

Profitable Services Through Servitization of Products

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Japanese service is known for its superior quality all over the world.

Visitors experience this already when they arrive at a Japanese airport and need public transportation. Service staff is very friendly and guides non-Japanese speaking foreigners toward their destination.

Restaurants provide menus with pictures of dishes and drinks often even for Japanese guests.

Shops commonly offer to ship purchased items anywhere within Japan. Delivery services are fast, reliable and affordable; just perfect.

Upon driving into a gas station, two or three staff usually approach any car very quickly and lead its driver to well a defined place where they not only refill the gas tank but also clean ashtrays, windows and mirrors.

Once finished, they guide the driver back onto the street.

Japanese companies routinely deliver all services one could possibly think of. Indeed, they seem to care tremendously for their customers.



Servitization of Products

But what is the situation in case of after sales service for B2B or B2C products?

This issue is at the heart of this column and from now on, the word “service” refers to such after sales service for B2B and B2C products.

Malfunctioning products will always be repaired, although it sometimes may take a while. But often, not much more service seems to be rendered when looking at B2B and B2C operations.

An expression discussed in the international service world is Servitization of Products. It refers to the combination of products and services.

In Japan, Servitization of Products and related topics are being researched by academia, for example at [Tokyo Metropolitan University](#).

But for most foreign and Japanese companies, Servitization of Products remains a topic of more academic than real-life relevance.

While in other countries, responsibility for service is often placed on third party service

providers, in Japan manufacturers are expected service their products.

As a result, Japanese companies and service operations of foreign companies' subsidiaries usually act as Product-Service-Systems (PSS).

But often they only focus on fixing problems. Companies that offer services which create product-service-environments to avoid problems in the first place are still relatively rare.

Herein lies a tremendous business opportunity.

By realizing Servitization of Products – meaning combining products and services in a way that avoids problems from the outset – win-win situations can be created which benefits manufacturer and customer alike.

Requirements

The first ingredient for successfully changing an operation is changing mindset.

Many manufacturers and Japanese subsidiaries of foreign companies still regard service as the necessary minimum they have to do in reaction to a customer's request.

This mindset needs to be changed toward "We want to create a problem avoidance environment for the sake of our customers' and our profits."

The second ingredient is a highly efficient and effective service operation.

Many service operations all over the world still have large potential to enhance efficiency and effectiveness; Japan is no exception.

In this situation it is extremely dangerous to simply offer more services. Cost will eat up profits quickly and customer satisfaction will be ruined as promised services can not be delivered as expected.

Only with highly efficient and effective service operations in place, companies should initiate services along the 5+1 dimensions of service offerings and contracts.

Modern methods

Having been a service manager myself in Japan, I had to recognize that the old methods of enhancing a service operation simply do not work anymore.

Still, they are being used nowadays.

Japan is very well known for improving product features and production systems with modern methods and tools for tangible products.

But for the intangible product Service, the same is accomplished rarely.

Accordingly, many companies have large enhancement potential in this area.

And they have an opportunity to make their service operations very profitable and at the same time create tremendous customer satisfaction.

Modern methods and very powerful tools are available. By using them, companies can craft their service operations into real product-service-systems that create win-win situations with their customers.

If you have any questions or remarks please feel free to [get in touch!](#)

