

“We are considering business models such as pay-per-shot”

On July 1 2018, the Krauss Maffei Group formed its new Digital Service Solutions business unit. K-Magazin talked to managing director and president of the new unit, Nadine Despineux, about the group’s digitalization plans.

SABINE KOLL

Digital transformation is an executive matter at the Krauss Maffei Group. As a consequence, a new Digital Service Solutions business unit was established on July 1 2018.

Ms. Despineux, all the major injection molding machine manufacturers are addressing digitalization. However, Krauss Maffei has chosen to create a dedicated business unit that is on the same hierarchical level



Nadine Despineux, managing director and president of Digital Service Solutions, emphasizes that products and services intermingle if new digital business models are further developed. It’s all about offering the customer a comprehensive service.

Photo: Krauss Maffei

as injection molding technology, extrusion and reaction technology. Why is that?

» **Nadine Despineux:** It's not a question of hierarchy, but of our corporate focus. To put it loosely, our traditional business is based on developing and building the best plastic processing machines. That is the bedrock of our business model. It has been so in the past and will continue to be so in the future. But we now want to simultaneously apply that very foundation to service area, digital product and new business model propositions. We firmly believe that the combination of mechanical and service excellence will make the difference in our market going forward. Also, we are confident that our worldwide service in particular will be the reason why customers opt for Krauss Maffei. Ultimately it is all about creating added value for the customers. An additional factor is that a new business unit will effectively expedite things in that area.

What does that actually mean, creating added value for the customers?

» **Nadine Despineux:** Take our leasing model for injection molding machines, which we launched last fall. The driver for us was not to develop an amazing new business model, but rather to find a solution to one of the pressing challenges experienced by our customers. Many of our customers are confronted with progressively shorter product cycles. That means when a small or medium-sized plastics processing company buys an injection molding machine under such circumstances, it involves a considerable investment. In such cases the long service life of a Krauss Maffei machine is a de facto competitive disadvantage. So we asked ourselves, what can we do to enable a customer to afford an injection molding machine during a growth phase and then, a few years down the line, have the choice of either giving it back or incorporating it into their machine fleet. Developing solutions such as ‚rent instead of buy‘ is now significantly easier thanks to digitalization.

Why is digitalization an advantage in this scenario?

» **Nadine Despineux:** Renting the machine in itself is not the solution. The challenge in this concept lies in the fact that used machines may well be returned to us after three or four years, which we will then want to sell on. Our established used machine business plays a major role in that situation. However, the business model gains a whole new level of impetus through our cooperative work with the Kaiserslautern-based start-up company Gindumac, which operates an Internet platform for used machines. If 50 to 100 machines are returned to

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Nadine Despineux

us in one go, then marketing via the analog route is an extremely bumpy, protracted and not exactly efficient process. The digital route enables you to simultaneously link up all the supplies and all the demand worldwide – and that is what makes the business model lucrative.

Is cooperation with Gindumac a change of strategy for Krauss Maffei? In other words, in the age of digitalization is there a stronger need for partners?

» **Nadine Despineux:** I don't see it as a change of strategy because we have always fostered partnerships and cooperative relationships within the course of our traditional business and in the digital product environment. Purely and simply of relevance to us is to come up with the quickest way to meet a customer's needs. That could be achieved using our own capabilities or alternatively through cooperative relations. However, we do acknowledge that a network is becoming increasingly more important due to the complexity of the business in which we find ourselves.

In contrast to its rivals, Krauss Maffei already operated in the used machine business beforehand. What's so different now?

» **Nadine Despineux:** We are now able to flexibly offer customers two options. Our original model saw us purchase and overhaul machines and then resell them on the market. The new option will see Gindumac take the machines without the overhaul and sell them on the digital market.

So marketing the used machines will not be exclusively via Gindumac?

» **Nadine Despineux:** That ultimately depends on the volume. The higher the number of machines, the more we have to and indeed will use the digital marketplace because the reach there is significantly broader. We can access markets in which we didn't even know a significant demand existed. For example, we have established that there is huge demand for western machines in India. Ultimately, this can significantly broaden the reach for Krauss Maffei machines as companies access the digital platform that up to this point have not previously engaged with us.

You mean that the used machine business will not be cannibalizing your new machine business?

» **Nadine Despineux:** No, not at all. The reason being that used machines typically end up in different markets to the new machines. Germany, for example, is not a classic used machine market for us.

Hintergrund

What other new business models are you contemplating?

» **Nadine Despineux:** The ‚rent instead of buy‘ business model could be expanded upon in the direction of availability guarantee, pay-per-shot or pay-per-use. A machine is ultimately a means to an end. The main priority for the customer is that the machine has a high level of availability – above all, if the machine is used to manufacture critical parts. When I switch on a machine, it must function. If that isn't the case, then you have to ask who is responsible for that. Digitalization opens up new opportunities in this respect. Subscription business models can be very appealing to customers, which we know as a result of intensive discussions with our own customers. These models offer a high degree of flexibility. They are already available in numerous other sectors, but are little exploited within the engineering industry.

What do you mean by subscription model?

» **Nadine Despineux:** In the subscription model, the product (digital or analog) is no longer purchased, but is made available for a monthly, quarterly or annual lease against a fixed payment. The customer uses the product for a specific period and when they no longer need it, they can unsubscribe.

Will injection molding machines be available in the cloud in future?

» **Nadine Despineux:** I'm not sure about the machine itself, but maybe machine functions and software that can be digitally linked and so no longer have to be purchased as a product. To give you a specific example: Our process monitoring tool, APC plus, is currently on the controller. You could buy that today and then you have it forever. However, we learn from our customers who tell us that although it is certainly practical to have APC plus in specific situations, in others it is not needed. A subscription model gives you the opportunity to flexibly draw on the tool when you need it. And of course you only pay for it when you need it.

How would an availability guarantee look from a contractual perspective?

» **Nadine Despineux:** We are currently looking at a number of possibilities. Bonus-penalty rules consequently also play a role.

Does that mean that the machine must be serviced by you and you will require constant access to the machine to monitor it?

» **Nadine Despineux:** If new digital business models are further developed, products and services will intermingle. It's all about offering the customer a comprehensive service. Indeed, to pursue such new and innovative routes, we will need to know the health status of the machine. An integral component in this regard will be predictive maintenance developments. That is the key to the new business models on which we are actively working.

Does digitalization impact on the classic service portfolio, which is also your area of responsibility?

» **Nadine Despineux:** Absolutely. In private life, customers are used to accessing Internet platforms anytime and anywhere to conveniently order products and have them quickly delivered. They are subsequently informed of every step of the order and delivery service. Customers also want such options from us – and not only for spare parts, in future they will certainly also want that for machines. This also applies for technician services. Customers want an all-round higher level of availability, speed, flexibility and transparency.

Such digital developments are largely software driven. How would that impact your organization?

» **Nadine Despineux:** In this context, know-how and culture change enormously. Previously, IT and Operations had classically separate roles within the company. These boundaries are progressively diminishing. Software development is becoming a core element of our corporate strategy. Amongst other things, that means we apply the agile methods acquainted with software development in order to be faster and more flexible across the entire organization to meet customer requirements more promptly. We are talking about a totally different corporate culture that we will also be promoting in the Digital Service Solutions business unit. This means, for example, broad openness and transparency, that decisions are made within agile teams and that errors are welcome to enable learning. If we want to better align the company with our customers and their needs, then the organization as a whole has to embark on a journey of transformation – and that's exactly what we are doing. ■

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