

CHH CoNeX embraces advanced services to build sustainable relationships

Midlands SME CHH CoNeX has transformed its business model and value proposition to create product-service bundles which deliver more value to its customers and generate sustainable revenue streams for the business. For the last three decades, the business has become a leading provider of bespoke electronic cable assemblies, cabinet and rack integration, box build and managed services. To fulfil its potential, it needed to move beyond selling products to outcome-based services and by teaming up with academics at The Advanced Services Group, Aston Business School, the company has transformed its offer to customers through the power of advanced services.

At a glance...

- Commenced trading 1990
- 65 skilled workforce
- Central located in Birmingham
- 55,000 sq ft facilities
- Sales increases of 26% & 70% respectively in the last 2 years
- Turnover £17m



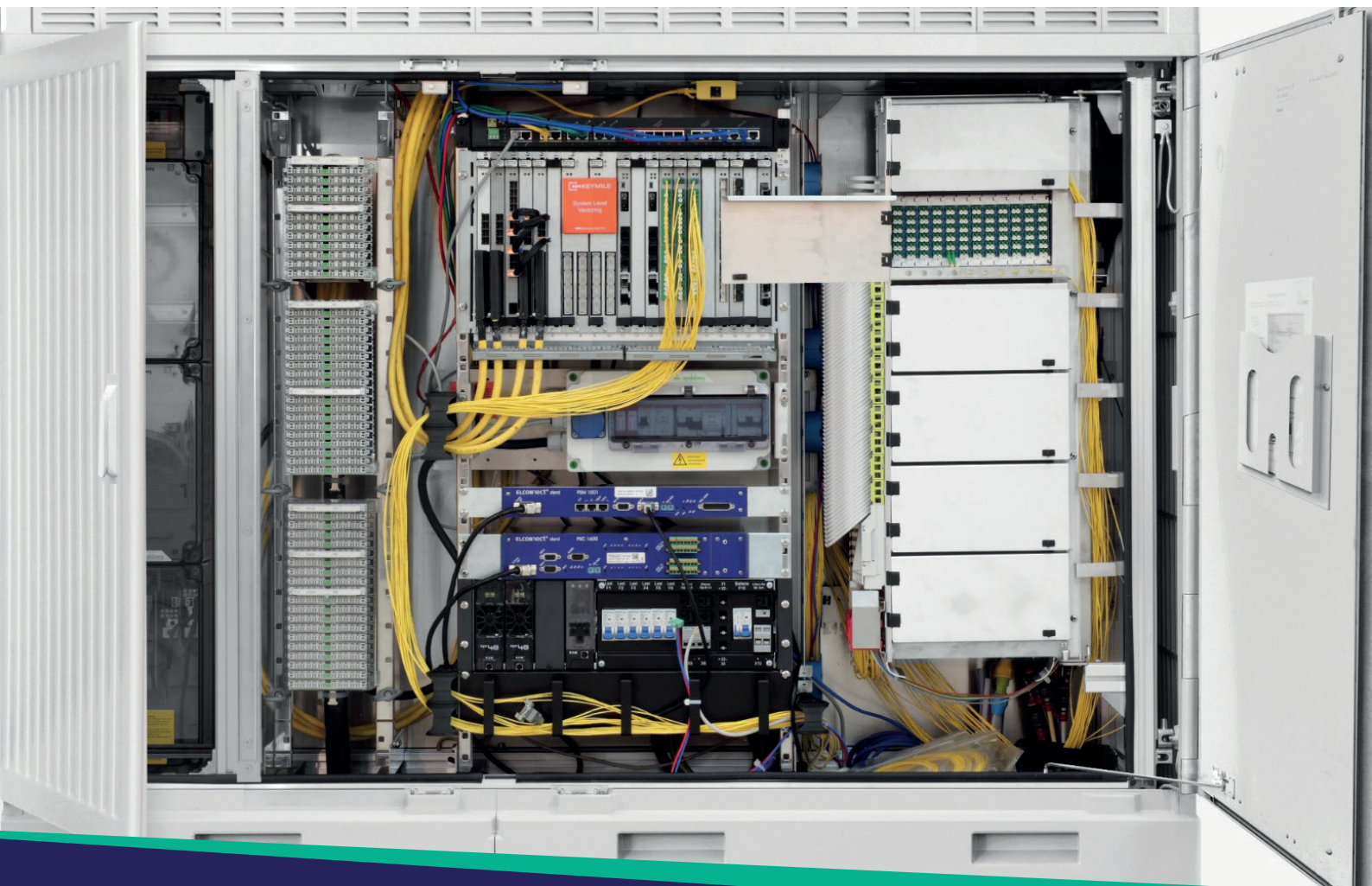
CHH CoNeX was founded in Birmingham in 1990 and has grown from a pure start-up to a successful SME employing 65 people. It has become a key supply chain partner for major players in sectors including telecoms, rail, energy, and highways. Its work has supported urban transformation into smart cities, the creation and connectivity of new Internet of Things (IoT) technologies and more recently, acceleration of the UK's 5G network.

The traditional customer offer is split into three main areas. Its core operation has been solutions based design and manufacture of cable assemblies, used for a variety of purposes, from airport baggage weighers to hospital

patient entertainment units. It built a reputation for connectivity expertise and laid hundreds of thousands of copper cable assemblies to support the roll-out of broadband.

The second strand of the business involves active cabinet design and integration and CHH CoNeX worked on a number of key infrastructure projects, including providing cabinets and data racks for the Government's national smart meter installation programme. Once the smart meter network build was completed, the company provided managed services to assist with the installation of smart meters across UK homes, servicing engineers

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At your service

In 2014, the company won its first managed services contract and now offers support in a range of areas including flexible warehousing, kitting, marshalling, pre-staging, logistics and final mile delivery. Yet the more the business learnt about its customers, the more it recognised the need to develop more service-led solutions.

CHH CoNeX Sales and Marketing Director, Kevin Wilcox, explains: "In the early days, we were very much a make and sell organisation. A customer would place an order and we would make it, deliver it and that was that. After that one-off transaction we would often cut ties with the product. We began to see the limitations of that approach and knew we needed to extend our horizons and explore new opportunities."

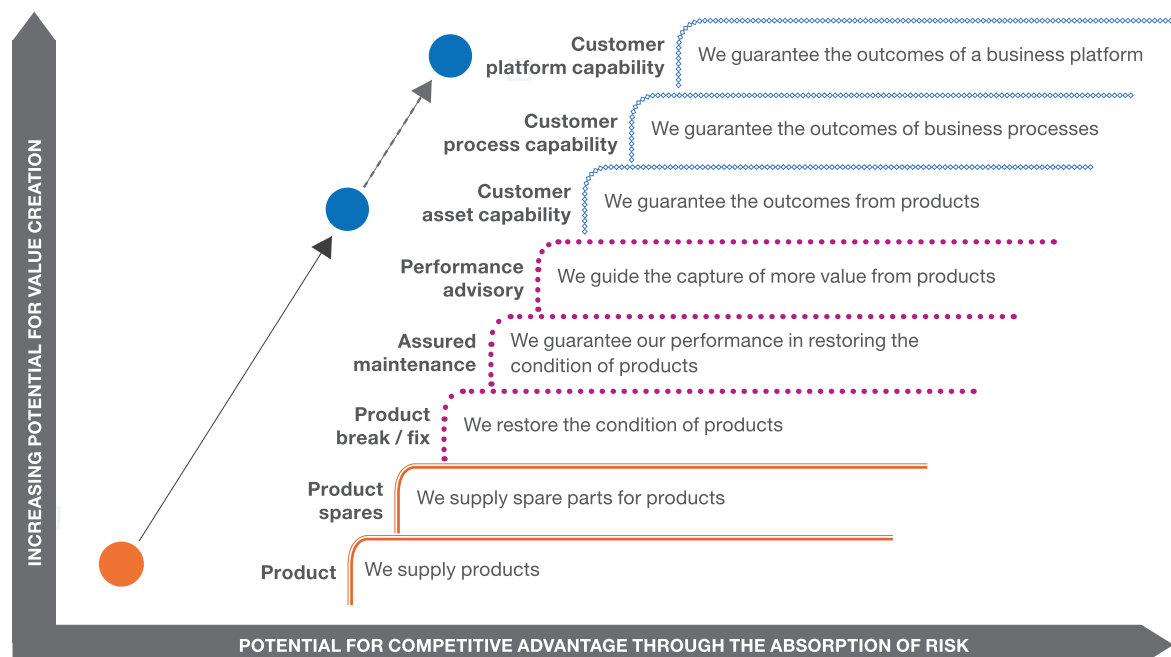
The tide began to turn after CHH CoNeX received an email from the Advanced Services Group at Aston Business School inviting them to attend a seminar on servitization. Kevin took along his Managing Director Tim Hughes to learn more about what a servitized approach could do for the business.

Kevin describes it as a light bulb moment. He recalls: "When Aston explained what servitization is all about, it was like having the blinkers removed. It challenged our 'make and sell' mentality and highlighted the value of forming closer and more productive relationships with our customers. We knew we needed to change our existing model and way of doing business."

He adds: "We started to look at projects in a whole new light. We were providing cabinet integration for a customer who was then selling the space within the cabinet on a pay-as-you-use basis. We began asking ourselves why we were selling the cabinet and walking away when we could be taking a percentage of their ongoing profit. New revenue streams were suddenly opened up to us and we were very keen to learn more."

The SME formed a close relationship with the team at Aston, attending seminars and workshops. The Advanced Services team came out to visit the Birmingham facility to conduct mapping exercises with a view to understanding more about what the business was offering its customers and what servitization could do to change operating models and revenue streams.

Services Staircase



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● supplying products only

● current services showing progression

New approach – an outcome-based approach

The focus then was to translate what the business had learnt from the Aston academics to develop a product-service bundle providing service-led solutions.

The company made new appointments, took on apprentices and bolstered its internal capabilities to ensure it had the resources in place to build on its service capabilities. It began exploring new areas of service provision, including logistics, managed services for civils (civil engineering requirements) and product commissioning.

“It also had an impact on how we exploit innovation”, says Kevin. “We would look at customers pain points such as problems with heat management and design a suitable solution to resolve the issue. The work with Aston made us realise that we could improve that offer through enhanced design and start to design our own product range. It gave us the confidence to start developing our own range of air exchangers for cabinets. We’re also looking at producing a range of CHH batteries, as well as innovative types of street furniture. Bespoke design will be a key driver of future

growth.”

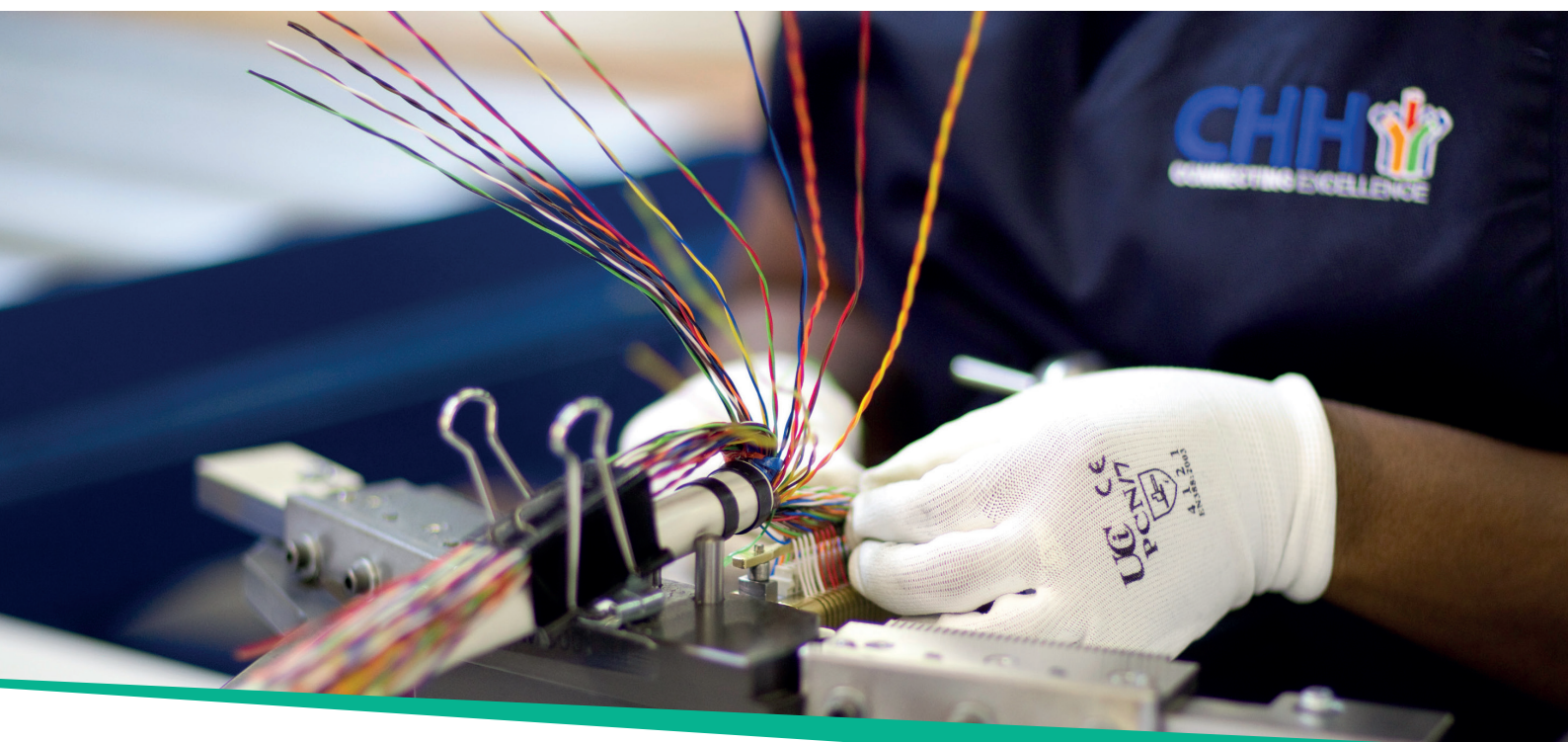
The priority is to add value for the customer and keep flexing with their changing needs. For instance, the company recognises that issues around sustainability and carbon footprint are moving up the agenda and as part of its work in managed services, CHH CoNeX is helping clients reduce their carbon impact of their packaging and finding ways to cut fuel consumption through consolidating deliveries. The aim is to look beyond a one-off product sale to providing services which reduce waste and drive efficiencies.

CHH CoNeX is also developing a new commercial model based on long-term collaboration with its customers. A new cost deferment model, based on shared value, may allow the business to subsidise the up-front capital outlay for customers in exchange for reclaiming a higher percentage of the ongoing return of the final product. It helps address customer pain points such as the initial set-up and capital outlay costs whilst guaranteeing CHH CoNeX a greater income based profit margin and more predictable cash flow.

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Impact and future strategy

Over the last three years, CHH CoNeX turnover has increased from £7m to £17m. Kevin says that: *"This growth was largely driven by our adoption of servitization which has had the combined impact of securing more work from new and existing customers. We have become more embedded in their business, solidified relationships and exploited opportunities we might otherwise have overlooked."*

Despite the significant progress made, the SME recognises that servitization is a transformative journey rather than a

destination. Its priority is not only to extend the range of advanced services it offers but explore how to apply them in new sectors. Be it nuclear power stations or medical, the same core skills are applied, and the business now has the models and capabilities to add value to any customer.

"My advice to any business would be to find out more about servitization, go in with an open mind and be prepared to be surprised by the outcome", says Kevin. "As a management team it has removed the ceiling on our thinking and helped us take the operation to a whole new level."



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Servitization in action

CHH CoNeX has used servitization to broaden its thinking and apply innovative service-led solutions to its customers' greatest challenges. Its new focus on bespoke design has for instance led to the development of polycarbonate cabinets, a more sustainable alternative to steel.

By having more in-depth conversations with its customers, the SME has gained a greater understanding of their requirements and their drivers for growth. Rather than simply selling them the same products they have always bought, the business is applying its design and engineering expertise to provide bespoke solutions which are built on long-term collaboration.

CHH CoNeX is keen to exploit new and more sustainable materials to help customers reduce costs and cut their carbon footprint. The SME has entered into a preferred partnership with German manufacturer, Berthold Sichert, to supply polycarbonate cabinets to customers across a range of sectors.

The metal traditionally used to enclose cabinets is vulnerable to corrosion and weathering and is not as flexible as polycarbonate, which has strength of metal but won't weaken or corrode over time. In addition, it is eight times lighter than steel, stays cooler in the summer, allows signals to pass through seamlessly and lasts up to 50 years.

Work with Aston's Advanced Services team has encouraged CHH CoNeX to move out of its comfort zone, explore alternatives to the norm and use bespoke design services to provide tailored solutions. The new cabinets have added value to both new and existing customers, ensuring CHH CoNeX stays one step ahead of the competition.



The Advanced Services Group

The Advanced Services Group (ASG) is a centre of excellence specialising in research into servitization theory and practice, as well as advanced service business models and the application to the manufacturing sector. Delivered through education and training programmes, the Group's research enables global manufacturers, small and medium-sized manufacturers and technology innovators to transform their business models based on services-led strategies. Underpinning ASG's research lie three critical questions: What is servitization and why is it necessary?

What are the organisational structures, processes and technologies critical to success? How can a manufacturer transform to compete through services?

ASG translates its research findings into a series of practical frameworks, interactive tools, worksheet exercises and business games through which businesses are able to transform their business models and enhance their business performance. These tools take the company through road-mapping their business; benchmarking, identifying customer pains and gains, understanding their customer value proposition framework and storytelling. These enable the ASG to convey its findings to businesses in a clear and impactful way.

For more information go to: www.advancedservicesgroup.co.uk

