Get closer to our customers

We want to be close to our markets and a strong, local partner to our customers everywhere in the world. Besides playing a leading role in the industrialized countries, we’re also successfully developing and producing more and more innovative products and solutions in the emerging countries – strengthening our position by systematically increasing the entrepreneurial responsibility of our regional organizations around the globe and expanding local value creation.

Another strategic aim we’re pursuing is the professionalization and expansion of our service portfolio. Our innovative service offerings are opening up a large number of new business opportunities and reinforcing customer retention. To better understand what really helps our customers, we’re constantly intensifying our already wide-ranging interaction with them.
d. Grow in emerging markets

The so-called BRIC countries (Brazil, Russia, India and China) and the up-and-coming nations of Asia, South America and the Middle East are achieving high levels of economic growth, in which we intend to participate. Our strategic aim is to increase the share of revenue we generate in the world’s emerging countries, thus strengthening our position in high-growth markets.

Over the past few years, we’ve achieved above-average growth in the emerging countries. In fiscal 2011, our revenue in these countries rose 11%, outpacing our overall revenue growth and accounting for one-third of our total revenue.

As the following examples illustrate, robust economic growth in the emerging markets is creating strong demand for solutions along the entire energy chain as well as for patient-centric, affordable healthcare and integrated infrastructures for industrial and urban applications:

> The Chinese government’s twelfth Five-Year Plan, adopted in 2011, foresees substantial investments of over $430 billion in renewable energies, smart grids and electric mobility. The government also plans to invest heavily in the country’s healthcare system.
> By 2020, India wants to be generating an additional 200 gigawatts of electricity in order to meet its growing demand for energy.
> By 2030, Russia intends to invest nearly €300 billion in the expansion of its rail system alone.

In other words, new business opportunities await us worldwide. And we’re leveraging our extensive portfolio to exploit them more fully than ever before.

The demand for economical products and solutions specifically tailored to local customer requirements is particularly strong in the emerging countries. To meet this challenge, we’ve launched our SMART (simple, maintenance-friendly, affordable, reliable and timely-to-market) initiative.

Our SIMATIC Smart HMI system is a prime example of the initiative’s success in the area of industrial automation. HMI, which stands for human-machine interface, is a key tool for controlling and monitoring industrial automation processes. In China, we’re already the undisputed market leader in the medium and high-end market segments. To move ahead in the entry-level market, we’ve created a SMART version as well. In line with the SMART philosophy, our local developers, collaborating closely with their colleagues in Germany, have designed a user-friendly product that meets the needs of Chinese customers and is available at a substantially lower price.

Our MAGNETOM ESSENZA magnetic resonance imaging (MRI) system is another prime example. Developed in close cooperation with Chinese colleagues, the system is manufactured in both Germany and China. The advantages of this high-efficiency 1.5-tesla MRI scanner include comparatively low installation costs and power requirements.
For the emerging countries, increasing power consumption poses a long-term challenge. In India, for example, medium-voltage switchgear is in very short supply. Competition on this market, which is characterized by regionally specific technical requirements, is fierce. Proceeding on the basis of our globally standardized product platform, our employees in India have developed switchgear that’s winning new orders. In fiscal 2012, our new plant in India will begin producing medium-voltage switchgear that meets our worldwide quality standards.

Our portfolio currently boasts more than 160 SMART products and product families for emerging markets – ranging from X-ray devices to steam turbines to railway signaling systems – with dozens more now poised for market launch. But SMART products don’t only increase our revenue and strengthen our market positions; they also demonstrate what we’re doing to strengthen our local presence and expand local value creation. To maintain our leading positions in emerging countries over the long term, we’re not just localizing production; we’re also giving our regional organizations more decision-making authority and greater entrepreneurial responsibility. Likewise, we’re establishing entire value chains in those markets, since the procurement of raw materials, finished products and services in one and the same currency zone enables us to achieve competitive cost positions while reducing the currency-related risks to which a global company like ours is necessarily exposed.

We’re also setting up additional R&D centers in regions with above-average growth in order to be a more attractive employer for local managerial talent and highly qualified university graduates – thus strengthening our position in growth markets over the long term.

e. Expand our service business

To get closer to our customers – for us, this means providing outstanding services that increase customer value. With our comprehensive service offerings, we want to achieve the kind of long-lasting customer satisfaction that makes us the first choice for follow-up investment. It’s not only our sales organization that nurtures close relationships with our customers and fosters their loyalty; above all, it’s our local service employees, who – in some instances building on relationships that go back decades – have detailed knowledge of our customers’ needs and requirements. This knowledge, which is indispensable for providing excellent service, sets us apart from many of our competitors. And with product standardization increasing, services will be an important strategic factor that gives us an edge over our competitors.

For these reasons, services are a key component of our growth strategy, making major contributions to our profitability. Leveraging our worldwide installed base, they’re a reliable source of high-margin revenue – and they’re less capital-intensive than other types of business. What’s more, because long-term agreements are the rule, services are less vulnerable to fluctuating business cycles. As part of our One Siemens framework, we’re aiming to rigorously expand our service business in order to tap additional potential for sustainable growth.

Recent organizational measures underscore the importance we attach to our service business. We’ve already set up dedicated units to bundle the solutions-oriented services provided by our Energy and Healthcare Sectors. At the beginning of fiscal 2012, we’ll go a step further
and establish a new unit combining the entire service portfolio of our Industry Sector.

And that’s not all. We’re also driving knowledge transfer throughout our organization. Our service experts are in constant communication with one another, exchanging information across Sector and regional borders. We’ve set up a worldwide Siemens service network and conduct regular service conferences to help ensure that service issues are jointly investigated, thoroughly discussed and successfully resolved.

Looking ahead, our service business will rest increasingly on two main pillars. The first pillar comprises our conventional, already very successful product services. It’s closely linked to our worldwide installed base and reflects the close relationships we maintain with our customers. Our service contracts with wind turbine operators are typical of this type of service business. For the Danish energy company DONG, 40 Siemens employees are currently servicing 48 wind turbines at the Gunfleet Sands wind farm off the English coast – one example of how service contracts can be expected to increase in the thriving renewables market.

The second pillar comprises value-added services. Going beyond conventional product services, these services aim to convert the knowledge that we’ve gained in our diversified product and solutions business into added value for our customers. Our SOMATOM Definition Flash computed tomography (CT) scanner is a good example. More than ten central sensors continuously monitor the key parameters of the scanner’s X-ray tube assembly. Using complex algorithms and customer-specific system utilization data, specialized software calculates the tube’s remaining service life to within a few days – a decisive advantage, since early warning significantly reduces the risk of unforeseen failure. Tube changes can now be proactively planned and integrated into everyday clinical workflows, increasing system uptime and enhancing customer and patient satisfaction.

Last but not least, our traffic information center in Berlin proves that services can both increase customer value and create new business models. Gathering and evaluating a wide range of traffic data and other relevant information from across the entire metropolitan area, the center generates comprehensive reports for road users to help improve traffic flows across the vast conurbation.

Clearly, services are a decisive success factor. That’s why we’re intensifying efforts across our entire organization to seize opportunities in the service business – and thus get closer to our customers.
f. Intensify our customer focus

Our customers expect comprehensive, single-source consulting that’s geared to their particular needs. And it’s our goal and our obligation to meet this expectation everywhere in the world. For us, a strong customer focus doesn’t just mean having an in-depth understanding of our customers’ unique requirements; it also means providing them with customized solutions adapted to their regional economic and regulatory environments.

Successful customer support requires excellent employees, an efficient organization and effective methods. Only if these three components are integrated to form a single unit can we expand strategic partnerships, create added value for our customers and achieve profitable growth. That’s why our enduring and successful customer relationships have certain features in common:

> First, continuity in structures and processes. We’ve long had a reputation for outstanding customer proximity. Our account representatives are committed to providing our customers, most of whom are small to mid-sized businesses, with direct local support worldwide. In addition, more than 1,200 professional Key Account Managers support our major customers in important markets. We’re expanding this sales organization and optimizing it on an industry-specific basis. For example, in connection with the establishment of our Infrastructure & Cities Sector, we’re defining additional market segments on which we intend to maintain a special focus – markets in which we’ll address our customers’ industry-specific requirements, offering them a coordinated, comprehensive range of products, solutions and services.

> Second, one face to the customer. As a rule, our account representatives are directly involved with and are responsible for a customer over a period of five to ten years – further confirmation that our customers are satisfied with the support we provide.

> And third, the creation and expansion of expertise. We invest in the training and continuing education of the Siemens employees who are in daily contact with our customers. For instance, our sales personnel participate in specially designed training programs in which their strengths and weaknesses are analyzed and improvement measures developed. Such courses are a valuable tool for guaranteeing continuously high standards of customer support worldwide.

In addition, we work closely with universities around the globe, because scientific expertise is vital for customer retention. Intensive collaboration with top-tier institutions keeps us up-to-date on current research developments while enabling us to contribute our own knowledge to academic discussions.

As we pursue our goal of continuously developing and improving our Company, it’s crucial for us to know what our customers really think about us. The results of our global customer survey, which encompassed some 25,000 interviews in fiscal 2011, show developments and concrete action areas for both our entire organization and its various parts.
“Long-term customer relationships that are cultivated even at top management level are a factor in Siemens’ enduring success, and professional account managers are a vital part of this process.”

Prof. Noel Capon, Professor of International Marketing
Columbia Business School, New York

In 2011, our key account program was named Key Account Management Program of the Year by the Strategic Account Management Association in the U.S. As the award attests, we’re headed in the right direction. The jury was impressed by our fostering of long-term customer relationships, cultivation of promising account managers and close customer proximity at Managing Board level. As part of our Executive Relationship Program, the members of Siemens’ Managing Board maintain close contacts with some 100 top customers – an experience that not only gives them direct insights into concrete customer requirements but also provides opportunities for immediate feedback on their management decisions.