

SERVITIZATION CASE STUDY

AXIS COMMUNICATIONS



Axis Communications is the market leader in IP video surveillance. In 1996, Axis invented the world's first video surveillance camera specifically for use on computer networks. Through its focus on research and development it has continually enhanced and expanded its range of devices, increasing the security of millions of people worldwide and helping to meet the growing need for a smarter, safer world. Axis products are installed around the world with the help of 90,000 partners, spanning 179 countries. In 2018 Axis achieved more than \$1 billion in sales having enjoyed steady growth since the introduction of that first camera.

DELIVERING SECURITY AS A SERVICE

HELPING PARTNERS BUILD LONG TERM RELATIONSHIPS WITH END USERS

DEDICATED TEAM TO CHAMPION SERVITIZATION ACROSS THE ORGANISATION AND WITH PARTNERS

The company focuses on R&D and marketing. Product manufacture is outsourced and sales to the end users of the security systems are made through its distributors, installers and integrators. The products are rugged and reliable, providing the end user with peace of mind about their security and allowing them to focus on their core business. Axis Communications use a B2B business model focusing on enterprise customers, such as Critical Infrastructure, Transportation, Retail & Banking. You can find Axis devices in shops, offices and factories, on trains and buses and on our streets. In fact, anywhere that video or audio surveillance can help build security.

WHY AXIS IS ADOPTING SERVICES

To date, Axis has been a provider of products: firstly, print servers and, from 1996, network cameras. Now, however, the end user is looking increasingly for safety and security rather than owning a product. In addition, many other producers of network cameras have entered the market and prices are falling. Together with the growing interest in subscription style payment schemes, these changes are creating a demand for solutions: a combination of products and services.

Dominic Bruning, Director Global Services & Servitization, said, "We realise the constant need to innovate to secure the future growth of the company. We can't rest on our laurels. The market for IP video surveillance is now entering a new phase of maturity, where the emphasis is no longer on educating around the differences of the core technology but a shift to articulating business benefits that demonstrate a clear Return on Investment value proposition."

CURRENT SERVICES & ASPIRATIONS

Axis products are high quality, reliable and robust. In consequence, they need little maintenance. Services currently provided by Axis and its partners are concerned with the design and installation of security systems for the end users. Axis is looking to develop services that will provide "peace of mind" to the end users and allow them to concentrate on their core business. Services are expected to:

- Strengthen the relationship with end users: Providing services encourages the development of long-term relationships in which both parties learn and develop.
- Enhance channel partner loyalty: Axis Communications partners will continue to be the people closest to the end user and the design of services will increase partner opportunities and revenues.
- Facilitate the sales of products and services: Building a stronger relationship with end users will provide greater insight into how their products are used generating ideas to improve products and the way that they are sold.
- Create new revenue streams: A camera on its own is not a security system: as Axis Communications starts to provide solutions, it will learn of other opportunities and develop additional services of value to the end users.

Axis Communications describes its current business strategy as a transformation in three dimensions:

	PAST	FUTURE
MARKET	Enterprise, local, safety & security	Enterprise, local, safety & security
BUSINESS MODEL	Distribution, face-to-face, one-off sales, selling product	End customer, digitalisation, recurring revenue, selling value
OFFERING	Product, product innovation	Solutions & services, value innovation

THE SERVITIZATION STORY SO FAR

In 2010, Axis Communications switched away from product focused marketing, creating to look at specific industry segments. This provides a better understanding of the safety and security needs of the end user in each market, and the extent of the demand for advanced services. Insights gained have encouraged Axis to focus on the capability of products and solutions. Together with a culture of service, this will help it understand its partners, end users and its role in the safety and security value network.

Axis recently widened its focus to include small and medium sized businesses, in addition to its traditional market of large enterprises that have their own security personnel to specify and operate security systems. Small and medium organisations don't have this resource so the customer wants an end-to-end security system with support to design, install and maintain it. A new revenue model has been developed in response to their needs.

In 2017 the leaders of the company implemented a three year strategic approach: Year 1 focused on learning about servitization and subscription revenue models, year 2 on building teams and the service offering and year 3 on introducing the offer to the market. A servitization team was established in 2018, including both commercial and technology work streams, balancing the forces of market pull and technology push. Team members are internal ambassadors for servitization, coordinate education develop new tools and platforms to support service initiatives across the company.

In an organisation which has, throughout its life, found success through product innovation, this small team has a considerable challenge to initiate and lead the servitization transformation. Dominic remarked, "We need to balance learning and performance: our colleagues need to see how servitization brings value to our organisation."

PLANNED INITIATIVES

In 2019 a new revenue model will be launched. The five-year contract will provide end users with products and services paid for monthly by subscription. Services include a security needs assessment, system design, installation, testing, reporting and maintenance. Axis has developed an intuitive software tool, "Axis Site Designer" to guide the installer through the process of specifying a complete system. This package is integrated, through an Application Programming Interface (API) to the leasing provider, so that the installer can quickly assess credit worthiness and establish the monthly fee that the customer will pay.

Installers can configure the system to meet the security needs of the user thanks to ACAP, the Axis Camera Application Platform. Part of the software embedded in cameras and audio devices, this runs applications that are tailored to what it is the customer is trying to detect with the camera or audio device (e.g. a specific shape or sound) The camera only needs to communicate through the network when the shape or sound is detected, thus reducing the need to monitor hours of footage. Axis devices are fitted with sensors and software to allow remote monitoring, enabling the installer to provide assurance that the system is delivering the designed level of security. All of this helps partners to deliver an improved customer experience while developing a long-term relationship with the end user.

Axis will provide ongoing education and training for channel partners on how to qualify, position & sell the solution through its educational academy which offers full range of training services and the only global professional certification in the video surveillance industry.

The medium business offering will be rolled out to selected markets in 2019 & 2020 to gauge customer interest, gather feedback and track market adoption. The target markets are UK, France, Germany and the US.