



Future of smart industrials

KPMG Connected Enterprise for engineered products aftermarket and field service



Foreward

Service is the new growth engine

These are pivotal times for industrial manufacturing. Manufacturers must navigate an unfamiliar environment shaped by advances in disruptive technology, economic turmoil, shifting customer expectations, uncertain labor and materials supply markets, and the world's emergence from the COVID-19 pandemic. In our view, this sector will continue to experience increasing disruption in the near future.

We see the sector migrating toward a smart industrials strategy, shifting from a legacy product-centric focus to a customer-centric focus empowered by digitally enabled aftermarket and field service. Future-focused manufacturers can win by embracing digitally enabled service as the foundation of both their business and operating models.

KPMG International, in a commissioned survey conducted by Forrester Consulting in June 2022, engaged 395 industrial manufacturing leaders across the globe to understand their perspectives on the opportunity and impact of digitally enabled aftermarket and field service on the sector's future. Participants included manufacturers that classify themselves as machinery and component as well as project or solution providers.

A primary takeaway from the survey is the extent to which these business leaders recognize the shifting landscape and are investing in making the transition. More than six out of ten executives in our survey indicate their organizations are currently investing in or have included investment in their capital plans for digital transformation and connected products.

In this report, we explore the opportunity for industrial manufacturers to drive improved customer experience while enhancing efficiency and effectiveness through digitally enabled aftermarket and field service. We also discuss the challenges manufacturers are experiencing with their current efforts and the capabilities that are needed for success.

If you would like to discuss how KPMG professionals can help you evaluate and accelerate your organization's journey toward a digitally enabled aftermarket and field service transformation, please contact us or your local contacts listed.



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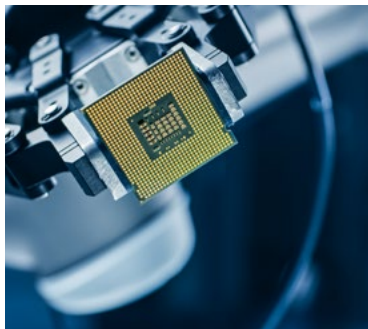
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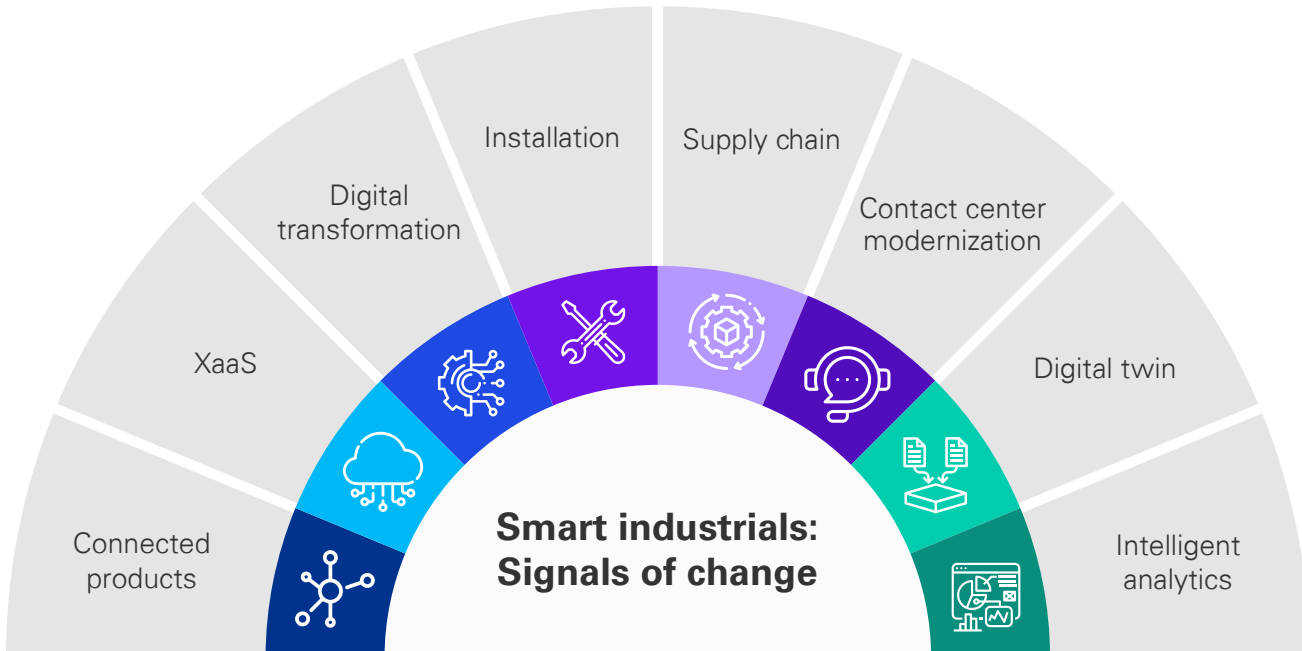
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Signals of change

Everywhere you look, there are signals of change for aftermarket and field service in industrial manufacturing. KPMG firms' experience and research indicate that industrial manufacturers are facing a rapidly evolving market characterized by technology disruption, changing customer demands, privacy and security challenges, and operational challenges.

KPMG professionals identified eight signals of change based on the investment priorities that industrial manufacturing survey respondents reported. These changes are enabling new models for service and triggering a pivot by manufacturers toward service business growth, specifically digitally connected aftermarket and field service. Manufacturers should gauge the presence and strength of these signals in their own market and customer base to help set their strategies and priorities.



1. Connected products



Development and deployment of connected products will create digital services that improve service efficiency and effectiveness, increase customer lifetime value, and drive services growth. In our survey, 84 percent of respondents indicated current plans to invest in connected products, with another 15 percent anticipating including investment in later horizons of their capital plan. Only 1 percent have no plans to invest.

Connected products factors with the greatest impact on aftermarket and field service

Use of digital twin capabilities to develop visibility of the install base of deployed products, modeling/simulation cap



Visibility of equipment use and performance, enabling improved service effectiveness and efficiency



Increase in opportunity to “attach” services to product sales and to maintain ongoing service agreements



Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, June 2022

2. Shift to XaaS models



Manufacturers' shift to an anything-as-a-service (XaaS) model involves the development of new services as well as the capabilities to price, sell, deliver, and bill for a broad range of services through subscription, pay-for-use, or other models. Seventy-six percent of our survey respondents indicated current plans to invest in XaaS, with another 21 percent anticipating including XaaS investment in later horizons of their capital plan. Only 3 percent have no plans to invest. This level of adoption of XaaS models in the manufacturing sector signals likely changes to customer buying behavior and manufacturer business, revenue, and contracting models.

XaaS factors with the greatest impact on aftermarket and field service

Monetizing data from connected products and sensors



Introduction of intelligent digital services



Enabling product features with software or connected services that can generate service revenue



Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, June 2022

3. Digital transformation



Manufacturers are modernizing and transforming their organization's technology architecture, applications, and infrastructure. This is allowing them to establish seamless technology integration and adopt advanced digital capabilities, such as artificial intelligence (AI) and machine learning (ML), augmented reality (AR)/virtual reality (VR)/mixed reality (MR). Ninety-two percent of respondents indicated current plans to invest in digital transformation with another 8 percent anticipating including investment in later horizons of their capital plan. Fewer than 1 percent have no plans to invest.

Digital transformation factors with the greatest impact on aftermarket and field service

Transformation of technology applications across the service lifecycle



Shift in talent acquisition strategy and internal talent upskilling around technological capabilities



Development of enhanced integration to support connected products and services



Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, June 2022

4. Installation excellence



Manufacturers are optimizing capabilities to install/implement solutions that maximize value to the customer while increasing service attach rate for digital services and customer lifetime value. Eighty-seven percent of respondents indicated current plans to invest in installation and implementation, with another 13 percent anticipating including investment in later horizons of their capital plan. Fewer than 1 percent have no plans to invest.

Product installation factors with the greatest impact on aftermarket and field service

Overall project profitability management



Optimizing project and resource scheduling, management, and tracking



Effective coordination of project materials availability and delivery



Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, June 2022

5. Resilient supply chains



Manufacturers are building resilient supply chains that connect customers, channel partners, sales, field service, supplier development, and procurement processes to orchestrate visibility and collaboration across the lifecycle of a customer solution. Eighty-three percent of respondents indicated current plans to invest in their supply chain, with another 15 percent anticipating including supply chain investment in later horizons of their capital plan. Only 2 percent have no plans to invest.

Supply chain factors with the greatest impact on aftermarket and field service

Connection of customer, sales, supplier development, and procurement processes



Optimizing management of product and service parts supply networks



Shift toward creating more resilient supply network for products and service parts



Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, June 2022

6. Omnichannel service



Redefining contact center capabilities will enable efficient operations while providing proactive support across an expanded range of support areas with an omnichannel interaction model. Eighty-four percent of respondents indicated current plans to invest in contact center modernization, with another 15 percent anticipating including contact center modernization investment in later horizons of their capital plan. Only 1 percent have no plans to invest.

Contact center factors with the greatest impact on aftermarket and field service

Improving field service performance and efficiency through improved technician scheduling, management, and enablement



Optimizing customer experience across the full-service cycle



Proactive customer service



Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, June 2022

7. Deployment of digital twins as service enablers



Use of information, including install base and data from connected assets/sensors, will enable manufacturers to develop and model a digital view of customer solutions and the operations they support. Eighty-five percent of respondents indicate plans to invest in digital twin. Another 14 percent anticipate including digital twin investment in later horizons of their capital plan. Only 1 percent reported no plans to invest.

Most important digital twin use cases for aftermarket and field service

Use of digital twin to support service execution



Use of digital twin for modeling and simulating solution operation and effectiveness



Use of digital twin for predictive maintenance and service planning



Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, June 2022

8. Intelligent analytics



Industrial manufacturers are utilizing intelligent analytics to optimize pricing, sales, quoting, service planning, and service execution. Eighty-two percent of respondents indicated current plans to invest in intelligent analytics, with another 16 percent anticipating including intelligent analytics investment in later horizons of their capital plan. Only 2 percent have no plans to invest.

Intelligent analytics factors with the greatest impact on aftermarket and field service

Optimizing customer quotes to maximize win probability and margin by applying intelligent analytics



Arming technicians and customer service representatives with analytical insights to improve service delivery



Enabling sales offers by technicians and customer service representatives by applying intelligent analytics



Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, June 2022



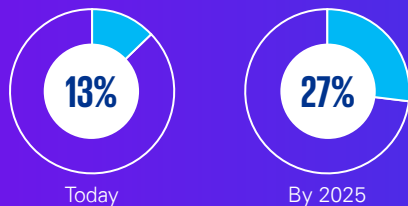
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Strategic imperatives

Based on the signals of change, KPMG professionals have identified five strategic imperatives that manufacturers should focus on to accelerate and complete this shift. These imperatives include embracing digital transformation, understanding its benefits, evolving business models, assessing culture and capabilities, and addressing privacy and security challenges. These moves should enable makers of industrial equipment to respond to these forces and take advantage of new growth opportunities.

The percentage of revenue from digitally enabled services is expected to double in the next three years.

% of revenue coming from digitally-enabled services



Base: 395 customer-centric strategy decision-makers at manufacturers with aftermarket service offerings
Source: A commissioned study conducted by Forrester Consulting, June 2022

1 Embrace the digital transformation of industrial manufacturing aftermarket and field service

The digital transformation of the industry has arrived. Today, decision makers report an average of 57 percent of their organizations' services are digitally enabled, and this number is rising—they predict that 74 percent of services will be digitally enabled by 2025. In total, they expect digitally enabled services to represent 27 percent of their total revenue by 2025, more than double the 13 percent it represents today. They expect this digital enablement to increase product sales

(44 percent), improve customer loyalty (43 percent), and improve customer insights (41 percent).

And while the groundwork is being laid for digital infrastructure, organizations admit there is still important work to be done. Decision makers in our survey listed developing data, analytics, and AI capabilities as the top actions their organization will need to take over the next five to ten years to address the changing digital aftermarket service landscape.

2 Understand the benefits of digitally enabled services

In addition to considering the signals of change, it is important to recognize the benefits that manufacturers can derive from digitally enabled aftermarket and field service.

Reduce the cost to serve:

Address service calls via lower cost channels such as remote contact centers, equipment self-healing, or customer self-service. Optimize technician productivity using advanced scheduling and dispatch. Implement AR, VR, and MR tools and insights based on AI and ML.

Enhance service effectiveness:

Reduce response/resolution times and maximize equipment performance by using connected product data to predict and resolve service needs. Take advantage of automation, remote centers, or technicians enabled with digital tools.

Create new offerings:

Market and deliver new value-added services that drive customer value and, in turn, provide new sources of revenue for manufacturers. Beyond the basics of servicing equipment, many new offerings may be geared to reducing customers' total cost of ownership.

Grow customer lifetime value:

Use insights about customers, install base, and operations to optimize offers and service contracts for annuity-based revenue streams. Also minimize service requirements with better insights about customer entitlements.

Create loyalty:

Deliver winning customer experiences and orchestrate each interaction across the customer journey to increase revenue.

3 Evolve aftermarket and field service business models

The digitization of aftermarket and field service opens the door for organizations to move beyond a traditional manufacturing business model. This allows them to evolve along multiple dimensions and even adopt separate business models for different offerings and customer segments.

Our commissioned survey conducted by Forrester Consulting indicates that manufacturers are transforming their business models along five different dimensions to take advantage of the opportunities presented by digitization of aftermarket and field service.

Revenue models:

Innovative technology and the growing prevalence of XaaS models are encouraging manufacturers to look for new

ways to enhance revenues. This shift includes the use of annual recurring revenue (ARR) as a key metric to assess the sustainable growth of a service business. In addition, new digital capabilities enable outcome-based contracting models, as well as the transformation of asset ownership through financing and asset-as-a-service payment models.

Market offerings:

As the capabilities and models for digitally enabled aftermarket and field service mature, manufacturers are launching new services such as autonomous equipment, net-zero solutions, AI-enabled precision operations, and healthy buildings. Manufacturers are also shifting to selling integrated offer bundles that combine product, financing, field service, advanced digital services, and service parts.

Delivery models:

To meet increasing customer expectations for service experience, efficiency, and effectiveness, manufacturers are redesigning their delivery models. Increasingly, manufacturers are replacing onsite field technician service delivery with self-service, remote support, and even autonomous equipment self-healing. Manufacturers are also optimizing their remote service operations centers, call centers, and analytics centers of excellence to best support the shift to remote and digital service delivery.

Operating models:

To deliver the customer experience, efficiency, and effectiveness required to profitably grow aftermarket and field service, manufacturers must define and build an integrated target operating model (TOM) for that business. All six layers of the TOM (functional process, people, service delivery

model, technology, performance insights and data, and governance) must be designed to work together. In addition, the TOM must span the connected enterprise, linking front-, middle-, and back-office to create integrated end-to-end service value streams.

Cost models:

As manufacturers move to as-a-service models, their costs will continue to be incurred up front, while revenues will more likely come in over the equipment's lifetime. Breakeven in an as-a-service model may take three to four years or more depending on the offerings. Manufacturers will need to adjust their expectations to operate in this new model, but they will have the opportunity to reduce costs of service through automation, customer self-service, better enablement of field technicians, and predictive maintenance.

4 Culture and capability change

For many manufacturers, the culture and capabilities that have previously underpinned their success are not what they will need to succeed in the aftermarket and field service business. Organizations are finding that they need to move beyond a product-focused culture or even a culture of functional excellence. The goal should be a customer-centric culture that prioritizes customers' end-to-end experience over the metrics of any particular function. In fact, survey respondents reported that optimizing end-to-end customer experience is among the top three actions they will take over the next five to 10 years.

Future-focused organizations have prioritized culture as an enabler of this change, and reported a good or excellent ability to build a customer-centric organization and a culture that inspires people to deliver on the customer promise and drive up business performance at a rate more than 50% higher than followers.

Future-focused organizations are also differentiating themselves from followers through their investments in experience centricity by design. They report making moderate or significant investment in experience centricity by design at nearly double the rate reported by follower organizations.

5 Address privacy and security challenges

Today's manufacturing businesses are data-driven and internet-dependent, so the effective management and protection of information is essential. In Europe, the General Data Protection Regulation (GDPR) gives individuals power over the use of their personal data and holds organizations accountable for their data collection and usage practices. Similar regulations that involve the secure generation, use, and protection of personally identifiable information (PII) are in place or planned for in the US.

As manufacturers transition to connected products and platforms, the amount of data generated and transmitted is

increasing exponentially, and as equipment gains features such as remote servicing, remote control, and autonomous operation, the importance of data security is further elevated. Manufacturers must allow selective access to the equipment and data to their own onsite and remote technicians, as well as to customers, channel partners, and other third parties. This access must be secured at the equipment panel and in service portals or other systems that connect to the equipment and the portal. A security strategy must be developed to manage the risk of intrusion and hacking of equipment and prevent breaches of the data accessible through the connected platform.

Digitally enabled services in the connected enterprise

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The eight capabilities of KPMG Connected Enterprise

Manufacturers can benefit from adopting a set of fundamental capabilities to support the connected enterprise. These capabilities can help industrial manufacturers define a customer-centric approach to digital transformation that connects the front-, middle-, and back-offices.

Enhancing these capabilities will help ensure that every process, function, and relationship of the organization is focused on meeting customer expectations, creating business value, and driving sustainable growth.

KPMG International research shows that firms that make a moderate or significant investment in all eight capabilities of the connected enterprise are two times more likely to deliver a customer experience that exceeds expectations, successfully execute on one or more customer-centric objectives, and increase ROI across one or more metrics.*



*Base: 1,299 professionals involved with customer strategy decisions.

Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, 2018. The research was conducted on a sector-specific basis.

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The following table shows how the eight connected enterprise capabilities can be applied to the strategic imperatives described on the previous page:

01 Insight driven strategies and actions	Harness data, advanced analytics, and actionable insights with a real-time understanding of the customer and the business, thereby helping to shape well-integrated business decisions.
02 Innovative products and services	Develop compelling customer value propositions on price, products, and services to engage the most high value customers and drive profitable growth.
03 Experience centricity by design	Design seamless, intentional experiences for customers, employees, and partners, thereby supporting the customer value propositions and delivering business objectives.
04 Seamless interactions and commerce	Interact and transact with customers and prospects across marketing, sales, and service to achieve measurable results.
05 Responsive operations and supply chain	Operate the business with efficiency and agility so the customer promise can be fulfilled in a consistent and profitable way.
06 Aligned and empowered workforce	Build a customer-centric organization and culture that inspires people to deliver on the customer promise and enhance business performance.
07 Digitally powered technology architecture	Create intelligent and agile services, technologies, and platforms, enabling the customer agenda with solutions that are secure, scalable, and cost-effective.
08 Integrated partner and alliance ecosystem	Engage, integrate, and manage third parties to increase speed to market, reduce costs, mitigate risk, and close capability gaps in the delivery of the customer promise.

High-maturity organizations continue to outpace their less mature peers

Survey findings indicate that, compared with followers, future-focused manufacturing organizations are:

2.3x More likely to harness data, advanced analytics, and actionable insights with a real-time understanding of the customer and the business to shape integrated business decisions.

2.0x More likely to create intelligent and agile services, technologies, and platforms, enabling the customer agenda with solutions that are secure, scalable, and cost-effective.

1.8x More likely to engage, integrate, and manage third parties to increase speed to market, reduce costs, mitigate risk, and close capability gaps to deliver on the customer promise.

1.6x More likely to build a customer-centric organization and culture that inspires people to deliver on the customer promise and drive up business performance.

1.5x More likely to design seamless, intentional experiences for customers, employees, and partners to support customer value propositions and deliver business objectives.

1.5x More likely to interact and transact with customers and prospects across marketing, sales, and service and achieve measurable results.

1.4x More likely to develop compelling customer value propositions on price, products, and services to engage the most high value customers and drive profitable growth.

1.4x More likely to operate the business with efficiency and agility to fulfill the customer promise in a consistent and profitable way.

Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, June 2022

Evaluating your capability maturity

Through our research and project experience, KPMG firms have developed a variety of assets and accelerators to support manufacturers' aftermarket and field service transformation. One key asset is a maturity model, with associated benchmarks, to help organizations assess the current maturity of their aftermarket and field service capabilities and define their target maturity levels.

KPMG professionals can work with you to shape and define your digitally enabled transformation or optimization vision, using the eight capabilities and 40 sector-specific subcapabilities to inform and evaluate plans, prioritize the roadmap, and align investments.

Insight-driven strategies and actions	Customer and commercial insights	Connected product insights	Operational insights	Workforce insights	Enterprise insights
Innovative products and services	Market research	Optimized pricing	Product platforms	Service platforms	Product/service design
Experience-centricity by design	Brand experience strategy	Intentional experience design	Voice of stakeholder / customer	Experience governance and measurement	Journey orchestration
Seamless interactions and commerce	Interaction orchestration	Digitally enabled	Marketing	Digitally enabled services	Sales
Responsive operations and supply chain	Digitally enabled supply chain	Digitally enabled service operations	Intelligent planning and execution	Insight-led operations	Resilient operations
Integrated partner and alliance ecosystem	Partner strategy and ecosystem design	Partner onboarding and integration	Service delivery and governance	Integrated business services	Ecosystem orchestration
Aligned and empowered workforce	Reshaped workforce	Redesigned workplace	Agile organization, change leadership and culture	Digitally enabled learning	Digitally enabled HR
Digitally enabled technology architecture	Architecture	Integration	Modern delivery	Integrated data management	Security, compliance and cyber

Additionally, KPMG professionals developed business and technology blueprints that represent a set of elements that support manufacturers' aftermarket and field business. Organizations can use the blueprints to benchmark the completeness of their business and technology environments and identify gaps versus leading practice.

Technology blueprint

Leadership enablement technology					
Data and analytics		Product and service management		Customer and employee experience	
Customer engagement			Operations		
Marketing	Sales/after-sales	Order and quote	Research, design and innovation		Supply chain
Projects	Customer support and service	Field service	Manufacturing operations	Enterprise asset management	Procurement

Business blueprint

Leading the enterprise							
Enterprise value management							
Enterprise strategy		Enterprise agility	Enterprise operational excellence		Enterprise resilience and trust	Environment, Social, Governance (ESG)	
Data and analytics							
Enterprise data and analytics strategy		Data management and governance	Analytics, AI, and insights generation		Continued insights delivery	Activation and continued innovation	
Product and service management							
Market research		Dynamic pricing	Strategic planning and scenarios		Product/service platforms	Product/service design	
Customer and employee experience							
Brand experience strategy		Intentional experience design	Voice of the stakeholder/customer		Experience governance and measurement	Journey orchestration	
Customer engagement				Operations			
Marketing	Sales/after-sales	Order and quote		Research, design and innovation		Supply chain	
Projects	Customer support and service	Field service		Manufacturing operations	Enterprise asset management	Procurement	
Support services							
Human resources	Finance	IT	Risk management	Internal audit	Legal	Tax	Property and facility Mgmt.
Talent acquisition	Financial reporting	Ideate	Managing enterprise and operational risk	Internal audit strategy and Governance	Strategy	Returns/compliance	Plan properties and facilities
Worker on-boarding	Financial planning and analysis	Plan			Human capital/manage talent	Intelligence	Business unit support and consulting
Talent enablement	Fixed assets	Develop	Privacy and data security	Perform risk assessment	Education and awareness	Transactional tax	
Workforce administration	Capital projects	Build	Managing third-party risk	Develop dynamic internal audit	Idea evaluation		International tax
Payroll	Accounts receivable	Test	Managing policies	Individual project initiation	Secure IP rights		
Total rewards	General ledger	Release and deploy	Managing compliance	Individual project execution	Manage portfolio		
Time management	Accounts payable	Run/operate		Manage issues and action			
	Treasury	Monitor/improve		Project reporting			
		Manage and govern		Organizational reporting			

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Business blueprint (continued)

Enabling the enterprise				
Partner and alliance management				
Partner and ecosystem design	Partner onboarding and integration	Service delivery and governance	Integrated business services	Ecosystem orchestration
People enablement				
Workforce shaping	Workforce experience	Workforce insights	Digitally enabled learning	
Technology enablement				
Enterprise integration management	Enterprise architecture management	Modern delivery	Cyber	Enterprise service management



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KPMG case in point

KPMG in the US recently helped a global manufacturer define the strategy, business model, financial case, and transition plan for a major digital services initiative—all within an accelerated, eight-week schedule.

Challenge:

The client's competitors had established a lead in the development of connected products, digital platforms, and digital service offerings. Voice of the customer (VOC) research for the client indicated a strong desire for smarter services and frictionless interactions. In discussions with the investor community, the client had already indicated a strong commitment to aggressive digital services growth, but the organization lacked a clear pathway to achieving its goals.

How a KPMG member firm helped:

The KPMG in the US team reviewed the current business model, service offerings, and operating model of the organization. They evaluated pro-forma field service business financials and developed a growth plan based on external benchmarks. At the same time, they developed a roadmap for implementation and value realization, and also conducted competitive/comparator market research to identify targets, benchmarks, and gaps in TOMs.

To support these activities, KPMG professionals gathered and synthesized financial data from more than 100 internal sources. They designed a global, pro-forma financial model with more than 100 tabs and presented their results to stakeholders across the business.

They also conducted competitor and comparator research, benchmarking over 20 competitor service models, areas of investment, and digital offerings. In addition, the KPMG in the US team provided ongoing guidance for executives and stakeholders to support effective transformational change.

Benefits to the client:

KPMG in the US helped the client's global service organization:

- Develop a strategy and operating model design for digital services that boosted annual services revenue growth rate by 20 percent.
- Define automation and operating model efficiencies that reduced operating expenses for digital services by approximately 15 percent.
- Identify over 50 key performance gaps and develop a roadmap with supporting initiative plans.
- Gain the buy-in of the CFO, the executive committee, and business unit leaders across products and regions.

The transformation is now led by our client sponsor with KPMG in the US supporting and augmenting the transition team in key areas where additional capabilities and/or support are required.

KPMG case in point

KPMG in the US specialists worked closely with KPMG firms in other regions to help enable a target operating model (TOM) transformation for a global manufacturer's field service business.

Challenge:

The client was seeking to develop and deploy a unified, cloud-based target operating model (TOM) across its global field service business. A TOM addresses functional processes, people, service delivery model, technology, performance insights and data, and governance. The existing business was highly decentralized, with a fragmented operating model spanning over 500 legal entities. The IT environment was unsustainable and included non-standardized operations and data, more than 100 ERP platforms, and hundreds of different edge systems. This fragmentation led to poor master data capabilities, the inconsistent capture of install-base data, and disconnected silos of service data across multiple systems and businesses. Visibility of customer, project, and service profitability was severely limited.

How a KPMG member firm helped:

The KPMG in the US team worked closely with KPMG firms in other regions to develop a new vision for the global field service business spanning multiple lines of business. KPMG team members designed a common global business template for processes, roles, technology, data management, service delivery models, and governance. They leveraged leading practice processes and widely accepted, out-of-the box technology. KPMG professionals also established proper governance for master data, designed intercompany processes for integrating core manufacturing and field operations, and deployed pilots in two countries.

Benefits to the client:

The KPMG in the US team helped the client:

- Successfully adopt a global business template designed to reduce costs and streamline operations for the field service business.
- Improve margins, reduce expenses, and increase operational efficiencies, with a potential value realization of 10 percent EBITDA.
- Support IT platform integration by retiring approximately 100 ERP platforms globally and an even larger number of edge solutions.
- Enhance communication and collaboration with customers, suppliers, and sub-contractors.



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KPMG case in point

KPMG in Italy specialists helped a transport and commercial vehicle manufacturer introduce advanced analytics to improve product quality and aftersales processes.

Challenge:

The client had high loss ratio for its products, which impaired aftersales costs and resulted in lower customer experience. Previously, the client had focused on gathering data and conducting backward-looking diagnostic reliability analysis manually at a slow pace. This approach was primarily reactive and did not generate early insights into vehicle reliability issues, also requiring a high degree of effort. In short, the client needed a better way to define its warranty process leveraging advanced analytics and enabling a data-driven approach.

How a KPMG member firm helped:

The KPMG in Italy team worked with the client to develop advanced analytics capabilities designed to improve the aftersales process and draw early insights from analysis generating recommendations. The project included the development of a service analytics platform that integrates several data sources to better estimate the defectiveness and the cost of vehicle components based on product and customer features such as vehicle configuration, telematics data, mission profile, and many others. The KPMG in Italy team also created an emerging-issues control tower to automate analytics processes, boost forecasting accuracy, and enable simulation features to anticipate the issues resolution.

Benefits to the client:

The KPMG in Italy team helped the client:

- Improve accuracy of cost of aftersales analysis, resulting in a 40% improvement in defectiveness and cost forecasts.
- Develop the ability to detect potential emerging aftersales quality issues more than two months in advance.
- Shift toward proactive management of aftersales quality issues to improve customer experience, reducing downtime and aftersales costs.
- Increase the sale of original spare parts targeting specific clients and maximizing the profitability.
- Drive an 80% reduction in time spent on data extraction, data preparation, analysis, and reporting.



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How KPMG can help

Wherever you are on the digital services journey, KPMG firms can help your organization move with confidence into the new reality of digitally enabled services. KPMG firms combine deep industrial manufacturing and business process experience with extensive technology integration experience. KPMG firms also bring tax knowledge needed to develop digital centers of excellence to deliver operating model tax savings in a digitally connected aftermarket and field service transformation. This holistic and integrated approach allows us to help clients design technology solutions and respond to industry challenges with speed, agility, and scale.

Backed by an industry-leading approach to enterprise-wide transformation, KPMG professionals can assist you through the following service offerings:

1 Digital services strategy

The digital services strategy helps clients reshape their aftermarket service business model and growth strategy to take advantage of connected products and platforms, technology innovations, and market transition to XaaS. Outputs typically include definition of the service offerings, contracting and revenue models, and strategy for transitioning

from transactional product and service sales to an XaaS recurring revenue model. In addition, the strategy typically defines the required changes in customer and channel partner relationships. KPMG professionals work with clients to define their digital services strategy and the financial opportunity associated with the new model.

2 Business and operating model transformation

To adopt a digital services strategy, manufacturers must often redesign their current operating model, creating a connected enterprise that integrates front-, middle-, and back-office operations for aftermarket and field service. This entails making changes to all six elements of the operating model (functional process, people, service delivery model,

technology, performance insights and data, and governance). In addition, manufacturers must develop a range of new capabilities. KPMG professionals help clients identify business and operating model gaps and improvement opportunities and implement aftermarket and field service transformation initiatives.

3 Technology enablement

Technology innovations such as connected products and platforms, cloud services management solutions, ML, and digital twin solutions are key to enabling new aftermarket and field service models and delivering winning customer experiences and required operational efficiency and effectiveness improvements. KPMG professionals help manufacturers define the technology architecture needed

to support the aftermarket and field service business and customer experiences. KPMG professionals also help manufacturers improve their existing technology environment, implement cloud-based aftermarket and field service technology solutions, and develop advanced ML and other data and analytics capabilities.

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