

# Using New Service-Based Business Models for Growth and Profitability

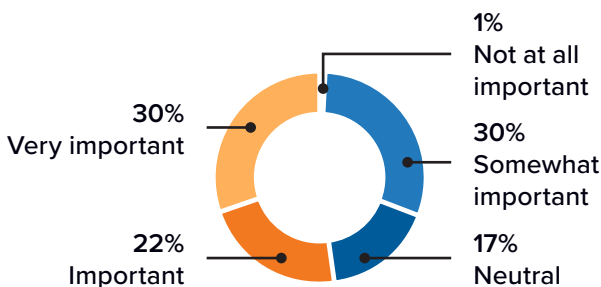
Midsize Manufacturers Chart a Technology Path Through Market Changes



**Simon Ellis**  
Group Vice President, U.S. Manufacturing Insights,  
Energy Insights, and Global Supply Chain Strategies, IDC

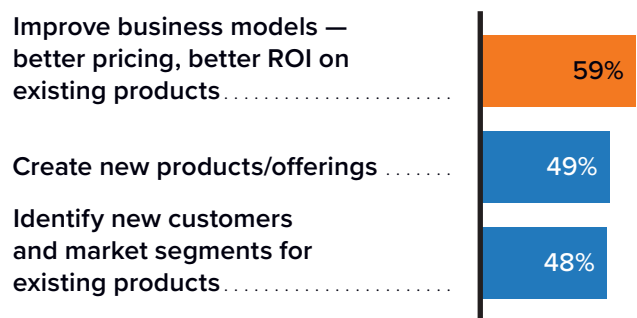
Recent IDC research, commissioned by SAP, reveals new insights into how growth-focused manufacturers are extending operations beyond traditional boundaries to drive revenue streams and expand into new markets

## Importance of New Service-based Models for Revenue Growth and Improved Differentiation



Source: IDC, 2022

## Improved Business Models Top the List of Uses of Customer Data to Improve Customer Experience



## Moving to Service-Based Business Models for Growth and Profitability

Although inflation and supply chain disruption have put pressure on all industries, the industrial manufacturing industry has been particularly impacted on both revenue and margins. As a result, midsize industrial manufacturers have targeted strategic price increases and aggressive waste reduction to improve margins

and increase price predictability. They have also looked to new service-based business models to address margin erosion. Indeed, 46% of midsize manufacturing companies say improving margins and profitability is their top business objective for 2023.

Over 50% of midsize industrial manufacturers feel that offering new service-based business models is critical to growing business revenue and differentiating their organization from the competition. There are a wide range of service-based business models, including installation, maintenance, field service support, operational support, predictive/preventative maintenance, along with usage and as-a-service based business models.

To be able to drive growth through service-based business models, manufacturers need to have the right technology and processes in place. Cloud ERP and the cloud-based capabilities that result, can accelerate the digital and business transformation needed to achieve their goals.

## Supply Chain Resiliency

Constant supply chain disruptions have had a significant impact on midsize industrial manufacturers' success over the past three years. These businesses continue to look for ways to create a more resilient supply chain to minimize future shocks. In IDC's 2022 *Supply Chain Survey*, 47% of industrial manufacturing companies said that a lack of supply chain visibility and resiliency to see necessary changes in time to react efficiently was their largest gap and 32% say they lack the supply chain digital tools to support new business models. Digital transformation efforts that offer scalable analytics, migration to the cloud, the use of business networks, and targeted deployment of artificial intelligence/machine learning are key technology focus areas to help to close these gaps.

Industrial manufacturers want to rebalance supply chain resiliency efforts to reflect the realities of inflation and increasing their focus on efficiency to recover margin. This is not to say that companies will, or should, abandon their efforts to improve supply chain resiliency, just that 2023 will be a year where they must reconcile resiliency with efficiency.

## Conclusion

Midsize industrial manufacturers can broaden their businesses with new service-based business models, yet they must ensure that the right digital tools and capabilities are in place, particularly in the supply chain, to maximize success.

### Message from the Sponsor



SAP cloud solutions combine built-in industry and business best practices with scalability to handle new markets, models, languages, and currencies. This is a growth engine that can take you anywhere, and we'll be beside you every step of the way — no matter where you take your business next.

