

# “Product as a service” by Digital Transformation for the New Normal in business

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The response of most industrial companies to the Covid 19 pandemic has been to retrench and cut back, to lower operating costs and ride out the crisis. After all, who can blame them? With revenues taking a huge hit for a majority of companies, the top of mind issues for executive leadership have been risk mitigation, cash flow management and, in many cases, simply survival.

Yet this is also the perfect time to lay the foundation for a powerful growth strategy to emerge stronger out of the crisis.

But how can companies lay the foundation? By re-examining their vision and value proposition, and reaffirming their *raison d’etre*, i.e., their purpose of existence as a company. Companies, large and small, will need to re-evaluate their products and services to understand how they can enhance their value post pandemic. They need to optimize their value proposition to take advantage of some of the most pressing strategic imperatives that are affecting all industries, from transformative mega trends and innovative business models to disruptive technologies and customer value chain compression. Most importantly, they will need to build a robust growth pipeline, to better handle the next crisis that will eventually hit them, no matter

what form it takes.

And how can companies prepare for the rebound? That starts with understanding the new growth opportunities that are spawned by or, in some cases, strengthened by the pandemic, and triangulating them with their own core objectives and competencies. It requires strategic investment today, not after the crisis has fully passed, to gain first mover advantage, which often is the difference between success and failure. Whether you are in the automotive industry or the life sciences industry or the chemicals and materials industry, new growth opportunities are emerging that are ripe for the taking.

What is the one critical, strategic investment that every industrial company needs to make to prepare for growth coming out of the pandemic? The answer is digital transformation. Digital transformation is having a far-reaching impact, enabling the rapid convergence of industries, markets and applications. Digital technology has enabled the creation of new business models and revenue streams that were hitherto impossible to conceive of, let alone implement. We are seeing large industrial companies shifting to a “product as a service” model for the New Normal business scene, a profound example of

which is Emerson’s recent launch of the “valves as a service” business model.

The integration of big data analytics, artificial intelligence, machine learning and IIOT is accelerating the shift toward Manufacturing 4.0 and will eventually lead to a global manufacturing renaissance beginning mid-late 2021. The Pandemic has not only shown the importance of digital transformation to cope with the crisis, but also highlighted its immense potential to help industries grow in the rebound. Big Data Analytics use cases have been accelerating during the pandemic- in containing the spread, optimizing supply chains, increasing manufacturing efficiency and providing personalized consumer services like e-commerce and streaming video. Every indication is that investment in Big Data Analytics will surge when the global economy rebounds as companies across vertical industries invest more readily in proven tools that enhance productivity, efficiency, and customer value, and thereby profitability.

In short, every industrial company has two distinct strategic options today– 1. Adopt a “wait and see” approach to simply survive the crisis or 2. Implement a proactive, digital transformation strategy to thrive coming out of the crisis. The visionary companies, especially JOI members, are pursuing Option 2.

(略歴)

Mr. Srinivasan, Global President and Managing Partner of Frost & Sullivan, has been with the company for over twenty-five years. Over the years, he has held a variety of positions with increasing responsibility, culminating in the role of President in the year 2000. He has played a key role in reshaping the company from its early days as a market research company to a full-fledged global growth consulting company focused on solving client challenges with customized business intelligence, growth strategies and training & implementation support.

(企業概要)

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