

SERVITIZATION CASE STUDY

KONE



KONE is an international engineering and services company specialising in elevators, escalators, autowalks and automatic doors. It employs over 57,000 people worldwide, operates in more than 60 countries, serves more than 450,000 customers and had annual net sales of €9.1 billion in 2018, of which 53% was in new equipment and the remaining 47% in services (33% maintenance and 14% modernisation) (1).

**EMBRACING CONNECTIVITY TO IMPROVE
CUSTOMER AND END USER OUTCOMES**

**PUTTING CUSTOMERS AT THE HEART OF
THE CORPORATE STRATEGY**

**UTILISING EXPERTISE TO HELP
CUSTOMERS IMPROVE PEOPLE FLOW IN
THEIR BUILDINGS**

Its customers are builders, developers, building owners, facilities managers, designers and architects, but any member of the public might use its products ; by 2016 over one billion people used KONE elevators and escalators each day (2). The company's strong mission and vision guide its clear strategic aim to support customers:

MISSION: to improve the flow of urban life.

VISION: to deliver the best People Flow® experience, by providing ease, effectiveness and experiences to users and customers over the full life-cycle of buildings. (3)

COMPANY TIMELINE (2)

KONE began as a third party machine repair shop in Helsinki, refurbishing used motors and importing and installing elevators

1910

KONE celebrated the production of its 3,000th elevator

1939

Further growth and acquisitions meant KONE now had production, sales and service operations in nine countries

1972

KONE was lagging in the market. The decision was made to specialise again in elevators and divest other businesses

1993

KONE moved into smart building technology, introducing its People Flow Intelligence equipment and software aimed at enabling smooth movement of people around buildings

2013

An agreement with IBM to use the Watson Internet of Things Cloud Platform to collect and store equipment data, build applications and develop new solutions was announced

2013

The world's first tweeting escalator (@JustAnEscalator) went online to bring real-time insights on KONE 24/7 Connected Services to the public

2018

1918

The company started to make components for, and install, its own elevators

1968

A acquisition of a key competitor made KONE the market leader in elevators in Northern Europe

1989

The company was now diversified across elevators, escalators, cranes, medical technology, wood handling, hydraulic piping and shipboard cargo access solutions

2005

Although still profitable, KONE had again fallen behind competitors. The new president set a strategy around smooth people flow and positive customer experience

2015

KONE repositioned itself for the digital era, announcing the creation of a Technology & Innovation unit bringing together R&D and IT functions

2015

The customizable KONE Care™ service offering was launched, along with 24/7 Connected Services, which use the IBM IoT platform to remotely monitor, and optimize, equipment performance, reliability, and safety

2018

KONE was proud to be ranked 59th on Forbes' list of the world's most innovative companies

'WINNING WITH CUSTOMERS'

KONE promotes four 'Ways to Win'; key principles that bring the corporate strategy to life and encompass a number of internal development programmes (3):

COLLABORATIVE INNOVATION AND NEW COMPETENCIES

New technologies are changing our lives and customers' lives faster than ever. Our people drive our success in this change, which requires us to learn and innovate in new ways.

CUSTOMER-CENTRIC SOLUTIONS AND SERVICES

Customers choose partners who best understand their changing needs and help them succeed. We understand these needs, and offer flexible solutions and services which benefit customers and users in the best way

FAST AND SMART EXECUTION

Customers want their partners in construction projects and building services to be professional, fast and reliable. They choose partners that continuously improve and focus on what is essential. We will increase speed and work smarter to focus on activities that are valuable to the customer

TRUE SERVICE MINDSET

Customers value partners who strive to understand and take action to exceed expectations. We can make a difference by serving our customers better than anybody else

In line with the Winning with Customers strategy, the objective of KONE's solution and service development is to drive differentiation further by putting the needs of customers and users at the centre of all development (1). This is achieved through needs analysis and testing of hypotheses and prototypes with both customers and users, and closer collaboration with customers and partners. During the first quarter of 2018, KONE introduced a new digital platform which is open to third-party solutions. Working with third parties whose core expertise can help to deliver new solutions is a key element of the strategy for keeping ahead in the market. KONE introduced a renewed products and services portfolio utilising the platform:

KONE'S CORE SOLUTIONS

Connection of all lifts, escalators and building doors to the digital platform, to provide data-enabled maintenance and modernisation services and improve equipment performance, reliability and safety (see KONE 24/7 Connected Services).

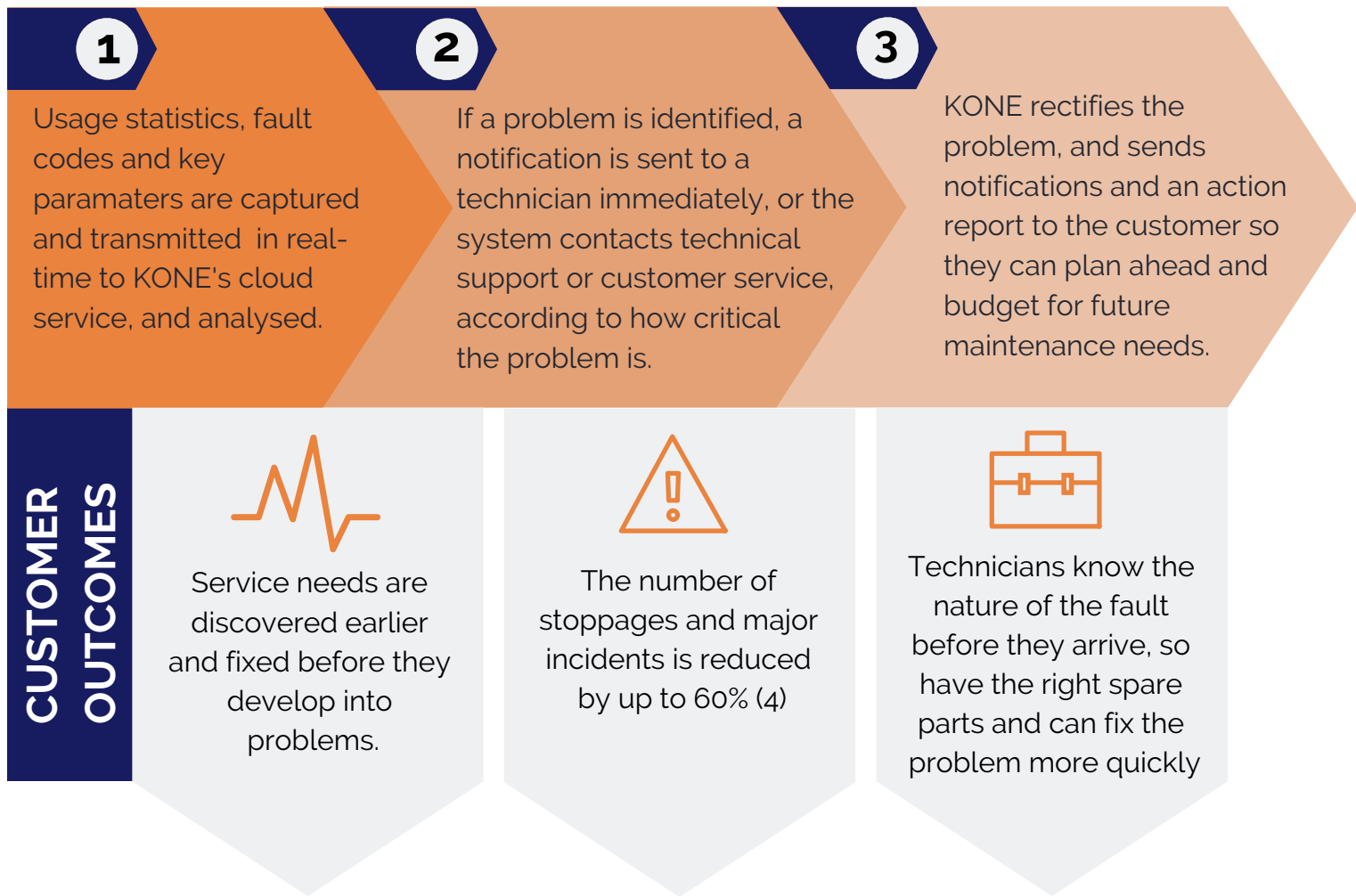
ADVANCED PEOPLE FLOW SOLUTIONS

Integrating equipment and devices to enable a seamless people flow experience from front door to destination, for example a third-party integration currently being tested with the Amazon Alexa voice service allows residents to call an elevator from their apartment (5)

PEOPLE FLOW PLANNING AND CONSULTING SERVICES

Building on KONE's established capabilities in gathering and analysing data on building traffic pattern, the service provides mapping and modeling of people flow and potential areas of congestion, enabling customers to minimise waiting times and make buildings more functional and adaptable to future traffic needs

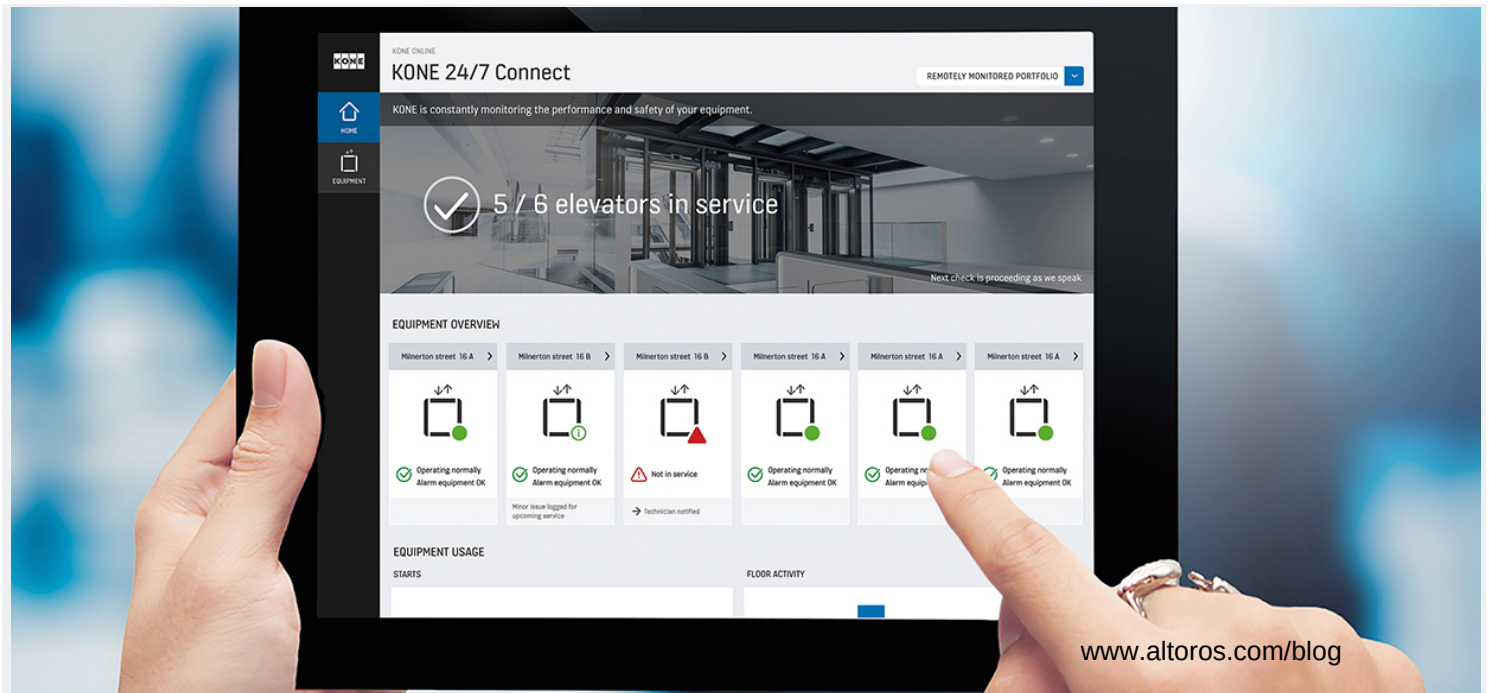
KONE 24/7 CONNECTED SERVICES



CUSTOMISABLE KONE CARE™

KONE offers flexible packages that allow customers to customise the services they receive to meet the specific needs of their building and type of people flow. Customisable packages are tailored around four levels of care (6):

<p>KONE Care On Demand</p> <ul style="list-style-type: none"> • Parts Inventory Network • 24/7/365 Call Center • Asset Management Planning 	<p>KONE Care Standard KONE Care On Demand Package and...</p> <ul style="list-style-type: none"> • Examination and Lubrication <p>Optional: Testing • KONE Care Remote Monitoring</p>	<p>KONE Care Plus (Complete Maintenance) KONE Care Standard Package and...</p> <ul style="list-style-type: none"> • KONE Maintenance Method • Adjustment and Repairs • Major and Minor Components • Service Requests – Regular Time <p>Optional: Service Requests – Overtime • Testing • KONE Care Remote Monitoring</p>	<p>KONE Care Premium (performance-based) KONE Care Plus Package and...</p> <p>Adjustments and repairs • Equipment Availability Assurance* • Assured Response Time (Regular and Overtime) • Annual Audit • Service Assurance Provision • Major and Minor Components</p> <p>Optional: Service Requests – Overtime • Testing • KONE Care Remote Monitoring</p>
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REFERENCES

- 1) KONE Q4 2018 Financial Statement Bulletin
<https://www.kone.com/en/investors/reports-and-presentations/financial-reports/?year=2018>
- 2) <https://www.kone.com/en/company/history/>
- 3) <https://www.kone.com/en/company/vision-and-strategy/>
- 4) <https://www.kone.com/en/products-and-services/solutions-for-existing-buildings/24-7-connected-services.aspx>
- 5) <https://www.kone.co.uk/stories-and-references/press-releases/kone-introduces-new-digital-platform-and-renews-its-products-and-services-portfolio-to-better-meet-the-opportunities-of-a-connected-world-2018-03-01.aspx>
- 6) https://www.kone.us/Images/kone-care_tcm25-18798.pdf



ABOUT THE AUTHORS

The Advanced Services Group at AstonBusiness School is a leading research centre of excellence in servitization and advanced services, providing research-led education, training and executive development to global and local businesses and the next generation of the industrial workforce.

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