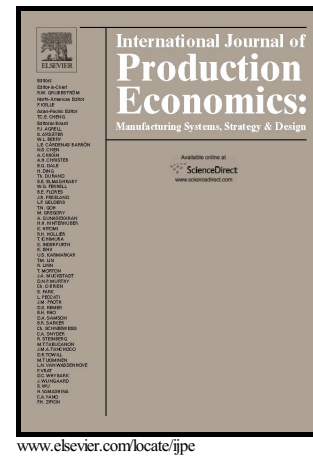


# What Brings the Value to Outcome-based Contract Providers? Value Drivers in Outcome Business Models

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## What Brings the Value to Outcome-based Contract Providers? Value Drivers in Outcome Business Models

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### ABSTRACT

Outcome-based contracts (OBCs) are frequently seen as the most advanced level of service offering that product firms offer. To deliver OBCs, product firms have to shift from the traditional product business model (PBM) to adopting an outcome business model (OBM). This constitutes a major change that rearranges their activity system and therefore profoundly changes their value-creation process. The literature tells us little about what this change entails and **the key value drivers that OBC providers focus on as they adopt outcome business models**. To tackle this topic, we study four global capital equipment manufacturers that recently started to offer highly advanced forms of OBC: Bombardier, Caterpillar, Hitachi and Rolls Royce. We learn that, apart from recognized value drivers, such as efficiency, novelty, lock-in and complementarity, OBC providers draw value from what we have labelled **accountability value**. Second, the value drivers are more diverse in OBMs than in traditional PBMs. Third, while in PBMs there is a trade-off between value drivers, in OBMs value drivers are mutually reinforcing, as they create a synergistic interplay. At the same time, however, firms are exposed to some sources of value loss as they start providing OBCs and shift to OBMs. We contribute to the literature by connecting the OBM literature with the

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