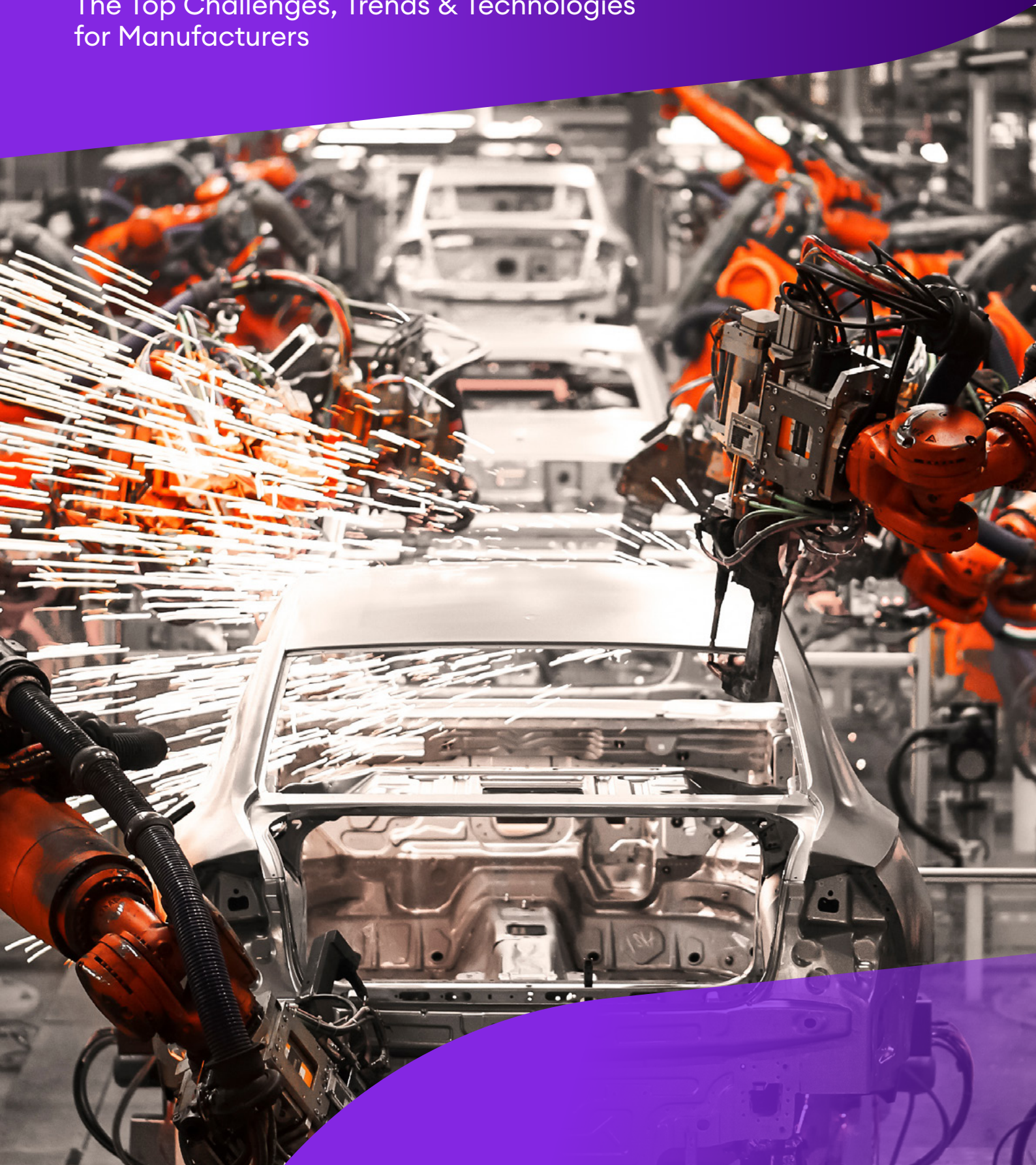
State of Service in Manufacturing 2023

The Top Challenges, Trends & Technologies for Manufacturers



Introduction

In late 2022, IFS commissioned a survey of hundreds of service leaders from manufacturing, service provider, utility and telecommunications companies worldwide to uncover the latest challenges, trends and technology adoption plans.

While the full State of Service 2023 Global Report provides universal field service trends from over 12 subindustries, this manufacturing-specific view of the survey findings reveals the unique challenges faced by automotive, chemical, high-tech, industrial equipment and medical device manufacturers from nearly 25 countries.

Surveyed leaders range from manager to C-level executive and represent various departments including field service, operations, information technology, human resources, finance and administration, customer service and support, production, logistics and supply chain, and maintenance. Each surveyed company employs between 100 and 5,000 service technicians and uses some form of service model deployment, whether it be field service, depot repair, dealer-based or distributor network, or a combination of models.

This report delivers fresh, data-based insights into how business leaders from the manufacturing industry are preparing to embrace the revenue growth, customer retention and differentiation opportunities that service represents. It examines a range of challenges, innovations and mindsets to help identify what's trending–and ending–for manufacturers.



Service trends in the Manufacturing industry

While companies across industries face common challenges when it comes to field service management–such as legacy technology systems, the global skills shortage, and ever-increasing customer expectations–manufacturing leaders ranked these pressures as the top three that will impact their service organization this year:



“

It is really a struggle to hire and retain people. And then you have a constant level of retraining employees that cycle through. Yet, we need to handle the same number of service requests even with staff shortages.

Global IT Director, Manufacturer

Top Manufacturing Pressures in Service Delivery

- **44%** Skilled Labor Shortage & Turnover
- **40%** Struggle in Meeting Customer SLAs
- **40%** Change management / user adoption of new technology
- **39%** Increased Regulatory Requirements
- **29%** Increased Complexity of Assets
- **29%** Outdated/insufficient service technologies
- **29%** Reduced margins (either in service or products)
- **26%** Desire to Create New As-a-Service Offerings
- **22%** Increased Complexity of Service Delivery

Let’s examine them further:

1. Skilled labor shortage & turnover

44% of our manufacturing survey respondents ranked the lack of skilled workers and high turnover rate as either their #1, #2 or #3 challenge.

Contributing factors behind the global skills shortage vary, including the rise of the gig economy during the pandemic, workers retiring early and aging out, and the rapid evolution of technology shortening the list of qualified candidates. As a result, Manufacturers are under increasing pressure to do more with less.

TRENDS: Some manufacturers rely on scheduling optimization and automation technology to increase efficiencies across their existing employee base. By leveraging artificial intelligence, machine learning, and real-time data from both SLA contracts and IoT-connected asset data, these solutions optimize service and maintenance tasks and deliver precise scheduling, freeing workers to focus on higher-value work and clients while increasing productivity.

Examples of success include Cubic Transportation, producers of public transit fare reading and payment systems for the transportation industry worldwide. The organization relies on a field service management platform with scheduling optimization technology that incorporates AI and advanced algorithms to optimize scheduling, increasing efficiencies so fewer engineers do more work.



> “I see our business using a much more automated model. I see the technology allowing us to not only predict customer problems, but also perhaps solve them before they become issues. I envision less dependency on staff and more dependency on automation.

Global IT Director, Manufacturer

2.Struggle in meeting customer SLA's

40% of our manufacturing survey respondents ranked the inability to meet their contractual service level agreements as either their #1, #2 or #3 challenge.

This pressure ranking so high is not surprising given that all industries are facing a global skills shortage. In the past, manufacturers as well as most other organizations could simply throw more people at the problem. But with a decreasing pool of qualified candidates, higher turnover rates and customers demanding better service–not to mention higher supply chain costs–manufacturers who service or maintain the assets they produce are realizing that technology is the only answer to keeping customers happy. In fact, the top benefit of adopting a new field service management system cited by our manufacturing respondents was the ability to deliver a better customer experience.

> "There's an enhanced need to compete for customers today. Our customers expect a lot of information now in the digital world, and if you are not communicating well, they are going to go somewhere else. We are dealing with increasing customer expectations for better service experiences by using technology that allows us to communicate consistently and effectively before and after service. It is not only keeping them informed, but also following up to ensure that the service met a certain level."

Global IT Director, Manufacturer Qualitative survey interview, State of Service 2023 Report



3.Change management and user adoption of new technology

40% of our manufacturing survey respondents ranked change management as either their #1, #2 or #3 challenge.

With so many manufacturers challenged to find and retain talented workers, upskilling existing employees on the latest technologies is paramount. This allows manufacturers to cultivate in-house expertise rather than investing in subcontractors or costly new hires. Yet some workers are resistant to adopt new technology, even though it can deliver greater results for a company and its customers.

> “Old processes and mindsets do not change by themselves; people have to change them. Any new technologies that you are rolling out can potentially pose a threat to staff, and it takes time for full staff adoption, so that is always a roadblock.”

Global IT Director, Manufacturer Qualitative survey interview, State of Service 2023 Report

The manufacturers who can overcome this challenge by encouraging and incentivizing workers to adopt new solutions will reap the most benefits. Often, it’s a matter of striking the right balance:

> “We have implemented a service management solution embedded with AI that is bringing 30% efficiencies as compared to our old conventional application. Yet we must strike a balance between efficiencies and the conventional application which is well accepted by employees. The workforce is rigid, doesn’t want to change. That is where our biggest challenge is.”

Senior IT Manager

TRENDS: Many manufacturers have deployed field service management technology successfully by demonstrating to workers that it can provide better support for them in the field. Examples include ANDRITZ, a manufacturer that provides plants, systems, equipment, and services for various industries. After deploying a new field service management platform, the company can provide onsite technicians with immediate access to vital information.



“Downtime wreaks havoc on our customers, and better managing our service operations is critical in minimizing and preventing it. Furthermore, equipping our frontline workers with more sophisticated technology allows them to take on more services responsibility, create greater trust among customers, and act as a business advisor.”

Klaus Gatz, Chief Digital Officer at ANDRITZ

4. Increased regulatory requirements

39% of our manufacturing survey respondents ranked increasing regulatations as either their #1, #2 or #3 challenge.

Oversight by government, industry, and other regulators requires strict protocols and workflows across most areas of a manufacturer's operation. Considerations include complying with quality standards, the health and safety of workers, and environmental protections, including management of recycling and waste and the disposal of hazardous chemicals and other toxins. These considerations require additional rigor, translating into a more significant investment in time and resources.

TRENDS: Manufacturers are employing capabilities such as workflow automation, data consolidation for real-time oversight, and a concise document management process to ensure proof of compliance is easily accessed and shared with auditors and regulators.

Examples of success include EaglePicher Technologies, a leading specialized battery manufacturer for aerospace, defense, and medical markets. The company replaced its legacy systems in part to meet the stringent requirements for security and regulatory compliance of a supplier to the US Department of Defense.



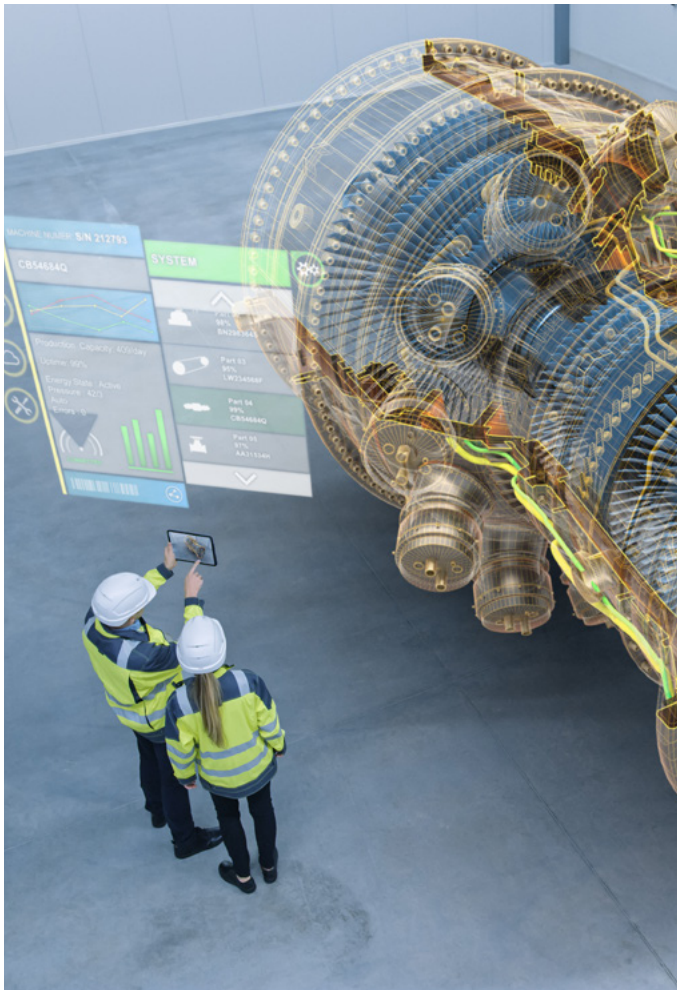
5.Increased complexity of assets

29% of our manufacturing survey respondents ranked the increased complexity of assets as either their #1, #2 or #3 challenge.

Assets such as industrial equipment and machinery are becoming increasingly complex and sophisticated as innovations such as IoT sensors evolve, making asset uptime even harder to achieve–especially with a lack of skilled maintenance workers. In fact, the number one reason for multiple service visits cited by our manufacturing respondents was technicians lacking the necessary knowledge and skills to complete the job.

In order to meet their customer SLAs, manufacturers must approach this challenge from both a new technology adoption and a human resources perspective. As a result, successful companies are investing in skill development programs to help expand their technicians' skillsets.

TRENDS: Innovations such as remote assistance connect less experienced workers with experts who guide them through the job. This same remote connection provides real-time access to information and knowledge bases so technicians can self-serve in the moment, especially helpful when the asset they are servicing is highly complex.



"We have a three to five-year HR transformation plan focused on skill development in a number of areas. We have also partnered with different universities to develop a one-year program. It's a long, complex journey but it's a key part of our company transformation. You cannot just transform technologically if you haven't created this kind of HR program."

Senior IT Manager

Service management technology adoption amongst manufacturers

Keeping in mind the top challenges we just revealed, let's uncover the field service management technologies that manufacturers will adopt to help them overcome these obstacles.

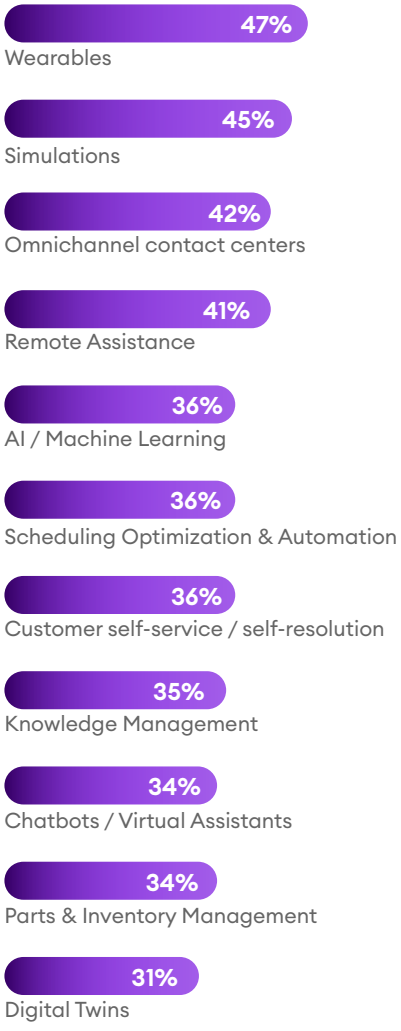
Here are the top-ranked solutions that manufacturing leaders are planning to implement in the next 12 months. This relatively even ranking of desired innovations reflects the fast pace of change as manufacturing organizations digitally transform of their service operations.



There are common threads among these top-ranked capabilities: working smarter, optimizing workers, and providing a better customer experience to drive revenue growth.

In fact, these common themes are echoed in the top-ranked benefits that manufacturers derive from the adoption of field service management technologies.

Top FSM Technology Wish List for Manufacturers



“We’re looking to adopt technology that allows us to do more with fewer resources. We also need a higher level of predictive analytics to monitor what customers need, so we can not only predict service requests, we can also solve them faster. Lastly, we want to use AI to understand and improve the customer journey. AI will allow us to engage with clients effectively so that they consistently do business with us.”

Senior IT Manager

Top Benefits of FSM Technology for Manufacturers





Top 10 focus points for 2023 across industries

While the circular economy has been an important initiative in the manufacturing sector for some time, service companies across industries are beginning to realize that sustainability can be a significant competitive differentiator. In fact, when we conducted our 2018 State of Service survey, sustainability was being driven primarily by regulators and legislators; today, it's being embraced proactively because it's an incredibly powerful sales tool.

#1 Sustainability

#2 Updating legacy service management systems

#3 Leveraging emerging technology

#4 Increased collaboration across the enterprise

#5 Developing new service offerings

#6 Workforce management

#7 Automating service parts management

#8 Adopting cloud infrastructure

#9 Developing a Chief Service Officer

#10 Leveraging big data & analytics

TRENDS: IFS manufacturing customers are making strides with sustainability, including Electrolux—one of the world's largest appliance manufacturers. The company recently launched an innovative subscription model called Appliance-as-a-Service to promote the circular economy. It's a valuable program for Electrolux in terms of recurring revenue, it's great for the consumer and priceless for the planet.

> "Prestigious clients are happy to pay 10% more than our competition because they will be able to showcase the sustainability initiatives that have been embedded within our solutions."
>
> Senior IT Manager

Preparing for what lies ahead

When we asked 400 leaders from around the world how they envisioned their service business evolving in the next 5 to 10 years, we heard a few key trends.

“People, process, and technology are the root causes of all our top pressures. If people are not properly trained before being sent into the field, you have errors, incorrect data and distribution … you have incorrect everything. Are our technology systems adequate? Do we have the right enterprise planning tool? Is the data correct in our systems? Data accuracy is very important. It basically decides the fate of the organization. But we must be diligent on all three levels—people, process, technology—all the time.”

Senior IT Manager

“Our future success is very people-driven. We must continue to invest in people and create a better team every day. We provide training, compensation plans and incentives, all so that our people can do a better job. We must be more competitive when it comes to the labor market so that our competitors do not take the best employees away.”

Field Service Management Director

“One of our main drivers for transformation is the huge competition in the market that is going to disrupt us. We must be as agile as possible, move faster in product development and time to market. To embrace opportunities, we must break down silos. We must work like a start-up.”

IT Director



“Our primary focus is on digitizing the front end for customers and providing more information so that they get a 360-degree view of their account status and can transact with us with as little friction as possible. In a service sense, we’re making sure our team is guiding customers through the digital process, but we’re also optimizing through automation fieldwork and other processes to complete those transactions quickly.”

Chief Information Officer

To access all of our detailed findings, including first-hand advice from the most innovative service leaders across industries, download your free copy of the full State of Service 2023 report.

About IFS

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The industry expertise of our people and of our growing ecosystem, together with a commitment to deliver value at every single step, has made IFS a recognized leader and the most recommended supplier in our sector. Our team of 4,500 employees every day live our values of agility, trustworthiness and collaboration in how we support our 10,000+ customers.

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