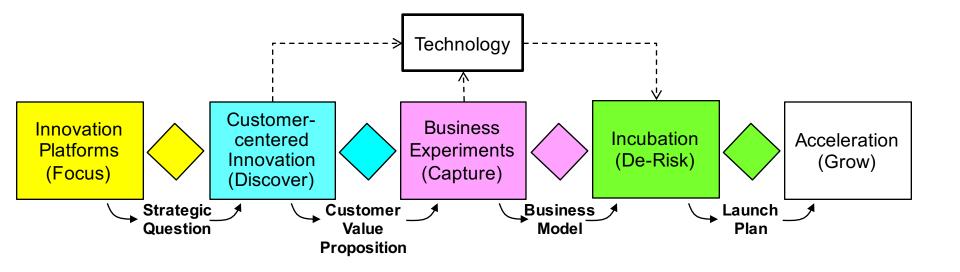# *Goodyear*
Path to Advanced Services

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VP Global Innovation

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Business Model Innovation Process

Customer Insights

Solutions we offer must have a benefit of lowering cost and reducing undesired involvement in the wheel end component replacement process

"I don't want to be bothered with tires at all – I don't want to think or worry about them, at all"

"Help me prevent and address a potential future tire problem before it becomes a real problem"

"Give me products, systems and services I need, to ensure I have the lowest possible total cost structure across my entire business"

3

Stakeholder Insights

- *Fleet* customers globally want to improve uptime, fuel economy and tire life
  - Highest cost for fleets in order: (American Trucking Association)
    1. Personnel (uptime)
    2. Fuel (consumption)
    3. Tires (miles to removal)
- *Fleet managers* do not have the disciplined tools and process to make decisions about proactive tire maintenance.

  - "Take me out of the tire business"

  - "Looking for some predictability in tire usage"
    - » VP Maintenance YRCW at Symposium Aug 2007

  - "I know I have a huge tire pressure issue…and know that it causes problems….and I don't know how to get my head around it and (cost effectively) address it."
    - » (VP Maintenance Celadon Trucking Company)

- *Drivers* are not consistently performing or getting help with:
  - Pre-trip inspections
  - Yard checks and emergency road service
    - » (VP Maintenance at Fleet Symposium June 2010)

Value Creation Potential

- Significant value can be created through proper tire maintenance and selection
  - Leading edge fleets are able to create the value
  - Data model will be essential to profitability and sustainability

- Current approaches don't create the value
  - Fleets must have a disciplined approach to routine maintenance
  - Technology alone is not effective

- There are alternative ways of creating the value
  - Product innovation
  - Monitoring and alerts
  - Improved routine maintenance

- Air Maintenance Tire

- Better routine maintenance

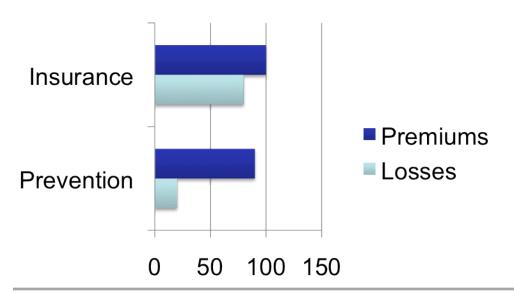- Proactive maintenance

Benchmarking FM Global

Value Proposition: FM Global   Lower losses, lower premiums

- Includes: - insurance, risk mitigation consulting, technology

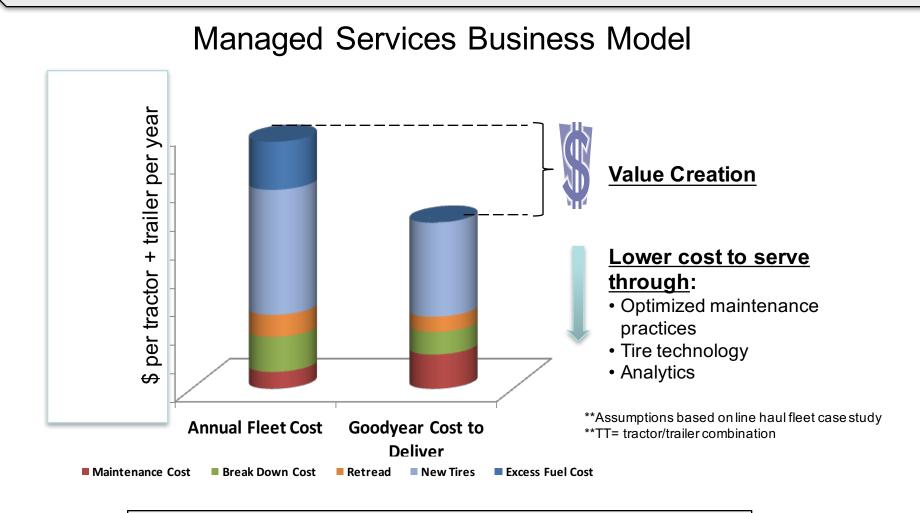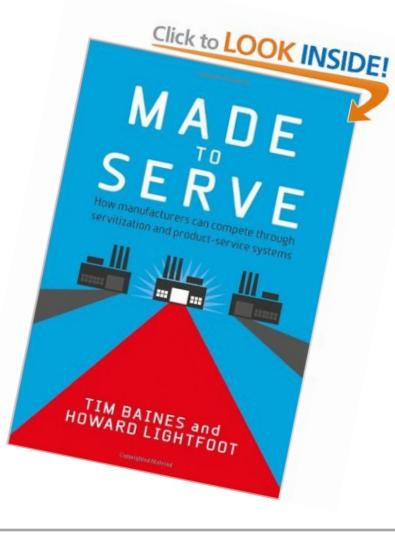- Measures: - business continuity

Business Model:

Advanced Services Business Model

Managed Services Business Model

Value Creation

Lower cost to serve through:
- Optimized maintenance practices
- Tire technology
- Analytics

Annual Fleet Cost **Goodyear Cost to Deliver**

**Assumptions based on line haul fleet case study
**TT= tractor/trailer combination

■ **Maintenance Cost** ■ **Break Down Cost** ■ **Retread** ■ **New Tires** ■ **Excess Fuel Cost**

$ per tractor + trailer per year

Profit by reducing costs to serve

Learning from others is inspiring

What are Advanced Services?
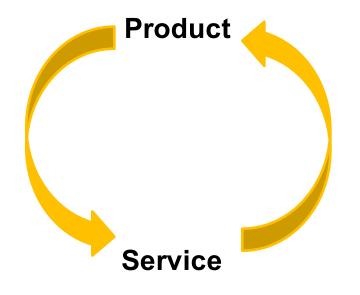
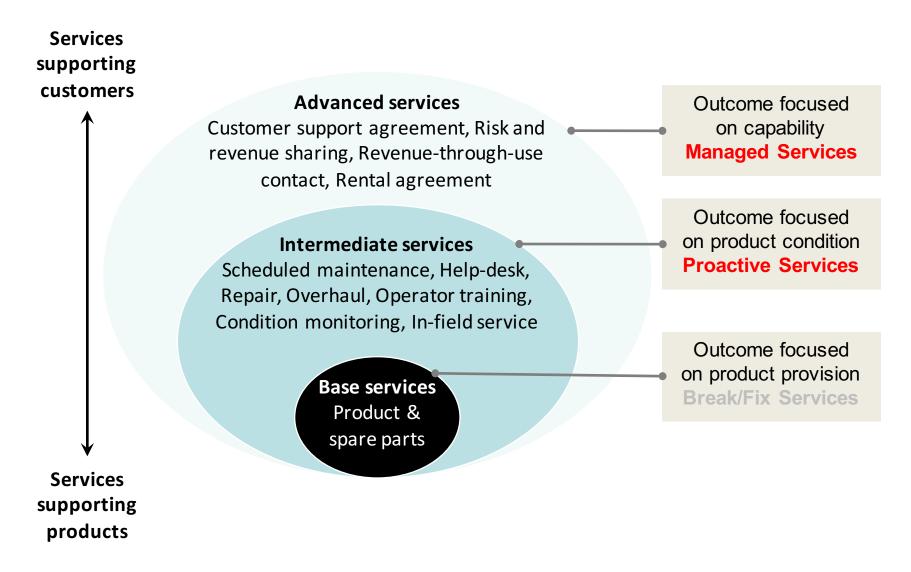**Service-led competitive strategy** based on the use of service, product and integrated business models

Emphasis is on the 'sale of use' rather than the 'sale of product'

Services are designed to **leverage products**, and products are designed to **improve the effectiveness of services**

Product

Service

Services business models in tires

Services supporting customers

↑
|
↓

Services supporting products

Advanced services
Customer support agreement, Risk and revenue sharing, Revenue-through-use contact, Rental agreement

Intermediate services
Scheduled maintenance, Help-desk, Repair, Overhaul, Operator training, Condition monitoring, In-field service

Base services
Product & spare parts

Outcome focused on capability
Managed Services

Outcome focused on product condition
Proactive Services

Outcome focused on product provision
Break/Fix Services
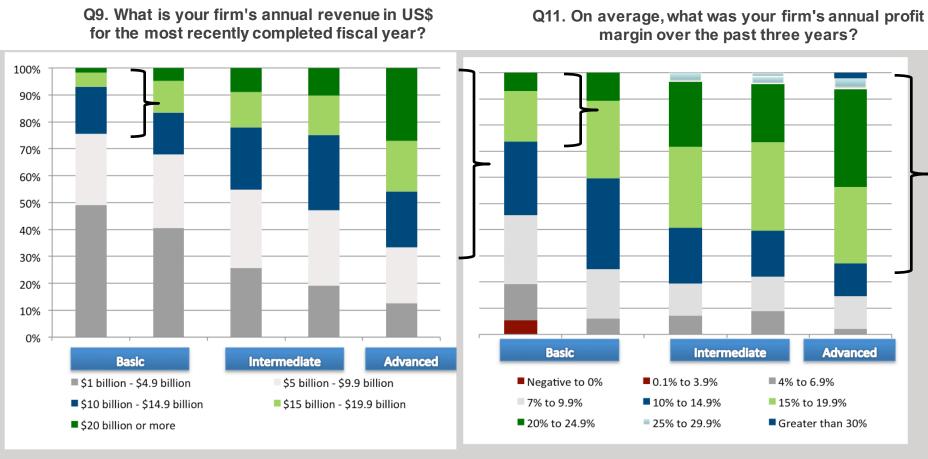
Why Product & Service Solutions?

Customer benefits:

- Lower total cost of ownership
- Reduced administrative and monitoring tasks
- Pay only for use/benefit
- Peace of mind

Supplier/manufacturer benefits:

- Differentiation beyond product
- Value-based pricing
- Participation in a larger portion of the customer's value stream
- Customer retention for related products

Why Product & Service Solutions?

GOOD*YEAR* INNOVATION

Q9. What is your firm's annual revenue in US$ for the most recently completed fiscal year?

Q11. On average, what was your firm's annual profit margin over the past three years?

Company Revenues

- 75+% of Laggards are $1B - $10B in Revenues
- 70% of BIC are $10B+ (27% are $20B+)

Company Profits

- ~50% of Laggards are negative to up to 9.9% profits
- 85% of BIC are 10%+ (40% are 20%+,)

OXFORD ECONOMICS

Benchmarking with Aston

- Hoyer Logistics

- Alstom Rail

- MAN Truck

- Eurocoptor

- Caterpillar

Benchmarking Lessons Learned

- Customers often create the pull for change

- The path to advanced services takes time

- Services are easy to see, easy to do, hard to manage

- Executive support is essential

- You need to sell a spectrum of offerings

- Co-design of products and services is necessary for competitive advantage

- Advanced services require a relationship of trust

- You need to measure yourself by customer metrics

- You need to develop strong front-line human relations skills

- Business processes need to be designed for services

- Information technology is an essential enabler of advanced services

- Services provide the opportunity to participate in an expanded value chain

Aston Consortium Concept

- Foster cross-industry learning about advanced services

- Identify alternative paths to advanced services

- Understand the organizational change requirements

- Address the common challenges

- Understand the value and appropriate use of emerging technologies