

EMSE_03

Case study “Michelin Fleet Solutions: From selling tires to selling kilometres”

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Case study: Michelin Fleet Solutions: From selling tires to selling kilometres



- ▶ The case study is available on <https://www.ccmp.fr/collection-hec-paris/cas-michelin-fleet-solutions-from-selling-tires-to-selling-kilometers>



Case study

Summary



- ▶ Michelin, a worldwide leader in the tyre industry, launched in 2000 a comprehensive tyre-management solution offer for large European transportation companies, called Michelin Fleet Solutions (MFS). With this new business model, the company ventured into selling kilometers - instead of selling tyres. This decision moves the strongly product-driven firm into the new world of services and solutions. The shift is intuitively appealing, and it provides Michelin with an opportunity to differentiate itself in the tyre business. After 3 years, however, expansion is far below expectations and profitability is terrible - despite the outside help of a strategy consulting firm. The case presents the decision point in 2003, whereby MFS's future has to be decided. Should Michelin seek to further develop this solution offer, and try to repackage the offer yet another time? Or was it just a passing fad that should be abandoned? This case investigates the difficulties that industrial groups face when they transition from selling products to providing service. It enables participants to reflect on the following issues: What's industrial groups' rationale for moving towards solutions? What kind of business model reconfiguration does it imply? How does moving to solutions raise multiple challenges throughout the organization (e.g. in terms of sales force management, risk management, channel relationships etc.)?

Case study

Educational goals



This case study analyzes the difficulties faced by industrial groups that choose to operate a transition from the sale of products to the provision of services. It allows participants to understand:

- ▶ What drives industrial groups to evolve towards offering solutions: In addition to market forces, a number of internal factors may prompt a group to adopt a growth plan based on a new service and solutions delivery activity, complement to its traditional business of selling products.
- ▶ The operational and organizational challenges that accompany this type of evolution: This case study highlights the implications of an entry on the market solutions management of various area such as sales force, contracting, financial results, risk management, IT support, operational excellence, quality of service, organizational structure, quality control, alignment of processes with tiers, etc. Each of these areas must be taken into account; as well as the evolution towards the sale of services much more complex than the mere "formulation" of a new commercial offer.
- ▶ Business model adaptation: Entering into the solutions market requires a complete rethinking of the business model. In fact, the mastery of the industrial concept is not enough to guarantee the success of an industrial group in the sector of solutions. Industry groups often struggle to achieve excellence in the design and delivery of services, which is a key success factor in this market.

Case study

Sequencing



Presentation and reading of the case study	30 min
Understand the offerings: tires vs. Michelin Fleet Solution (MFS)	30 min
Identify the factors driving Michelin to move towards offering solutions	30 min
Identify the benefits of the MFS offer from the customer's point of view	30 min
Understand the difficulties encountered by Michelin to roll out the MFS offer	30 min
Should Michelin abandon or go on with MFS?	30 min

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