some will be eliminated. Enabling someone who has performed the same tasks the same way for 35 years to do his or her job differently requires a significant mindset and cultural shift.

Companies are overcoming the challenges. For example, as part of a field transformation, a heavy-equipment manufacturer rolled out a performance-management dashboard that applied advanced analytics. While this tool gave frontline managers and technicians visibility into performance, most of them greeted it with distrust, pushback, and fear. To address this, leaders involved field technicians in the process of improving the tool, and in problem-solving ways to improve each metric. Through this collaboration, field technicians grew accustomed to their new way of operating and embraced the culture of continuous improvement that the dashboard instilled.

In a time of crisis, employees and customers expect changes. What they may not expect is that

some of the changes may be improvements. “We found that the new way of doing things in sales and servicing was superior,” an executive of a commercial-vehicles manufacturer told us. “For the most part, we will never go back to our old operating model.”

Service leaders understand the pressure to incorporate DnA solutions in the current environment, from both their customers and their employees. The good news is that DnA solutions are real-world, proven technologies that organizations are already using today to increase productivity, improve customer experience, reduce costs, and make their operations not just safer, but better. Companies that delay digitization may survive in the near term, but they risk losing their competitive advantage to those that are embracing the changes the next normal is calling for.

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