



Developing the concept of life-cycle service offering



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ABSTRACT

To extend the previous literature on industrial services, this study develops the concept of the life-cycle service offering by reviewing previous studies and collecting empirical data from seven cases. In particular, the present study develops a framework for life-cycle service offering by synthesizing 11 main categories of services based on an empirical categorization of 1638 services. These categories include administrative services, basic (installed base) services, consulting services, customer services, financial services, maintenance services, operational/outsourcing services, optimization services, research and development services, recycling services, and supply management and warehousing services. The concepts, dimensions and services developed in this study may enable managers of manufacturing firms to better analyze, benchmark, and develop their firms' life-cycle offerings to facilitate value creation and appropriation.

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1. Introduction

In the search for new sources of profits, manufacturers have been shifting from stand-alone products to bundled solutions (Cova & Salle, 2008; Matthyssens & Vandenbempt, 2008; Sawhney, 2006). During this transition, known as servitization (Vandermerwe & Rada, 1988), the strategies applied by companies can be pooled into two groups (Windahl & Lakemond, 2010). In the first group, servitization is described as a step-by-step pathway on a products-to-services continuum in which manufacturers provide extended service portfolios for their installed bases throughout their operative lives (Kumar & Kumar, 2004; Oliva & Kallenberg, 2003; Stremersch, Wuyts, & Frambach, 2001). In the second group, servitization is conceived of as an extensive strategic change in which customized life-cycle solutions are offered (Davies, 2004; Penttinen & Palmer, 2007; Windahl, Andersson, Berggren, & Nehler, 2004). By following either strategy, manufacturers are redefining their service offerings, which have been defined as the manner in which a manufacturer emphasizes the sales and marketing of industrial services (Homburg, Fassnacht, & Guenther, 2003). As part of servitization, companies must strengthen their service emphasis and add services to their core product offerings (Raddats, Burton, & Ashman, 2015) to align product-based service offerings with customers' operational activities throughout the product life cycle (Raddats, 2011). In this manner, manufacturers can capture long-term revenue streams,

and secure economies of scale by standardizing service operations (Evans, 2007; Ulaga & Reinartz, 2011).

Servitization research has grown significantly in recent decades (Lightfoot, Baines, & Smart, 2013). Since Vandermerwe and Rada (1988), studies from many related but frequently detached research communities (e.g., product-service systems, service management, service marketing, service science, operations management, and service engineering) have used classifications to map the transformation of industrial firms' service offerings. Whereas previous studies suggest the need for adopting a life-cycle perspective, they frequently downplay time when classifying industrial service offerings. Moreover, with few exceptions (see Artto, Wikström, Hellström, & Kujala, 2008; Raddats, 2011), researchers typically offer only a few examples to illustrate service offerings without describing in detail the services those offerings include at each stage of the life cycle. In addition, the multidisciplinary theoretical base has caused confusion due to the overlapping concepts and mixed terminology used in diverse research communities (Sakao, Sandström, & Matzen, 2009; Windahl & Lakemond, 2010). Therefore, there is a need to stress the role of the time dimension in service classifications while accurately specifying both the concept of life-cycle service offering and the type of services that manufacturers typically include in these offerings.

To advance our understanding, the present study aims to clarify the meaning and role of the life-cycle service offering by answering two complementary research questions. First, how does previous research conceptualize life-cycle service offerings and under what main definitional dimensions? In addition, from a practical standpoint, what types of services do life-cycle service offerings typically include in the context of industrial manufacturers? We address these questions

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by combining a systematic literature review that supports the abstraction of the concept with a multiple-case study that complements the conceptual discussion and identifies the main services that manufacturers include in their life-cycle offerings. Our research contributes to the industrial service literature (Baines, Lightfoot, Benedettini, & Kay, 2009; Boehm & Thomas, 2013; Lightfoot et al., 2013) by identifying and discussing the main dimensions of a life-cycle service offering and by classifying the different types of services that are included in the service offerings of leading industrial cases. Based on the interplay between the systematic literature review and our vast empirical data, this article provides a framework for the development of life-cycle service offerings. This framework facilitates future conceptual advances and enables managers of manufacturing firms to integrate services into product life cycles (Windahl & Lakemond, 2010).

2. Industrial service businesses and the concept of the life-cycle service offering

Servitization can involve different strategies and business models for a variety of customer segments (and needs). In practice, a given service strategy commonly requires the development of a particular service offering, which consists of different types of services (Gebauer, Paiola, & Edvardsson, 2010). According to Homburg et al. (2003), a service offering is defined as an emphasis on the sales and marketing of industrial services. Servitization can result in an extension of service portfolios to support an expanding installed base of products throughout the life cycle (Oliva & Kallenberg, 2003; Potts, 1988; Ulaga & Reinartz, 2011; Wise & Baumgartner, 1999) and/or in a gradual migration from services that support products to services that support customers' processes (Mathieu, 2001a). Although industrial service offerings are typically product related and focus on the installed base, they increasingly

include services-as-products (Mathieu, 2001b; Oliva & Kallenberg, 2003; Windahl & Lakemond, 2010). Researchers have observed a shift in service offerings from basic to more complex service offerings (Nordin, 2004; Oliva & Kallenberg, 2003; Penttinen & Palmer, 2007), which can include advanced services for different stages in the product's life-cycle and different types of long-term solutions (Davies, 2004; Nordin & Kowalkowski, 2010; Windahl & Lakemond, 2010).

Using a variety of analytical dimensions, scholars originally focused on categorizing types of services (Jacob & Ulaga, 2008). Fig. 1 presents the primary dimensions previously adopted when classifying service offerings. A well-known example is Mathieu's (2001a) differentiation between services that support a product and services that support customers' processes, an approach subsequently extended by other scholars (Antioco, Moenaert, Lindgreen, & Wetzels, 2008; Cova, Döntenwill, & Salle, 2000). Similarly, Oliva and Kallenberg (2003) distinguish between product- and process-oriented services and between transactional and relational services. Other researchers have completely or partially adopted this model (Kujala, Arto, Aaltonen, & Turkulainen, 2010; Nordin, 2004; Penttinen & Palmer, 2007; Windahl & Lakemond, 2010). However, there are also alternative dimensions for classification purposes, including the value proposition (Ulaga & Reinartz, 2011), level of customization (Mathieu, 2001b; Nordin, 2004), and relational intensity (Mathieu, 2001a; Nordin, 2004; Oliva & Kallenberg, 2003; Ulaga & Reinartz, 2011). Two additional dimensions are introduced by Windahl and Lakemond (2010), who distinguish between customer- and supplier-owned equipment, and by Kowalkowski, Brehmer, and Kindström (2009), who distinguish between bundled and unbundled services. Although studies from different research communities recognize, explicitly or implicitly, the importance of the time dimension, this dimension is frequently neglected, and the concept of the life-cycle offering has not been sufficiently analyzed in previous research.

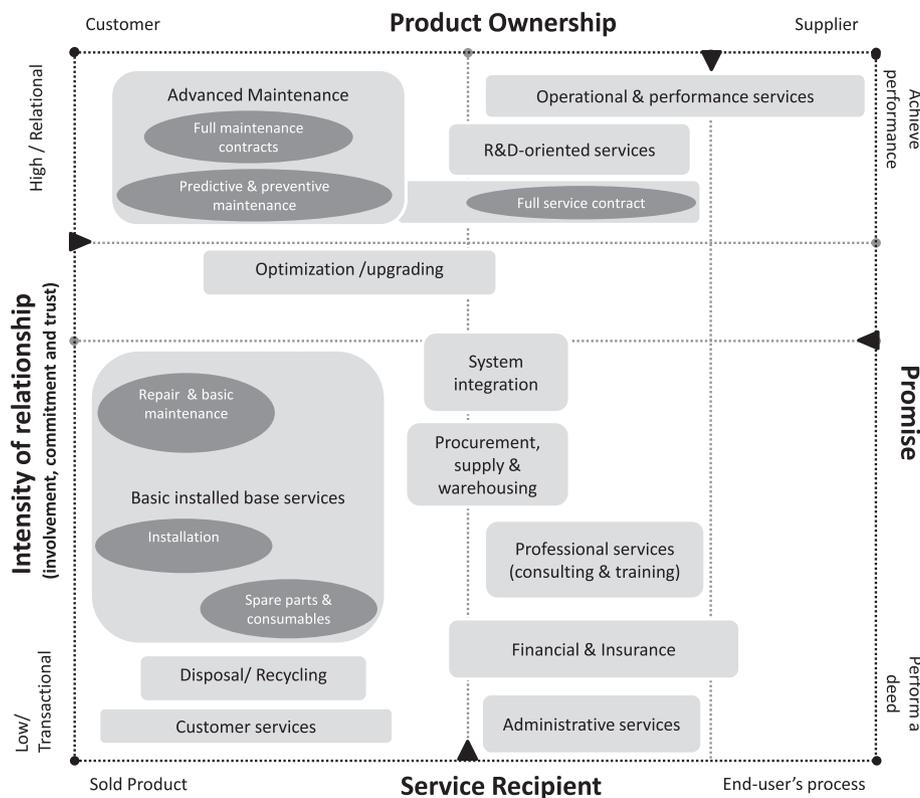


Fig. 1. Main dimensions and types of industrial services identified in the previous literature. Source: Authors' own elaboration based on the literature review.

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