

Abstract preview

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## **Service addition as business market strategy: A dyadic view-and beyond**

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## **Service addition as business market strategy: A dyadic view-and beyond**

**Abstract**

The service addition route is frequently used by industrial companies to seek customer value and escape price pressure. This study focuses on equipment suppliers' efforts and looks into their efforts from a longitudinal perspective. The rich case-based methodology enables the development of a preliminary model that shows service strategy types. The difficult transitions of these companies show internal and external barriers. The highest levels of service offering are only feasible when network partners align with the companies' efforts. The qualitative nature of this study acts as a basis for future research. **Service addition as business market strategy: A dyadic view-and beyond**

### **Introduction and problem statement**

Vargo & Lusch (2004) have launched a call for a reorientation in marketing from a product to a co-creation view and service-dominant logic. This perspective is fully in line with papers proposing services as a cornerstone in the pursuit of differentiation (Ulaga & Eggert 2006; Auguste et al. 2006), and customer value (Lindgreen and Wynstra 2005). The locus of value creation in business markets switches from 'pushing' producer-led output of tangible products to a continuous collaborative process of co-creating long term value-in-use, where services are no longer considered to be inferior to goods (Vargo and Lusch 2008). The latter authors emphasize that the purpose of firms is not anymore to *make something* but rather to assist customers in their own value-creation process via intense collaboration with customers and their network of value-creation partners. Araujo and Spring (2006, p.803) have claimed that the growth in services associated with manufacturing firms is not a matter of substitution. It must be considered as being connected to the 'reorganization of the institutional structures of production': disaggregation of value chains, fragmentation of corporate structures, and the proliferation of more complex innovations. Service opportunities result from these issues.

A switch from selling products to offering solutions, defined as packages consisting of products as well as services, is proposed as a strategy to fight low-cost rivals (Kumar 2006). However, the latter author warns that this strategy is a difficult one: "Selling solutions requires a company to manage customers' processes and increase their revenues or lower their costs and risks" (Kumar 2006, p. 112). Also other authors have pinpointed the challenges inherent to this strategy. Gebauer and Friedli (2005) describe how in business markets such transition processes often remain unrealized, resulting in a larger number of services offered but also in higher costs. Behavioral adaptations are a pre-condition to success, they claim. Oliva and Kallenberg (2003) put forward the need to adapt firm activities and to realize organizational changes.

In business markets, recent contributions have proposed approaches for enhancing product offerings and creating value-added solutions. Frameworks suggest

dimensions that can guide companies on their service addition route (such as Matthyssens & Vandenbempt 2008 or Penttinen & Palmer 2007) or suggest value-added strategy archetypes that can be intended (e.g., Helander and Möller 2008 and Gebauer 2008).

Adding value via the service route is compatible with the IMP view on business marketing relations as it increases the *problem solving ability* of suppliers and fights “routinization” in relationships. It also builds upon the early IMP logic of interaction and learning, as well as on mutual adaptations and investments in the process of strengthening supplier-customer relations. In general, the IMP group builds upon the logic that business markets show close, relatively stable long-term and complex relationships with an active customer and its network (Cova and Salle 2008a). Hence, a dyadic and network embedded perspective should be taken when studying value enhancement via service additions.

Cova and Salle (2008b) describe two cases in which the offering strategy of the solutions provider clearly involves specific actors from the customer and its network in a first stage, and the intensive interaction of the customer *and* the supplier network in the second stage. They speak of a ‘customer network value proposition’ to grasp the value co-creation process and suggest further research in order to strengthen this concept.

These scholars are not alone in their call for future research into the service-dominant logic in business markets. Notwithstanding the importance and timeliness of the subject, Jacob & Ulaga conclude that “scholarly research investigating the transition from product to service in business markets is still at an early stage” (2008: 249). They ask for systematic academic inquiry on the transition from product offerings to service-based offerings. For instance, they put forward that there is still room for classification work in this area and stress the need for non-normative, scholarly studies. Vargo and Lusch (2008) argue that a lot of work is still required to move from S-D logic to a sounder theory of markets.

This study aims at tackling the following research question:

*How do businesses intending a strategy of value addition evolve and what is the role of and the impact on their customer and network relations?*

We will thereby address the following issues:

- Generating a classification of service-addition strategies and a description of each service type in terms of key value thrust(s), and typical value-generating and value capturing approaches;
- Focusing on evolutions of businesses and their re-positioning efforts from one service addition type to another, with specific

attention to drivers and hindrances while moving from one position to the other;

- Identifying customers' reaction, involvement, interaction and perception regarding service additions of suppliers, thereby considering the larger network context. The dynamics of the relationship in the context of the network will be studied taking into account the 'uncertainties and abilities' and the 'co-evolution' between parties (Ford et al. 2002).

In the next paragraphs we present (1) the overview of the most important academic contributions in this field, (2) the research method used, (3) the main findings and a discussion and (4) managerial and scholarly implications.

### **Review of literature on service transition**

This review is limited to scholarly studies in which service transition for manufacturing companies is the focus. On the one hand, such studies either describe strategy pathways or identify generic strategy positions to guide companies through the transition from product to service-based offering. On the other, these studies describe barriers and/or key success factors.

Several studies have introduced dimensions along which companies can evolve in their service transition strategy or have offered 'ideal types'. One of the early studies on industrial services is the one from Boyt and Harvey (1997), and distinguishes between three service categories:

- Elementary services: simple services linked to frequently purchased non-critical products);
- Intermediate services: more complex bundles of services such as equipment repair, leasing, or transportation;
- Intricate services: the most intensive service level and customer attention is aimed at with combinations of consulting, design, and other 'high credence' services requiring personal delivery and intensive interaction.

Mathieu (2001) makes a distinction between "service supporting a product" characterized by a low degree of customization and relational interaction versus "service supporting a customer" characterized by a high degree of interactivity, customization and people content. The ability to develop the latter type of service is highly determined by the supplier's ability to build strong and global client relations and develop a shared understanding of the services offering.

Recently, more 'guiding' frameworks have been offered suggesting the following *dimensions and strategies*. Penttinen & Palmer (2007) build a frame based on the nature of the buyer-seller relationship (transactional versus relational) and the completeness of the offering (less versus more complete). Case research on four

companies that all moved to offer more complete offerings via relational means, shows two transition paths. A first path in companies' efforts to upgrade offerings consists of extending the current product range or by bundling existing products and services together. The other path starts from building closer relationships with customers "through increased operational linkages, information exchange, legal bonds, and the establishment of cooperative norms" (p. 560). Eventually, all cases ended up in the 'relational' and 'more complete offering' quadrant (the 'integrated solution'). Enablers in this process were the acquisition of new competencies through networking, the use of up to date information technology and/or the building of close (horizontal) relationships.

In a study of companies at different levels in the electro technical value chain, Matthyssens and Vandembemt (2008) derive a frame building on the degree of integration into the customers' business process and into the customers' technical process. Three transition paths result: (1) The technical integration path where parts of the customers' technical processes are outsourced to the supplier who integrates them in his technical process and offering, e.g., the delivery of processed material or of (sub)systems, (2) a path to offer services that refer to activities that were until then executed by the customers' administrative and finance staff (e.g., financing, warehousing and logistics, documentation), or (3) a combination of both axes (turnkey solutions). Authors pinpoint the need for internal and external alignment in order to overcome barriers along the transition paths.

Two recent papers identify *ideal positions*. Gebauer (2008: 287-288) derived four strategy-environment fits that can be interpreted as service strategies for manufacturing companies. These are: (1) *After-sales service providers* target customers with a focus on price that care only about a properly functioning product and reliable support in case of a breakdown (such as spare parts, hotline, inspection,...) for which they want to pay separately. (2) *Customer support providers* offer outstanding process-oriented services around high quality products with the objective of preventing breakdowns. As such, service is customized and bundled with the product in one package and one price. (3) *Outsourcing partners* are 'pure' service companies offering cost-efficient capacity and operational services to price conscious buyers. (4) *Development partners* provide high level R&D services to support customers in their quest for product differentiation. A high level of typical after-sales services and process-oriented services is offered as well and help this supplier in building an excellent service reputation.

Helander and Möller (2008) describe three roles for system suppliers: (1) An *equipment/material supplier* provides only activities directly supporting the product-in-use (maintenance, emergency, help desk, training). (2) The *solution provider* offers 'end-to-end responsibility for the installation' in close cooperation with the customer and is able to offer all support, including service on linked systems and the realization of updates. (3) Shared revenue guarantees are given by a

*performance provider*. The latter guides the customer and guarantees proactive optimization of the customers processes.

The importance of *network competences* in this transition process is clear from these studies who frequently refer to the involvement of customers and network partners. Skarp and Gadde (2008), dealing with efforts to upgrade value offerings in the steel industry, stress that the role of the buying firm and the interdependences between sellers and buyers are cornerstones of value creation and upgrading processes. Lindgreen and Wynstra (2005) have conceptualized customer value as more than a dyadic issue: also upstream and downstream parties must be considered. Van der Valk et al. (2008) find that different types of services show different interaction processes between buyers and sellers. Cova and Salle (2008b) illustrate how solutions imply a mobilization of the customer and the partner network.

### **Methodology**

Given the exploratory nature of the research, a case-study methodology is deemed appropriate. Indeed, we strive at theory building and idea generation (exploratory approach). Case studies have been the preferred vehicle for IMP researchers studying relatively complex interaction patterns, all the more as time and dynamics are critical components of such studies (Sutton – Brady 2008). We want to uncover cognitive frames and sense making schemes of actors while observing decision-making processes in a real-life context.

Data is mainly generated via in-depth interviews with business managers in the Belgian and European machine building and mechatronics industry. Purposeful sampling is used as the study focuses on 'best practice' cases, identified by experts from Sirris and Agoria, respectively the Belgian institute focusing on technical issues of metal-related industries and the Belgian branch federation that focuses on business administration related issues. With the help of these industry experts companies were identified that were seen as leading in the service area and that were considered successful (realizing above average rents).

At this stage a first wave of triangulated interviews has been realized focusing on five suppliers (cases A-E). Interviews looked into the evolution in terms of service addition, the intended 'wins' for both customer and supplier, customer reactions, key drivers and difficulties, changes in strategies and next steps in value-added market strategy. In the second quarter of 2009 a second round of interviews is scheduled focusing on customers of the six case companies. Here, we will strive at looking into customer reactions, involvement, perceptions and (renewed) interaction patterns. Eventually, this will be followed by a second interview round at suppliers.

This study uses a rich qualitative research design for the following reasons. The literature on strategic value added positions is scant. As a consequence and

before embarking on the study of service strategies, the research includes a deep understanding of the position of service in the companies' strategies and in the market. This procedure is in line with Pettigrew's statement (1992) that relatively undefined constructs (such as, creating additional value and service) should be studied in their natural context in order to improve their validity and measurement. Further, this method enables revealing of managerial and organizational cognitions and the crafting causal maps (Hodgkinson 1997; Huff 1997) of the market actors. The latter is useful to increasing understanding of active sense making schemes and drivers for market actions of companies.

All interviews were executed by two interviewers (from the co-authors) with service managers (duration from 1,5 to 2,5 hours). An expert from the sector federation participated in all interviews to enhance understanding and interpretation, and was involved in a discussion with one of the two academics in generating a summary report after each interview. By doing this, and by using diverse types and sources of data this study fulfills the data triangulation requirements in qualitative research (Woodside & Wilson, 2003). Also, existing theories on service addition and re-positioning enriched the preliminary findings. In this way, the empirical data gathering and analysis process is in line with the "iterative grounded theory" method from Orton (1997) who describes a continuous and "systematic combining" (Dubois and Gadde, 2002) of theoretical and empirical insights during interviews. Table 1 provides an overview of interviewed managers. We were able to satisfy the triangulation requirements as can be seen.

#### TABLE 1 ABOUT HERE

Table 2 gives an overview of the five case companies. All are machine builders selling to industrial companies in diverse sectors on a worldwide basis. Companies range from relatively small to large scale enterprises.

#### TABLE 2 ABOUT HERE

### **Findings and discussion**

In order to answer our main research question "How do businesses intending a strategy of value addition evolve and what is the role of and the impact on their customer and network relations?", we will describe each of the case companies' evolution from a product-dominant company to a customer-centric and service-based supplier. Afterwards we will interpret the different transition paths and integrate them into a preliminary model classification that will be compared with the extant literature.

#### Case Alpha

The company builds furnaces, huge boilers, steel processing lines, locomotives for steel plants and so on. Surely, these 'products' require a lot of engineering in the early stage of the transaction cycle and installation and start-up services in the 'delivery' stage. Later, when the installations are used, maintenance and breakdown interventions are required. In the long run the installation might be upgraded or optimized. Customers are clearly segmented. Some see the installation as core business and have their own technical support team. They are in need of suggestions for improvements and for a better integration of the equipment in their own process in order to gain productivity gains. They want a high level engineering partner who can suggest improvements, indicate when to upgrade or replace an installation, etc.

A second group of customers who consider the installation non-core, seek an outsourcing partner who can guarantee a perfectly working installation. For these customers distant monitoring, repair and maintenance contracts and preventive service is key given that they do not have their own service department anymore.

Company Alpha often will work with network partners (e.g., control companies) to coordinate optimally within the customers' process with linked equipment and processes. Sometimes such companies might even want this supplier to 'organize their plant' (e.g., even access control), but so far the supplier refused it (customer does not seem to be willing to pay a fair price and, moreover, the supplier perceives it as 'too far out of core competences'). In general, the supplier offers after-sales service, schedule a maintenance plan, delivers qualified technicians and revises the process integration and efficiency. For locomotives, in one case, an 'uptime' contract was offered with guaranteed availability of transportation.

Over the years, the company learnt that flexibility is a key attitude for the service strategy. Even in one industry customers might have very different expectations and attitudes (incl. willingness to pay) for service. For instance EDF, Essent and Suez/Electrabel have dissimilar service purchasing strategies. 'One size fits all' does not apply in service business. Some customers want 'project management', some 'pure operational execution', others 'engineering partnership', claimed the chief development officer looking back at his long career in this company. His experience also led to the statement that a separate service unit is needed, independent of product units, but with clear ties...

### Case Beta

Company Beta produces and sells sheet metal working machines such as press brakes, laser cutting systems and punch presses. They are the number 3 worldwide and sell to subcontractors, manufacturers of construction equipment and agricultural equipment etc. Until some years ago the company offered only

product-related and reactive after-sales service. A few years ago they started with offering 'maintenance contracts' in which they guarantee, for a pre-specified number of operating hours, 'uptime', i.e. uninterrupted operation with preventive and planned maintenance. With more advanced key customers, this service relation has evolved into 'value plus' offerings where the company also manages a network of subcontractors, adapts machines and integrate with tools and material handling equipment used by the customer in its offering (e.g., compressor, machine and crane). As such the customer receives design and engineering services.

For less advanced customers, the company offers 'fitness checks', 'a recovery program', and application support in case of a suboptimal use of the machine. The supplier also offers an operator service: ranging from providing training of inexperienced customer operators, to providing physically an operator. However, it should be said that they are forced to focus merely on the product-related services (also linked, complementary products) rather than on such 'business administration' or 'financing/leasing' or personnel provision services. That way, they build on their core technical capabilities. Once customer questions go beyond that border, the company uses its network to find necessary competences (engineering companies, labs).

Two other major lessons were learnt over the years. First, 'scale' is key when considering a new service activity: 'Will this business be big enough to gain a decent ROCE and to gain/build up experience?' Secondly, service is the task of the whole company and should be part of a clear marketing philosophy. Without customer-centric processes and a 'learning' attitude, such a transition is possible.

### Case Gamma

The firm offers egg hatching machines to poultry farms. The breeding process requires a difficult combination of technologies which require a perfect control of temperature, humidity, CO<sub>2</sub>/O<sub>2</sub> balance and so on. The supplier specializes in optimizing this process and guarantees maximal performance to its customers: quality, cost control, energy consumption, process control, hygiene, and consistency. This implies not only high quality egg hatching machines but also accessory equipment such as climate and hygiene control systems, egg lifters etc. It also builds 'turn-key' solutions. "Without service, the company would not even exist", one manager put forward. Besides multiple product 'systems' and turn-key solutions, over the years the company has built a reputation in terms of after-sales service (helpdesk, tele-diagnostics, spare parts service, maintenance, trouble shooting). Gradually, the company developed services to prevent breakdowns and reach process optimization via a better integration with complementary equipment. This led also to customer education and consultancy programs when upstanding a new facility ('hatchery guidance program) and audits of existing

installations in order to identify bottlenecks. This kind of services have evolved gradually into management contracts where the supplier takes full responsibility of the hatching process and promises performance (not yet shared revenue guarantees).

One of the major hindrances during this transition process has been the 'service-for-free' attitude of customers regarding after-sales service and 'traditional' product support. It seems easier nowadays to be paid for services such as hatchery guidance and turn-key solutions. Over the years the company worked closely with key accounts which enable them to learn more about each customer's system. On the internal side, it took about five years to overcome internal resistance, i.e. sales force and field sales engineers who did not 'value' services enough. Pre-conditions for the marketing of total solutions are (a) a clear built-up and subsequent communication of technical competences and customer process insight, and (b) a fine-grained segmentation. Only specific customers value and are willing to pay for these services.

### Case Delta

Company Delta produces and services weaving machines. Until 2001 the company had no service focus. Only a reactive service was offered, mainly in the form of technical troubleshooting and spare parts service. Services were standard and offered by local service centers and their product technicians (mostly expats). Everything was administered by the head office. However, the 'distance' to the local customers turned out to be a barrier for deep customer insight. Also, installation and servicing was not considered as core business, leading to lost opportunity and a liability to reputation. In the first half of this decade, the company re-formulated its mission. They wanted to become "the global textile partner" taking ownership of the asset management of the looms and weaving process of the textile producers (customers). This implied frequent 'strategic' customer contact, and a customized offering consisting of installation, commissioning, troubleshooting, spare parts, upgrading, asset management, consulting and training. Even accessories were managed for the customer. By 2004-2005, the company had to face this strategy turned out to be somewhat unrealistic. The customer was unsatisfied due to 'distance' to the competent but central unit who managed the service. Also, the complex relations between the service unit and the product divisions turned out to be difficult to manage. The company then re-positioned its service strategy: they strengthened the relationships with key customers and focused on collaboration to enhance customers' productivity, quality and reduced spare parts consumption. They offered maintenance outsourcing solutions in mature markets and advise for higher productivity in less developed markets.

Overall, their strategy aims at overall equipment effectiveness in order to increase customers' equipment reliability and performance. As such, the company offers services such as systems audits, software for e-monitoring and process performance appraisal, analysis of and consultancy regarding production stops, training, upgrades and maintenance programs, process re-engineering suggestions and so forth. The company commits itself to a planning schedule for visits by technicians, productivity improvement plans and follow-up of progress on specified key performance indicators (milestones). The 'performance partnership' turns out to be profitable, but only feasible at specific types of customers. By offering this service, the company has gradually built up its customer insight and internal competences. As such, nowadays the supplier is convinced that at this stage it is ready for a re-launch of the "asset management" concept (total loom management) that they stopped some years ago.

### Case Epsilon

This company is a specialist in fire intervention equipment and related service. The company originally looked at service as reactive product service (hotline, spare parts, critical interventions), a view that is also adopted by customers when considering service in this business. This means service has always been 'downplayed' by customers as an add-on and paid for *on an intervention basis*. Some years ago the company considered this 'passive' service strategy as unfit for the future: Asian competitors were deemed to penetrate ever further into their markets with inexpensive products and basic services.

As such, management decided to offer fire safety engineering, a service aimed at assisting customers in the design and customized engineering of fire-safe installations. The company started marketing their problem solving ability in this field and developed a marketing and consultative selling approach aimed at educating customers (until now customers remain very focused on immediate cost savings in this field rather than on total cost of ownership savings and enhanced safety rather than on total cost of ownership savings and enhanced safety). The company had to develop links with new network partners: (1) external experts with specific know-how (e.g., analytic modeling, audits) had to be attracted as the company missed these necessary competences; (2) insurance companies were used in a 'pull marketing' approach.

A second service product is called fire safety management. This is a type of facility management which, on a annual contractual basis (fixed price), guarantees the customer of an optimal functioning of the fire prevention equipment. The company installed, with the help of a partner, a software program that can perform 'distance monitoring' on the sprinkler systems of a customer. The service also includes inspection on location, the administration and registration of all systems. An

additional service level is evacuation planning and evacuation exercises (in collaboration with the fire brigades) as well as training (in case of hazardous material is used).

It turns out that the transition from a product to a service provider is a difficult but profitable one. The company experienced organizational hurdles such as competence gaps in technical know-how, analytical modeling tools, consultative selling. Also the mindset turned out to be difficult to change. They established a small dedicated engineering group and ran diverse internal campaigns to set the service strategy on the corporate agenda and clarify the importance of recurring income generated by service revenue. The company used some reference customers to deepen out its knowledge of customer processes and actively builds a network of competent partners. External barriers are the diversity of customer industries, the customers' 'low-end' attitude toward fire prevention and the SME customers' reluctance to change their productive systems in view of a *potential* safety problems in the future.

As companies were deliberately selected for their service addition strategy, it is clear that all companies sought ways to improve their customer value. Notwithstanding this commonality, though, all followed somewhat differing paths. Gamma made fast progress in customizing its solutions built closely around its key investment good offered (hatching machines) and its application by the customer. This company, though, sells into a specialized and very focused industry. This is very different from companies Alpha and Epsilon who sell in many industries and have to service diverse applications. It took Alpha many years to being able to offer customized services and they are able to do so in selected industries (customers) only. Epsilon took a staged process and had to overcome internal as well as external barriers. Beta evolved in a stepwise way. They are able to be real value partners to advanced customers while remaining close to the looming process, rather than fancy business concepts. A real learning relation with customers is a key issue. Also this case learns that scale is a key requirement in offering additional services. If other suppliers are more 'natural owners' of a process, the 'newcomer' cannot sustain the service.

One of the intentions of this research was the generation of a classification of service-addition strategies and a description of each service type in terms of key value thrust(s), and typical value-generating and value capturing approaches. Figure 1 offers such a framework. Four strategy types are derived building on the cases as well as the literature (in the tradition of iterative grounded theory). The model characterizes each strategy type in terms of two dimensions: (1) whether the service strategy is considered an add-on to the product or whether the company considers the offering mainly as a service... including a physical product, and (2) whether the services are offered in a standard format or customized. The four types lead to different combinations of services and to different approaches. The more companies evolve to the right and to the top of the Y axis, the more companies

need close customer relations and deep customer insight and input as well as a pro-active attitude.

### FIGURE 1 ABOUT HERE

The case companies' trajectories are displayed in the framework (Figure 2). Companies follow different trajectories, but overall, they move to more customized services. Company Delta seemed to realize in one point in time that they were evolved in a non controlled way. Competences and customer gaps forced them to reposition to the left. Nowadays they think the move to the right becomes possible. The huge diversity of the markets of company Beta in combination with its resource limitations, implies that a more standardized 'service partner' approach seems the only possibility. Each service type requires a different value offering.

### FIGURE 2 ABOUT HERE

Companies have encountered a lot of barriers while migrating through the scheme. A first range of barriers are internal to the companies: (initial) lack of deep customer insight, lack of technical competences, inability to reach the required scale for an activity, internal resistance (engineering, sales force), and 'fit' with the business model. The latter is extremely interesting. Companies report that it is difficult to generate equal attention to the product as to services and to create a real dedication towards services in a company that is focused on marketing and selling products. For instance, structure, systems and culture have to be adapted. A second set is external: customers' unwillingness to collaborate and share vital information, lack of demand ability, and their service-for-free attitude.

All companies have learnt that segmentation and customer selection are key issues when companies seek higher value added via the service addition route. For non-advanced customers an after sales service and reactive process optimization approach with standardized services seem the maximum reachable. In case of advanced customers, management contracts, asset management with full responsibility and value partnering to attain performance partnerships might be intended.

It is in line with the IMP view that the higher levels of 'added value' require more customer interaction, and enhanced openness and problem solving ability from the customer side. The more suppliers climb the 'service ladder' the more they have to face their competence gaps and use extended networks to complement their own competences.

## Conclusion

This study identifies five equipment suppliers that migrated to service solutions over the last decade. The study reinforces the typology of Helander and Møller (2008). The two transition paths of Penttinen & Palmer (2007) have also been observed in this study. Our research adds to the prior literature as it pinpoints the extreme importance of refined segmentation in terms of customers' demand ability when it concerns service addition strategies.

In future studies the model presented here needs further testing and development. Further issues to be addressed are: (1) the link between service strategy and segmentation, (2) the optimal networking strategy in case of service addition, (3) the optimal type of customer and customer relation for each strategy type identified and (4) why and how the transition toward additional services puts stress on the business model of companies and how this can be overcome. As one reviewer put it: "Why can different business models not co-exist?". Another interesting topic for future research is the testing of ideal positions in the matrix. The position right-up might not be the best in all situations. Elements such as credibility, competence configuration, cost containment (scale and repeatability), and so forth might lead to other, more desirable positions.

The study reinforces Araujo and Spring (2006). These IMP authors concluded that the 'essentialist' distinction in terms of products and services characteristics are misleading marketing scholars. In line with their paper, the case companies' transition processes show the rooting of this process in the supplier-customer interface and in the complexity of offerings. Further research might integrate their institutional approach further in studying real life cases such as the ones described here.

For practitioners this study will be inspiring as it shows the hurdles and dilemmas that companies face when embarking on a customer and service-centric logic. The typology might act as a strategy choice model. The frame shows that the company's resource limitations and market diversity and customer interactive capabilities are key influencers for deciding on the strategy chosen.

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**Table 1: Interviews**

Company	Contact persons
Alpha	Chief Development Office Responsible Project Realization
Beta	Manager Service Division Director Customer Services Executive Manager
Gamma	Global Sales Manager Service Manager

	General Manager
Delta	Field Support Manager Industry expert
Epsilon	Executive President Marketing Manager (presentation & discussion in frame of expert class business school)

**Table 2: Case companies**

	Main products	Main markets	Size (2007)	Geographical scope
Alpha	Boilers, heat recovery steam generators, furnaces, weapon systems, steel processing lines, chemical / thermal treatment plants, locomotives	Energy Defence Steel Industry (Petro)Chemical Industry	2564 employees 531 k€ turnover  Source: Company report	Worldwide  Europe = 65% (F-BE-D) USA = 10% Asia = 10%
Beta	Machines for metalworking: bending – shearing – punching – laser cutting	Metal working companies  Both jobbers and integrated companies	430 employees 133 k€ turnover  Source: Belfirst	Worldwide  45 countries (website)  19 own sales offices Agents in other countries
Gamma	Egg hatching machines	Poultry companies	143 employees 43,6 k€ turnover  Source: Belfirst	Worldwide  Presence in 164 countries (website)

				Subsidiaries in 50 countries Agents in other countries
Delta	Weaving machines  Remark: The group includes other companies like a castings and a <i>Mechatronics</i> solutions provider and a metalworking company	Textile industry  Apparel – household – technical textiles	985 employees 318 k€ turnover  Source: Belfirst  Remark: the group employed 2342 people worldwide on 31/12/2007	Worldwide  China = 50% Europe = 25%
Epsilon	Fixed installations for fire safety and access security in industrial and utility buildings.  First intervention equipment and safety management.  Emergency and industrial vehicles.	Construction companies  Owners / users of industrial and utility buildings  Fire emergency organisations and companies	202 employees 30,8 k€ turnover  Source: Belfirst  Remark: the group exists of several separate legal entities the interdependent.	Vehicles: worldwide  Installations: Europe with strong growth in Asia.  Own sales offices in Belgium, the Netherlands, Czech Rep and Thailand.

**Figure 1: A typology of service strategies**

**Added customer value in the offerings**

<b>Mainly service-based</b>	<p><b>Service Partner</b></p> <ul style="list-style-type: none"> <li>• SLAs and KPIs</li> <li>• Start-up assistance</li> <li>• Leasing options</li> <li>• Maintenance contracts with uptime promises</li> </ul>	<p><b>Value Partner</b></p> <ul style="list-style-type: none"> <li>• Taking over process responsibility</li> <li>• Effects rather than specs</li> <li>• Joint Innovation</li> <li>• Performance guarantees</li> </ul>
	<b>Mainly product-based</b>	<p><b>After Sales Service</b></p> <ul style="list-style-type: none"> <li>• Installation, training</li> <li>• Spare parts</li> <li>• (Reactive) maintenance</li> <li>• Problem Solving</li> </ul>
<b>Standardized</b>		<b>Customized</b>

Figure 2: Case companies' evolution

Added customer value in the offerings

