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Futures

journal homepage: www.elsevier.com/locate/futures

The futures of magazine publishing: Servitization and co-creation of customer value



Anna Viljakainen^{a,b,*}, Marja Toivonen^a

^a VTT Technical Research Centre of Finland, P.O. Box 1000, 02044 VTT, Finland

^b Cambridge Service Alliance, University of Cambridge, Institute for Manufacturing, 17 Charles Babbage Road, Cambridge, CB3 0FS, UK

ARTICLE INFO

Article history:

Available online 23 October 2014

Keywords:

Foresight
Trend analysis
Service-dominant logic
Value co-creation
Magazine publishing

ABSTRACT

This study incorporates the futures studies and foresight perspectives in analysing an industrial change towards service business, with the magazine markets as the case context. It illustrates how the industry is adopting a new competitive strategy via services that are added to the total offering, and how it is simultaneously developing a deeper understanding of the service relationship as value co-creation. The work identifies seven trends in this context and analyses their impacts and discontinuities. Three trends are linked primarily to the business environment: a dispersing customer base, changes in media use habits, and erosion of product business. Four trends describe the behaviour of companies: the shifts from products to value-adding brands, from R&D to innovation, from autonomy to partnering and sharing in an ecosystem, and the changing resource and capability needs. The contributions of this work are twofold. First, studying media as service has been rare in scholarly literature. Second, applying the service perspective to the trend analysis in the media sector is topical due to the increasing competition and unpredictability of the business environment.

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1. Introduction

A central challenge in today's business strategy is the unpredictability of the operational environment. However, in order to recognize successful ways of doing business, market actors need anticipatory information on the development of their surroundings and on the consequences of their current actions. This paper aims to contribute to the accumulation of this information by analysing one topical phenomenon: an industrial change towards service business. It aims to reveal trends that reflect this development—with the magazine markets as the case context.

The perspective of value is becoming increasingly prominent in both research and practice (Vargo & Lusch, 2004). An influential new approach is *service-dominant logic* (SDL), which sees co-creation of value between the provider and the customer as the core phenomenon of service (Vargo & Lusch, 2008). SDL posits that using one's competencies for the benefit of another party is the primary purpose of economic exchange, and thus knowledge is the main source of competitive advantage. From the viewpoint of concrete offerings, *servitization* (Vandermerwe & Rada, 1988) is a topical phenomenon; an increasing number of companies provide service products in addition to material products (Baines, Lightfoot, Benedettini, & Kay, 2009; Neely, 2008). This paper analyses how the media industry is simultaneously applying service-orientation (in the sense of value co-creation) and servitizing (adding services to the total media offering).

* Corresponding author. Tel.: +358 50 5831338.

E-mail addresses: anna.viljakainen@vtt.fi (A. Viljakainen), marja.toivonen@vtt.fi (M. Toivonen).

Many successful cases reflect this development. In Europe, for example, *Pearson* (UK) and *Sanoma* (FIN) have established themselves as learning companies with the purpose to educate people. *Bertelsmann* (GER) too is expanding into the educational sector, as well as into B-2-B services. *Axel Springer* (GER) is expanding into the digital publishing sector with a corporate venturing strategy. *Lagardère* (FRA) operates in the retail and distribution services, and *Reed Elsevier* (UK) has become a B-2-B information solutions provider for both the public and private sectors.

Media management is a relatively new research area: it emerged along with the transformation of media firms into media conglomerates in the 1980s. Since then, the literature has focused on the industry structure and competition, internationalization, and business models and strategies (Picard, 2006). Central observations are, for instance, that media industries differ from other industries with respect to the perishable nature of the product; having a creative workforce as the key resource; the societal and cultural role of media; and the distinctive organizational structures of media firms (Lavine & Wackman, 1988). However, the scholarship is rather small and scattered (Küng, Picard, & Towse, 2008) and many studies are carried out as part of general organization studies. This is problematic because the distinctive characteristics of the media industry remain hidden in this context (Chan-Olmsted, 2006).

The perspective of *media as service* has been rare in media management studies. On the other hand, since the 1970s it has been highlighted that media products are actually ‘experience goods’ which can only be valued while being consumed (Nelson, 1970). Even though media products have both immaterial and material components (the content and the platform/medium), their central characteristic is the ability to satisfy specific client needs related to the content’s informative, persuasive, or entertaining value (Arrese Reca, 2006). The knowledge embodied in the content – not the medium – has always been the main source of competitive advantage for media companies. People do not experience media products as isolates, but interpret their value as tightly linked to their unique life situations. Thus, we can conclude that the service-orientation is inherent in the media sector in terms of its interest in the use context and in customer collaboration.

However, this orientation has not been *explicit*, which is an apparent hindrance for the analysis of topical phenomena in the sector. Applying the service and value perspectives is particularly important in the analysis of *the futures of media*. As a consequence of technological, economic and societal changes, the boundaries between the sectors of media, telecommunications, and information technology are converging (Küng et al., 2008). Together with technological opportunities, the changes in consumer behaviour have resulted in tightening competition for audiences and advertising revenue. A number of new competitors have entered the field from within and outside the business.

This paper incorporates the *futures studies* perspective to magazine publishing by acknowledging that today’s decisions and actions influence future developments (de Jovenel, 1967; Irvine & Martin, 1989; van der Duin & den Hartigh, 2009). The analysis of future prospects improves organizational responsiveness to the changing environment and improves the ability to update the strategy accordingly (Rohrbeck, 2012). Broad societal drivers impact on the industrial infrastructure, sources of competition, and the way in which firms create value to their customers (Castorena, Rivera, & González, 2013; Vecchiato & Roveda, 2010).

Since the 1980s the predictability of development has radically decreased because of globalization and digitalization. Hand in hand with futures studies, the approach of *foresight* has gained ground and highlights the need to explore multiple futures and ‘make the future’ rather than predict (Godet, 1986; Irvine & Martin, 1989; Rohrbeck & Bade, 2012). Foresight is increasingly used in organizations and networks to anticipate changes, to respond to them (Day & Schoemaker, 2004), and to ‘make sense of the present’ (Liebl & Schwarz, 2010, p. 313). At the practical level, foresight can be used for identifying new business models and alternative business logics (Rohrbeck & Gemünden, 2011). Foresight studies can focus on either the actual interaction of the stakeholders creating their own futures (Daheim & Uerz, 2008), or on the detection of factors that *encourage futures activities*. We apply the latter approach: we explore the trends that characterize the futures of the publishing industry (Coates, 2004) and analyse the drivers behind them (Castorena et al., 2013). We hope that our findings support the reshaping of mental models which at present hinder the adaptability of actors to environmental changes in this industry (Pralhad, 2004; Rohrbeck, 2011; Vecchiato & Roveda, 2010).

Our study includes an empirical part which is a qualitative trend analysis based on expert interviews among magazine publishers in two Nordic countries (Finland and Norway). The following research questions guide our empirical study:

- (1) What kinds of trends in the development of magazine publishing indicate the emphasis on a new competitive strategy based on service offerings (servitization) and on the service-oriented mind-set (value co-creation)?
- (2) What kinds of internal and external factors (drivers) support the future development of these trends and what are the potential sources of discontinuity?

From now on, we have structured the paper as follows. In the second section, we present our theoretical framework on the service-orientation. The case context and methodology of our empirical study are presented in the third section and the results in the fourth section. We finish our paper with a concluding discussion which includes some implications for the development of the industry and for managerial practice.

2. Theoretical background

In this section we first discuss the nature of servitization and why and how firms adopt it as a competitive strategy, and then move on to the adoption of a value-based perspective interpreted in terms of service orientation.

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