

## Blog number 6

# Your profitable spare parts business will hurt your bottom line.

All product companies I have worked with during my nearly 40 years in product development have had some variant of the following discussion. So if you have not yet experienced it firsthand, you probably will eventually.

Imagine you are running a business where selling spare parts is highly profitable. You can switch to a new material for a quickly worn-out component, giving it virtually eternal life without affecting production costs or complexity. The component's current lifespan is on par with competitors', and customers haven't complained about durability issues.

Your organization is faced with the following decision:

A. Keep the status quo and maintain the lucrative spare parts business.

B. Upgrade to the new material, reducing spare parts sales but increasing customer value.

Are you an A or B person?

Some people will argue that the material shouldn't be changed, as it's in the company's interest to maintain the profitable sale of spare parts. Others will argue that the customer will get a better product and that higher customer value is more important, even if it means lower sales of spare parts.



I argue that B is your only viable option. Here's why:

First: Every year, many product decisions are made, and the cumulative effect of these decisions will ultimately dictate your organization's ability to deliver products with unrivaled customer value. The adverse effects of sub-optimization can only be avoided by constantly focusing on customer value. In the long run, the aspiration to increase customer value in all decision-making situations will guide the company to the best possible business opportunities – opportunities that would not otherwise arise.

Second: If your organization came up with this solution, the probability that your competitors will also do it is higher than you would expect. The same innovations tend to come in multiple places when the time, technology, or awareness is right. And being second is a dreadful scenario if your organization has been sitting on the idea for a long time.

Remember, profitability is an effect of customer value, not the other way around. Many times, higher customer value pays off in either higher prices, larger volumes, or a stronger brand image. Everything that your organization is hoping for, so why not go for it?

In the end, it's not about spare parts; it is about prioritizing short-term gains over investing in long-term customer value. Choose customer value, and you will find that it's the best decision your organization has ever made. Your customers, and your bottom line, will thank you.

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