



A Move into Digital Services Jumpstarts New Growth for an Industrial Tools Leader

The maker of metalworking tools engaged Innosight to discover customer problems that could be solved with new digital services. The result: a lasting way to increase revenue by boosting productivity 66% at job sites.

GOING BEYOND MANUFACTURING

For over seventy five years, the Latrobe, Penn. company has prospered by manufacturing high-performance tooling for those who reshape materials—from machine shops to mining operators to oil and gas drilling customers. But relationships with its customers had always been transactional, meaning there were lost opportunities to serve customers while they were actually using the equipment. In 2007, Vice President & Chief Marketing Officer John Jacko led a strategic planning session in which the team agreed to break from viewing of Kennametal solely as a transactional tooling company. “What should we look like in five or ten years?” asked Jacko. “How do we take an old-line, industrial company and challenge it to think differently?” With the help of Innosight, Jacko gained the support of then CEO Carlos Cardoso to set up a new growth group and to protect that innovation investment, which helped it endure even through the economic downturn.

CONVERTING CUSTOMER INSIGHTS INTO OPPORTUNITIES

Innosight worked with the 13,000-employee company to spot opportunities and turn them into new business models for growth. The Innosight team interviewed dozens of customers using its ‘jobs-

to-be-done' and 'test and learn' frameworks for discovering hidden needs. What the team found was that small to medium machine shops wanted to play in a different league. That meant helping them find and retain bigger customers. Yet inefficiencies were holding them back. At job sites, efficiently searching for the right tools and machine settings typically consumed 30% of operator time. The objective was to find the exact machine configuration on demand—despite the fact that there were thousands of different choices. Working together, the Kennametal-Innosight team conceptualized a new digital service—kind of like “an ipod for machine shops”—that could run on a hand-held tablet and provide on demand training and virtual application support. The Kennametal team then worked with Kennametal’s leadership to gain support to pursue next steps in attempting to develop and scale the offering.

“Innosight challenged us to think differently about our strategy and showed us how to set up a long-term system for driving new growth.”

– John Jacko, Vice President and Chief Marketing Officer at Kennametal

CONSTANT CUSTOMER CONNECTIONS DRIVE NEW GROWTH

Fast track to 2011, when Kennametal officially introduced an online service and mobile app called NOVO. Kennametal and its partners digitized 75 years of machining expertise in an intuitive application that assists customers in the selection of the right tool for the job to be done—with the goal of delivering productivity. Within two years, tens of thousands of customers embraced the platform, analyzing 50,000 different products and hundreds of thousands of assemblies.

NOVO is now a full-service “tool advisor” that connects seamlessly into Kennametal customers’ ecosystem. While free for customers, NOVO has led to a steady increase in demand for the right tools for the right circumstances. All told, sales are 16% higher among Kennametal customers who use NOVO compared to those who don’t. Kennametal sales reps using NOVO regularly are meeting and exceeding their sales quotas. And average productivity among customers shot up 66% in terms of the number of jobs they could set up, giving NOVO users a key competitive advantage.

