



Products to Solutions: Three Keys for Industrial Companies to Make the Switch

By Rob Bell and Ned Calder

Key Takeaways

- Embedding solutions into industrial product offerings has become a \$320 billion market.
- By adopting a “solutions mindset” that focuses on relationship management and strategic marketing, companies can unlock new value for customers.
- Product-focused companies can develop new growth strategies and enhance sales margins through these digital innovations.

A tractor is a product. John Deere’s 8R 410, however, is more than a product. Combining cutting-edge camera technology, cloud computing, artificial intelligence, robotics, and state of the art engineering, John Deere’s latest tractor can be operated autonomously, while using software-as-a-service to collect and analyze data, helping improve the efficiency of tasks, from tilling fields to targeting weeds with herbicides.¹

Facing disruption from agritech startups, John Deere and its competitors manufacturing agriculture, construction, and forestry equipment

have been embracing innovative technologies that transform their products into solutions. This evolution promises to help customers capture greater efficiencies. It is also turning these companies into solution providers that sell both hardware and software, promising enhanced profitability.

This shift is occurring across industrial markets—from materials such as plastics and steel, to components like pumps and filters, to complicated machinery like tractors—resulting in new **growth strategies** and **business model innovations**. With advances in digital and AI, industrial Internet of

Things, or IoT, solutions have become a \$320 billion global market, combining products, software, and services to address complex customer needs.²

Companies in manufacturing industries often begin exploring solutions when they recognize that customers are less willing to pay for the product attributes they have prioritized for innovation. They are also spurred by the challenge to sustain growth and protect margins amid declining return on investments in innovation efforts—evidenced by waning adoption and diminishing price premiums for successive product iterations.

The rise of sustainability concerns, which emphasizes complex tasks like circularity and carbon reduction, is also influencing this shift, requiring more comprehensive solutions. Additionally, the spillover of consumerization into business-to-business sectors is increasing expectations for better experiences, supported by analytical tools and customer relationship management software.

Three Steps for Cultivating a Solutions Mindset

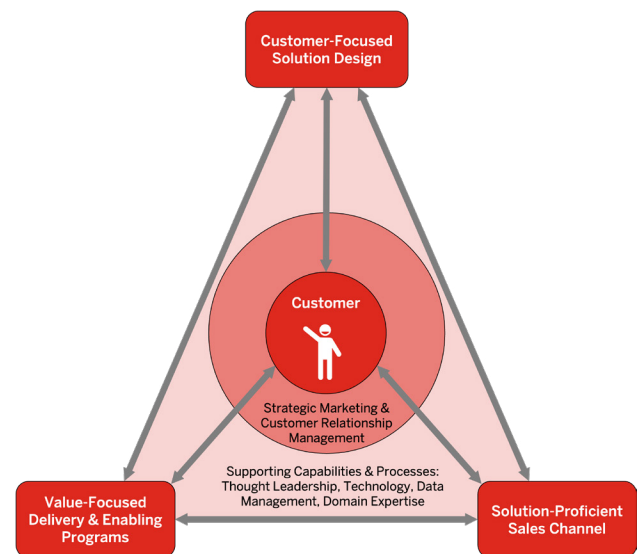
While the opportunity is clear, industrial companies face several pitfalls when pivoting to smart, digital solutions. For instance, innovations can become mired in development cycles without yielding a viable product while some solutions can't be scaled. Sales teams struggle to adapt to the complexities of new offerings, while existing customers push back on having to pay more despite increased benefits.

As these challenges demonstrate, transitioning to a solutions-centric approach is multi-faceted, necessitating a rethinking of business models and organizational structures to comprehend, develop, sell, and support solutions effectively. It can take years of work, and many firms have been

stymied by a lack of clear vision as well as inherent challenges around capabilities and execution.

We propose a set of best practices to address some of these challenges and deliver what we call a “solutions mindset,” which, as Fig. 1 below shows, makes strategic marketing and customer relationship management central. This includes developing a customer-focused solution design; implementing a solution-proficient sales channel; and putting in place value-focused delivery and enabling programs.

Figure 1: Three Paths to a Solutions Mindset



1. Develop a Customer-Focused Solution Design.

The transition to a solutions mindset for innovation is foundational, not just an additional step in product development. Each type of innovation in which a company engages has its own unique tempo and demands for agility, whether that is for products, software, or services. To deliver a solution, these have to be integrated in ways that can alter how a company operates, impacting its business model.

Solutions emerge from asking the right questions, starting with how a product is currently being used. Companies should analyze how what they're selling fits into a larger system, and whether there are recurring business problems. For instance, farmers have faced labor shortages, opening the door to autonomous solutions. Companies should continuously probe by asking questions about how they can help customers make progress against efficiency goals.



While collaboration, flexibility, and iterative development have become cornerstones of product development, the challenge for companies is to elevate this effort. This means developing tools to provide deeper customer insights, understanding the full range of possible solutions and applicable technologies, and infusing that insight into every step along a solution-development process.

Rather than relying on pre-existing data to inform solutions design, companies should start with well-grounded assumptions about the market, adjusting the burden of proof as prototypes advance through development stages. This requires iterative, rapid-cycle testing and learning in the market, rather than perfected in a lab or on a desktop.

As a highly process-focused company, John Deere first sought to design a course forward to develop precision agriculture solutions, which are a \$150 billion opportunity that could end up driving more than half of its future growth.³ This included

incorporating steps to develop deep customer insights, such as implementing an adaptive test-and-learn approach that uses feedback to constantly refine proposed solutions.

The company made numerous changes in its process mechanics, in both developing inputs and outputs and in governance, as it adjusted to how it evaluated and facilitated solutions. The company extended its period of discovery, enabling it to evaluate unmet customer needs more rigorously. It also introduced iterative testing at the proof-of-concept stage with target customers in selected foothold markets.

2. Develop a Go-to-Market Playbook to Effectively Sell Solutions.

Solution selling requires new types of sales strategies. Companies can make the transition successfully by adopting a comprehensive playbook that addresses new sources of complexity, including an expanded customer value proposition, as well as the need for new sales models and recognition that they will likely need to sell to new buyers in the client organization.

More complex value propositions will ask more of sales teams. They will need to meet a higher burden of proof and be able to credibly articulate the value and evidence needed to convince a customer. A U.S. petroleum company with a growing ambition to expand geographically through new retail distribution relationships confronted this complexity by redesigning its playbook.

The petroleum company trained its sales teams to communicate the operational and IT support that it could now provide its retail partners to improve their business processes. Salespeople were taught to deliver deep dives into the pillars of the new proposition, which went beyond competing on price and premium product at the pump,

using data analytics to help the retailers better understand their customers and improve the brand.

Developing a new sales model is another critical part of the playbook. Solution selling has different sales cycles, multiple decision makers in the buying process, and relies heavily on consultative selling techniques, where salespeople act more as advisors to customers, recommending solutions based on their needs rather than pushing particular products.

As successful as existing product teams may be, training them in new selling skills will only go so far. To truly activate the new sales strategy, companies will need to recruit new talent to create a solution-selling team. Special care should be taken to make sure there are clear lines of authority to minimize potential conflict between existing account leaders and new selling teams.

Another factor is the ability to identify and connect with the right people in an organization who have authority to green light a solution purchase. Product buyers typically sit in the procurement department, while a solution buyer is likely to be someone more senior and in a different part of the organization, for example, the head of operations, innovation, or growth.

When a designer of global distribution centers shifted from selling custom designs to modular, automated solutions, it developed a playbook to enable its sales teams to better reach new buyers in their prospect organizations. Step-by-step instructions enabled salespeople to research the strategic priorities of its targets, proactively engage more senior stakeholders, and help customers understand and validate the value of the new approach.

When brought to market on a pilot basis in Europe, this new approach produced breakthrough business opportunities in multiple specialized categories, including grocery and retail.

3. Create a Value-Management Function to Support Solutions Over Time.

Companies will often have to create new roles within their organization when they sell solutions, developing a value-management function that supports the new proposition. This function focuses on helping customers realize the full value of the solution by partnering with them to identify and overcome barriers to adopting new technology and other features being offered.

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The value-management function goes beyond sales. Aspiring solution providers need to define tasks and accountability within their own organizations for this cluster of responsibilities either as part of existing roles and departments or as new ones. This means rethinking roles across the customer facing elements of the organization, aligning and properly incentivizing teams from sales, marketing, product development, and customer service.

Lifecycle value-management is a critical component for extending the profitability of a solution. Over time, as customers adopt a solution into their operations, they will expect to pay less for it. This means that companies will need to continuously innovate the solution to create ongoing value. Lifecycle-value management involves understanding and optimizing every phase of the lifecycle, from development, launch, growth, maturity, and decline, to discontinuation, or replacement.

Rolls-Royce provides an example of how companies can adopt elements of life-cycle management. While best known as a luxury auto brand, Rolls-Royce has evolved into one of the U.K.'s most prestigious engineering companies and is the second largest maker of aircraft engines in the world. Like its competitors, it offers a maintenance program that is like a car warranty, with airlines and other customers paying a regular fee intended to cover all required services.

As part of Rolls-Royce's digital transformation, it introduced a cloud-based, intelligent platform for maintenance services using machine learning and AI to analyze real-time data from hundreds of sensors it puts on engines. Customers eliminate large, unexpected maintenance costs while also improving the long-term sustainability of their engines, using ongoing analysis from Rolls-Royce on operating performance to reduce fuel consumption.⁴

Solution providers must also recognize that it is critical to manage the cost of complexity. If every solution is treated as a fully customized build, it will gut the economics of the business model. Companies must be proactive in designing their solution in a way that it can be mass produced. They should consider concepts like modular design, which allow them to deliver customer variety while protecting their own operating margins.

Companies that successfully navigate a transition to a solutions-focused business model can unlock significant growth potential, reflecting a shift to a more digitally enabled enterprise. This necessitates capabilities that may be at odds with a traditional business model centered on product superiority or cost leadership. The leaders who anticipate and proactively address these challenges are the ones most likely to reap the potential rewards of this strategic shift.

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ENDNOTES

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