

AUTOMATION CLUSTER

Belgium, www.automation-cluster.com

This case shows an example of sales/marketing model innovation (companies joining forces and combining their complementary solutions in order to create higher added value for their target market). Open innovation is used to achieve scale and market power

Executive Summary

Five SMEs active in developing solutions for new and installed production lines agreed to pool their resources in a consortium to work on a more holistic offering for clients in need of automation and production line solutions. The Automation Cluster offers skills in robotics, automation, linear transport systems, electrical distribution & control panels, design & engineering of production lines, as well as solutions for metal works and assembly. The open innovation project focused on the sales model and aimed to give all the partners opportunities of scale and more market power. The primary target market of the consortium is the automotive industry. The consortium was brought together and facilitated by an external party.



CASE N°: SD42

SECTOR: ROBOTICS

TECH INTENSITY: HIGH-TECH

LIFE CYCLE STAGE: START-UP

INNOVATION VECTORS: ORGANISATIONAL

OI PARTNERS: INNOVATION SUPPORT CENTRE

KEYWORDS: Industrial production line, robotics, automation, consortium, complementary offer, automotive, letter of intent

- BACKGROUND FRAMEWORK
- INNOVATION CHALLENGE & MARKET OPPORTUNITIES
- OI TRAJECTORY
- BUSINESS IMPACT
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AUTOMATION
— CLUSTER —

BACKGROUND

The five SMEs in the “Automation Cluster” (www.automation-cluster.com) are active respectively in developing robotic solutions for new and installed production lines (AMS-Belgium), automation, linear transport systems (Vansichen lineairtechniek), electrical distribution & control panels (P&V Elektrotechniek), design & engineering of production lines (Plakoni) and solutions for metal works and assembly (Provan). They are situated in Limburg, Flanders (Belgium).

The companies are currently working on streamlining their approach via the Automation Cluster to prospecting for international clients. This aspect was underestimated in the first phase of the project, as none of the partners had a clear business development strategy towards this new type of (larger) international customer/project as so far their order book had been well filled with national and/or smaller projects.

INNOVATION CHALLENGE & MARKET OPPORTUNITIES

As a result of the companies' size and limited offering, they lacked critical mass to do business with major automotive and other international companies. As a result, they did not have access to larger orders and were losing market share to bigger players. Larger companies (with complex tenders) prefer a single point-of-contact and one supplier / organizer of building blocks rather than multiple specialized suppliers to source a variety of products. This gave rise to a new trend in the market to form consortia and use them for sales and tendering purposes in their industry (e.g. automotive).

OPEN INNOVATION TRAJECTORY

Concept development

The initial idea was launched at a networking event of the Flanders Make institute where

among others Vansichen Lineairtechniek and Provan gave inspiring presentations. AMS Belgium, which targets the automotive industry, joined immediately, while P&V Elektrotechniek and Plakoni joined the consortium a little later, thereby offering complementary disciplines on the market. The nucleus of the Automation Cluster was formed.

In many companies an awareness of the added value that clustering can offer is present in a latent way but it was thanks to the efforts of the Flanders Innovation & Entrepreneurship Agency (VLAIO or Vlaams Agentschap Innoveren en Ondernemen represented at that time by their front office Innovatiecentrum Limburg) who brought the parties together in official meetings and encouraged them to collaborate with one another.

VLAIO is a public agency that aims to support entrepreneurs from Flanders to innovate by providing information, webinars, courses and coaching. The work for this specific project was and is sponsored by the Flemish Government and the European Regional Development Fund (ERDF/EFRO).

All the partners ran a healthy business in complementary domains of production line installation (robotics, engineering, transport lines, electrical panels, steel manipulation, etc.), but all lacked critical mass to do business with major (e.g. automotive) companies. The development of a joint value proposition was therefore likely to offer multiple synergies to all the partners. They developed the concept of a holistic offering for production line systems, combining all their individual building blocks. By doing this, they hoped to become more competitive in winning larger international tenders.

The meetings of the Automation Cluster among the five private industrial SMEs, most of which are members of the private industrial member organization Agoria, were also attended by two external parties:

- VLAIO (previously Innovatiecentrum Limburg) - to act as an independent facilitator and catalyst;
- Flanders Make - an intermediary (research institute) supporting the manufacturing industry in Flanders.

The development process, IPR and competition strategy

During the first meeting they assessed whether they had the right (number and complementarity of) people around the table to make it happen. Under the guidance of VLAIO, they mapped out their current assets and checked for gaps and overlaps. They also searched for subsidies or other government support, which turned out to be inexistent for their type of cooperation (apart from the time that VLAIO could invest to facilitate). This mismatch between their needs and what was available led to some frustration at first.

After that first phase, they decided on joint marketing actions to be taken to introduce the new combined offering to their key market segments (leaflets, booth at fairs/events, etc.). The development of the marketing tools was carried out by a third party (local commercial SME). All of the consortium members contributed to the cost of this effort.

The project did not involve any specific IPR. However, the members of the consortium signed a letter of intent (LoI) to have a 'gentlemen's agreement' on several aspects, such as a mark-up on sub-contracting for certain projects. They agreed to sell each other's services free of an additional margin on top of their costs.

When combining their individual offerings (expertise and equipment catalogue), the companies were able to offer an extensive (module based), high-quality offering. The combination of all catalogues delivers a holistic offering for larger scale projects in the automotive industry. The unique selling proposition of the consortium is the quality of their products and in-depth expertise of all sub-systems combined, as well as the flexibility that smaller players can offer. They chose not to compete in their pricing strategy, as this could easily backfire.

Commercialization and follow-up

There are mainly informal agreements which reflect the trust that they have in each other. Nevertheless, the partners intend to formalize relations when more business emerges from their joint offering. Similarly, it has not yet been fully discussed who will take over the coordination tasks, once the funded facilitator role runs out.

The CEOs of the five parties meet in every consortium management meeting, which helps keep the decision-making process short. They are not planning to set up a new legal entity, but this subject will no doubt be raised whenever the new

business offering gains in popularity.

The partners co-developed a website (www.automation-cluster.com) and a flyer and attended industrial fairs to promote their offering. Currently, more marketing actions are being considered. By tapping into the consortium's joint network, each member managed to increase their own personal network as well. By attending specialized industrial fairs, they managed to talk to larger potential clients and discuss their needs and expectations in joint collaborations.

The current offering is in its first iteration. For the moment, only their sales efforts have been pooled, but maybe in time other departments (like R&D) might get involved as well.

BUSINESS IMPACT

The outcomes of the OI project for the SME can be considered as follows:

- Next to the (potential) financial gain, the companies involved became more aware of the needs and requirements of large clients.
- They increased their network (colleagues, competitors, clients, support organizations) and gained new insights as a result.
- More trust has been built between the CEOs, and they provide each other with tips and tricks in relation to their business.

In terms of new learnings and know-how:

- The companies involved have learnt to look for complementary partners to create synergies among their individual offerings.
- They have learnt to cooperate in a structured way with other companies (e.g. organize meetings to discuss strategy and prepare tenders jointly).
- They have learnt more about marketing (a new market introduction requires effort, even if it is only an expansion of their current offering).
- They recognized how important it is to fine-tune their approach and efforts in bidding for larger tenders. This is a key learning for the group and will be tackled during the upcoming cluster meeting.

In terms of business impact, the joint offering is available in the market and ready to win its first order. Not all five companies are always involved in each offer and disciplines are combined as required for each project.

LESSONS LEARNED

This case shows an example of sales / marketing model innovation (companies joining forces and combining their complementary solutions in order to create higher added value for their target market). Open innovation is used to achieve scale and market power.

It also shows the relevance of a neutral facilitator who can bring together the parties and drive projects forward. On the other hand, it shows the struggle that these consortia face in selling this new offering. It takes more than sales model innovation for SMEs to compete with large players in the same market.

Main lessons learned:

1. A neutral third party (in this case a facilitator from VLAIO, previously Innovatiecentrum Limburg) can effectively establish a solid base in the first phase of open innovation (regional intermediaries are well placed to bring potential partners together to explore collaboration opportunities).
2. Open innovation for SMEs in the same market with complementary offerings can offer benefits to increase scale and market power in the face of large players.