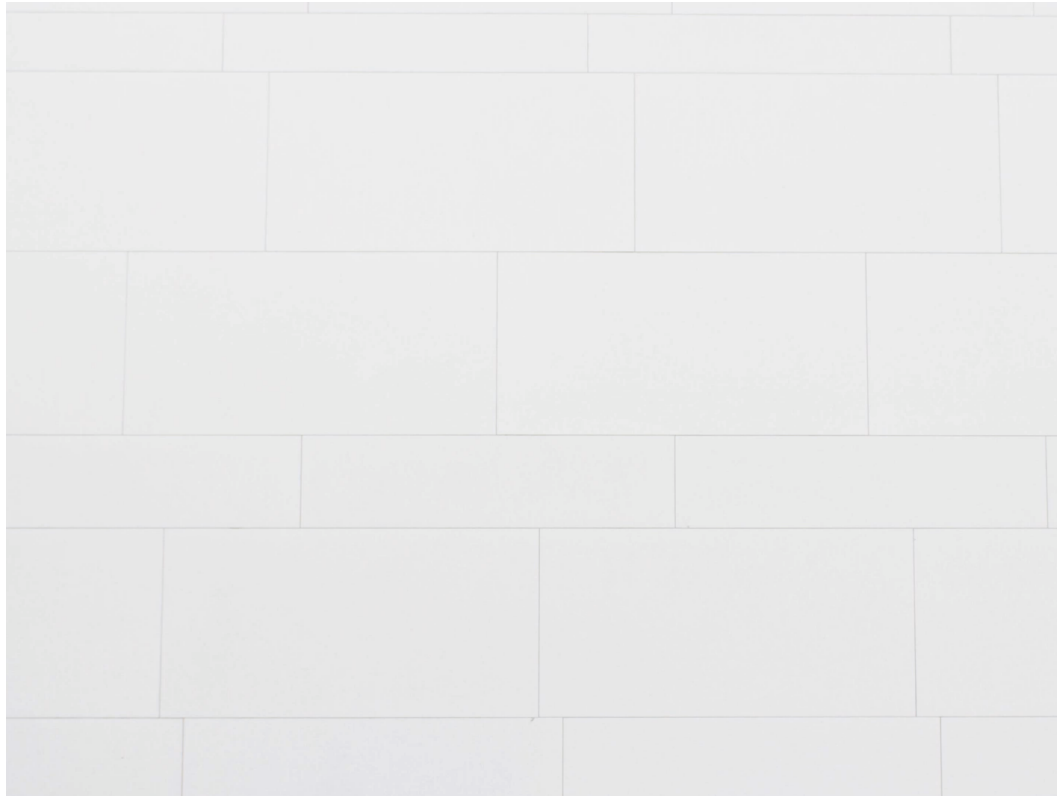


Rise of Service-Oriented Firms

Germany Big Business' Transformation in A Turbulent Time

Prof. Pei Wang-Nastansky

(Adapted from The Economist Feb. 27, 2025 Article & More)



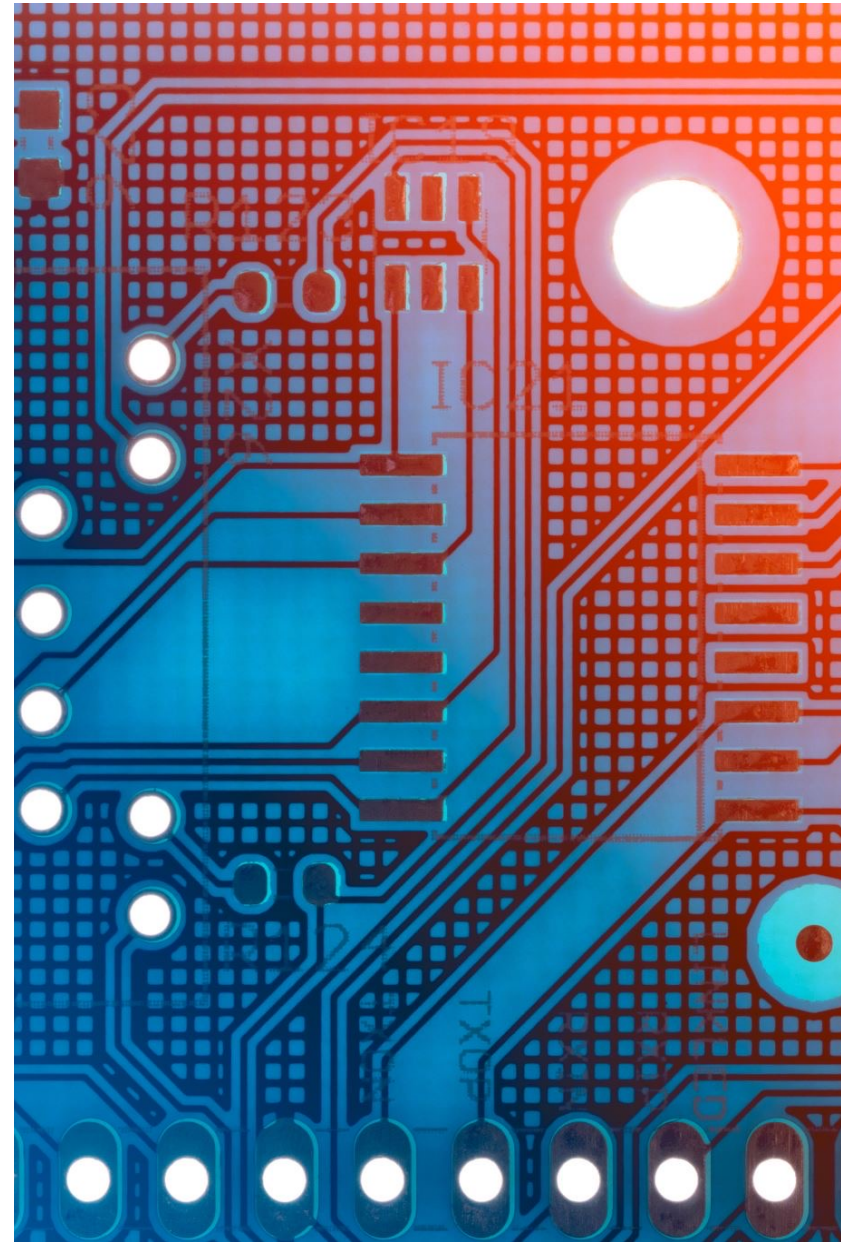
Introduction

- Germany's economic struggles post-2020
 - Slow GDP growth: 0.2% in Q1 2023
 - Impact of COVID-19, war in Ukraine, and high energy prices
 - Declining demand from China
- Uncertainty due to U.S. political shifts
- Shift from industrial dominance to service-based economy
- ❖ DAX 40 index rise despite broader economic issues



Rise of Service & Consumer Firms

- Traditional industrial giants (BMW, BASF) losing dominance
- Service sector (Adidas, Allianz, Zalando) gaining traction
- Technology, telecom, and finance now nearly 50% of DAX value



Key Statistics

- DAX 40 index up nearly 50% in 2 years
- German firms generate 80% revenue abroad
- SAP (\$350bn market cap) surpassing German auto giants combined



Comparison with Global Competitors

- SAP valued higher than Salesforce (USA), nearing Oracle
- Deutsche Bank stock up twice as much as JPMorgan US since 2020
- Adidas outperforming Nike US in value creation
- Deutsche Telekom yielding higher returns than U.S. competitors



Reasons Behind the Shift

- Industrial firms hit by energy costs and Chinese slowdown
- Increasing global demand for software, finance, and telecom services
- Service firms less dependent on physical goods and exports
- Potential U.S. tariffs on German exports
- Trump-era policies forcing German firms to adapt
- **DAX up 20% since U.S. elections despite uncertainties**

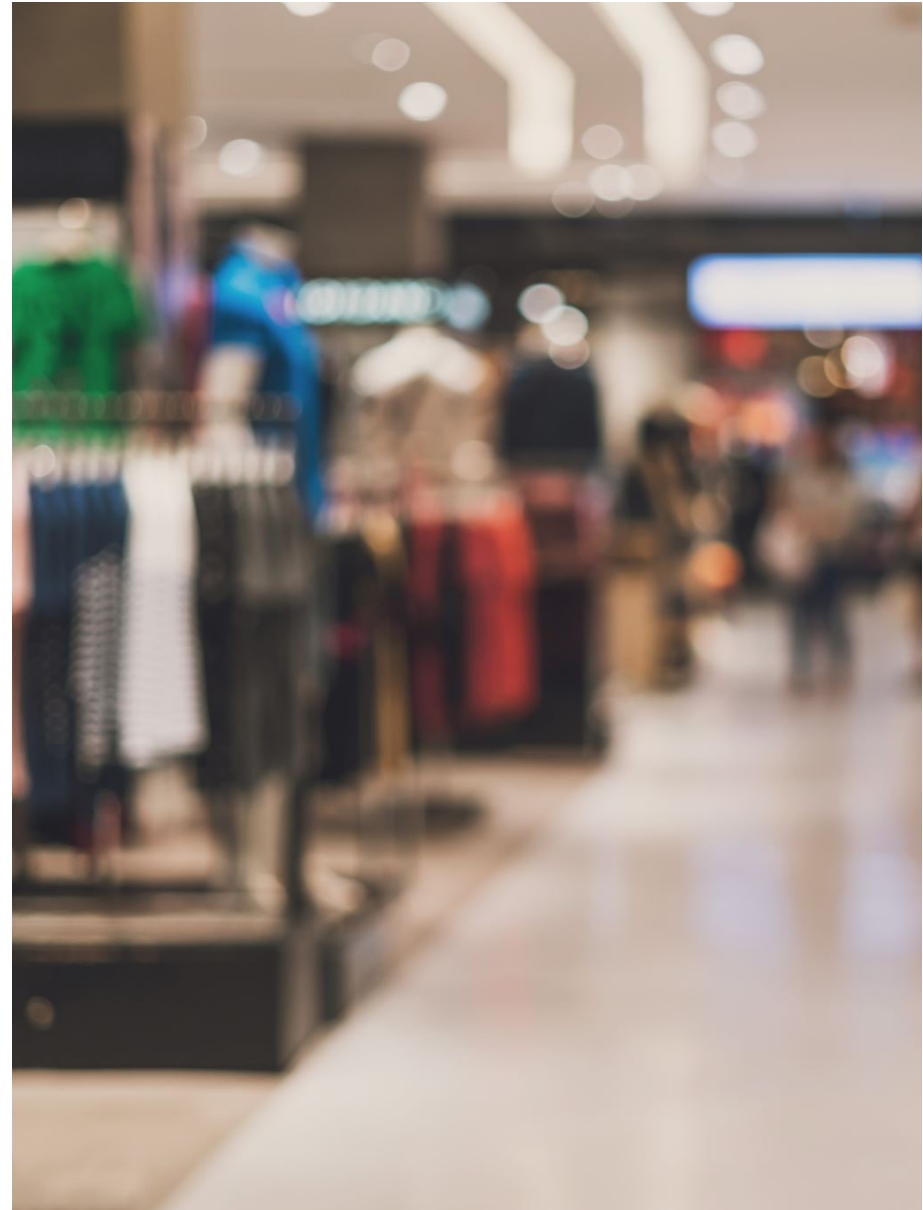
Key Player : Allianz (Financial Services & Insurance Giant)

- Global Reach: Operates in 70+ countries, 122M+ customers
- Revenue Growth: €152B in 2024, rising digital financial services
- Innovation: AI-driven insurance claims, blockchain-based contracts
- Sustainability: ESG investment, carbon neutrality target by 2040



Key Player : Zalando (Europe's Largest Online Fashion Retailer)

- Customer Base: 50M+ active users, 25+ markets
- Tech-Driven Expansion: AI recommendations, predictive analytics, AR try-on
- Platform Model: Fashion marketplace for brands & boutiques
- - Sustainability: Circular economy, re-commerce, green logistics



Key Player: SAP (Enterprise Software Leader)

- - Market Share: 77% of global transaction revenue via SAP ERP
- - AI Integration: SAP AI Core enhances enterprise automation
- - Cloud Transformation: SaaS & Cloud ERP growth up 25% in 2024
- - Industry Focus: Expanding in logistics, finance, supply chains



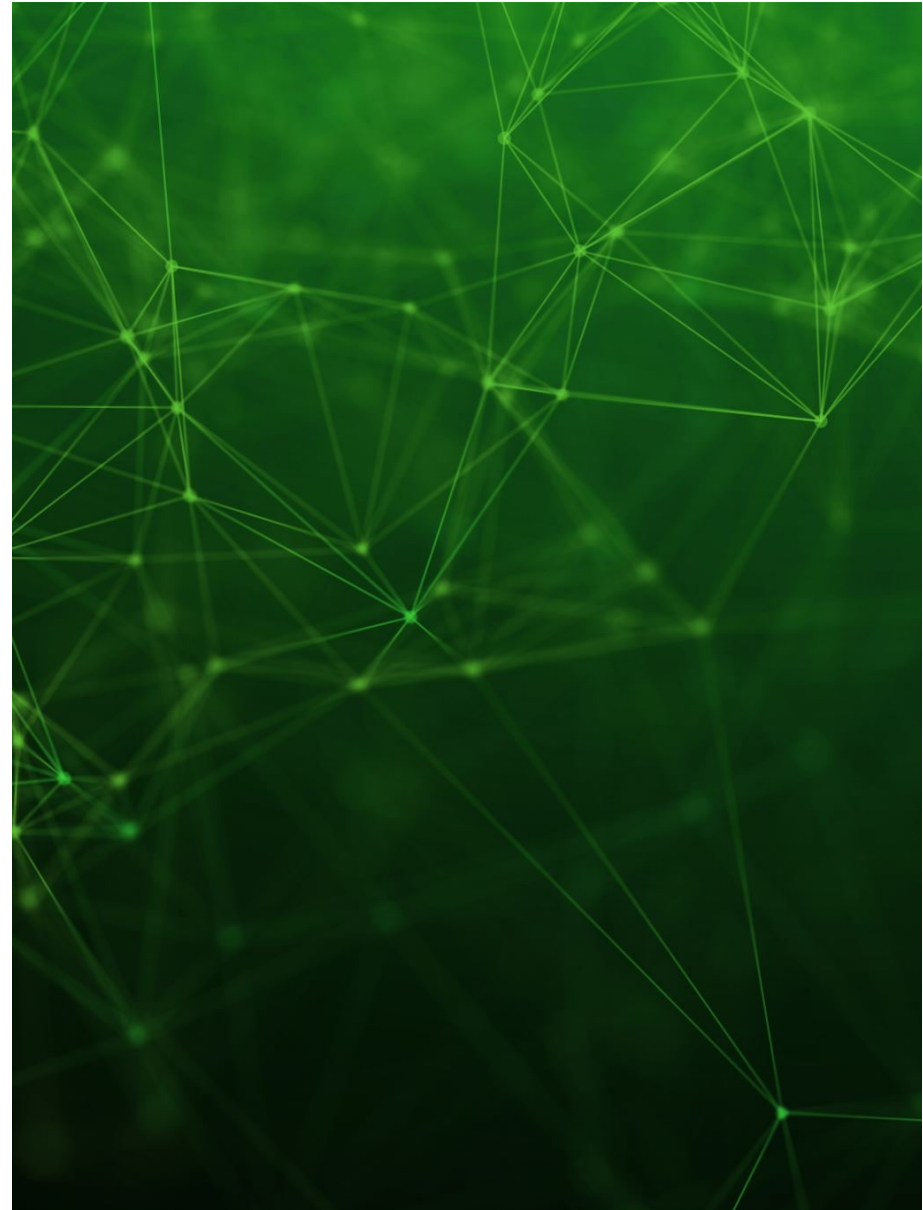
Key Player: Deutsche Telekom (Telecom & Digital Infrastructure)

- - Global Coverage: Leader in 5G & fiber-optic expansion
- - Revenue: €120B in 2024, 40% from digital services
- - AI & Edge Computing: Industrial real-time data processing
- - Sustainability: 100% renewable energy goal



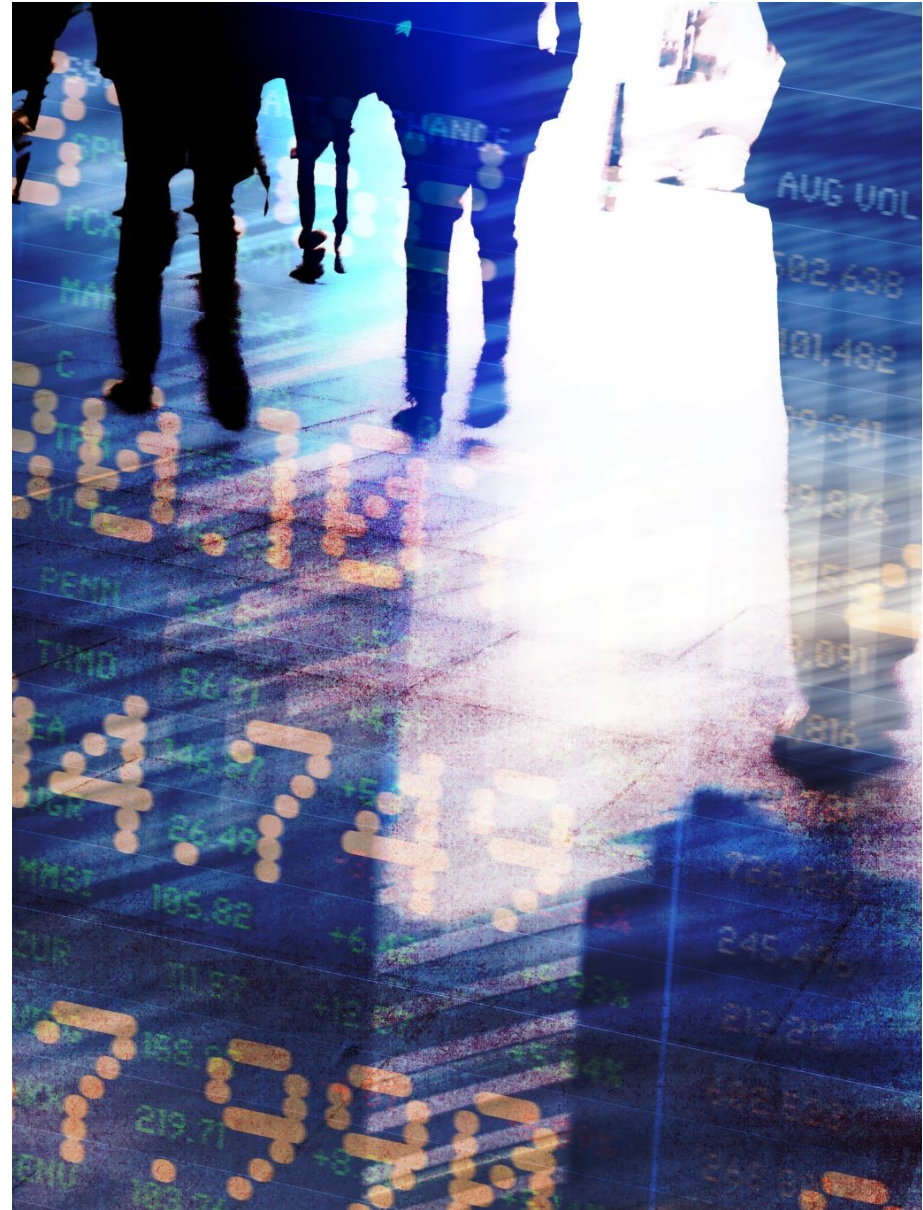
Strategies Implemented

- Digital Transformation: AI-powered automation, predictive analytics
- Customer-Centric Services: Personalized e-commerce, fintech integration
- Data-Driven Decision-Making: Machine learning, data monetization
- Sustainability & ESG Leadership: Carbon neutrality, green energy adoption



Global Competitiveness

- German service firms outperforming international competitors.
- Continuous investment in technology and innovation ensures long-term leadership.



Challenges Ahead

- Digitalization: Keeping pace with rapid technological changes.
- Global Competition: Maintaining a competitive edge in an evolving global market.



Conclusion

- It is possible in a challenging time for many Germany's MNCs transitioning to service-oriented models successfully.
- This shift ensures continued economic growth and global relevance.



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Discussion Questions

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1. How can traditional industrial firms adapt to the service-oriented trend?
 2. What role does digital transformation play in this evolution?
 3. What challenges might German service firms face in the future?