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Servitization and deservitization: Overview, concepts, and definitions

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ABSTRACT

The topic of servitization has generated a considerable body of research and many conferences, as well as industry engagement. Yet, despite the extensive literature associated with this now-mature discipline, there is no broad-based consensus on the core concepts and definitions deployed by servitization scholars, and both terminology and usage often seem ambiguous. This paper examines challenges related to service growth strategies, as well as strategies involving deservitization or a retreat from service offerings. Showing that these strategies have been pursued for more than fifty years, clarification is sought here by framing the corresponding processes and proposing definitions for four core terms: *servitization*, *service infusion*, *deservitization* and *service dilution*. It becomes clear that in focusing on the organizational change entailed by these processes, future research must elucidate “softer” issues such as leadership and business logic.

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1. Introduction

There is increasing interest in servitization as a theoretical construct, empirical phenomenon, and research domain. Early phenomenological studies such as Vandermerwe and Rada (1988) reported that firms were adding service to their offering as a means of increasing competitiveness, turnover, and market power. They discussed the evolving process of servitization, from a point where firms considered their offering in terms of “goods or services,” through “goods and services,” to the marketing of bundles of “goods + services + support + knowledge + self-service.”

Yet, despite rapidly growing research interest and output from both academia and business, several research questions remain unanswered (Eloranta & Turunen, 2015; Kamp & Parry, in this issue; Kowalkowski, Gebauer, & Oliva, in this issue). Across industries, there is evidence that firms may have overextended themselves in moving toward service, and some are withdrawing from certain service initiatives—a process we refer to as *deservitization*. A case in point is Xerox, often cited as an example of a product firm that has successfully pursued a service growth strategy. In 2013, chairman and CEO Ursula Burns told investors that the “shift to a services-led growth portfolio is paying off” (Raval,

2014). Less than three years later, the company decided to separate its service business, creating the independent firm Conduent as a vehicle for their service-centric business process outsourcing offerings while retaining hardware-centric operations such as high-end color and customized printing under the Xerox brand. To date, theory has not addressed the question of why such changes occur.

Against this background, the two sections of this special issue of *Industrial Marketing Management* explore topics of interest in contemporary servitization research. To begin, this article characterizes servitization as a mature field of research with a growing community of followers, referencing the dedicated publications, conference tracks, and conferences devoted to the subject. Following a brief review of servitization and deservitization initiatives among the paradigmatic practices of product-based firms, we examine the dynamics of strategies and processes of service extension and service reduction and go on to define and explain the interrelationship between four key process concepts: servitization; service infusion; deservitization; and service dilution. The final section discusses how we can advance our understanding of this domain by investigating “soft” aspects of servitization—the people management aspects of service growth that prior research has tended to neglect.

From a theoretical perspective, the process of servitization can be framed in multiple ways. This special issue is divided into two sections, each corresponding to a specific call for papers. In both cases, we invited manuscripts that would offer an original perspective, advanced thinking, and scientific rigor. In total, 31 authors from a range of business

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and management disciplines have contributed; many are leading scholars in the field. Additionally, in the final contribution here, IBM Director Jim Spohrer offers a personal reflection on the history of IBM from the perspective of service.

The goal of the first section—*Servitization and advanced business services as levers for competitiveness*—is to capture the current state of the field before looking ahead to such future concerns as “smart servitization” in the context of business-to-business relationships and industrial networks. The second section—*Critical perspectives on service growth*—aims to promote and integrate critical research that challenges prevailing assumptions and strengthens the field’s theoretical foundations.

2. Toward an established research domain

Along with acceptance and uptake of servitization as a topic in leading journals, congress cycles, dedicated conferences and special sessions, we examine a number of case examples of firms that have pursued servitization and deservitization initiatives. While the innovative and evolving nature of such initiatives has led to mixed outcomes, the examples and timeline below confirm that servitization (and subsequent deservitization) has been a feature of many sectors and markets for more than 50 years.

2.1. Dedicated journal publications and conferences

This special issue of *Industrial Marketing Management* follows a number of earlier publications dedicated specifically to the analysis of servitization or to broader themes related to services in product companies (e.g., B2B service innovation). Table 1 provides an overview of these special issues, including two forthcoming publications.

The growing interest in servitization as a research topic is also reflected in the increasing number of conference presentations and discussions centering on servitization, service innovation, and product-service system thinking. For example, a first version of [Oliva and Kallenberg's \(2003\)](#) seminal article on the transition from products to

Table 1
Overview of special issues on servitization.

Theme of special issue	Journal	Year
The transition from product to service in business markets: An agenda for academic inquiry	<i>Industrial Marketing Management</i>	2008
Product-service modes of working: Operations management implications	<i>International Journal of Operation and Production Management</i>	2009
Setting a research agenda for service business in manufacturing industries	<i>Journal of Service Management</i>	2010
The Global B2B Challenge	<i>Journal of Business & Industrial Marketing</i>	2011
Service & solution innovation: Overview and research agenda	<i>Industrial Marketing Management</i>	2011
B2B Service Networks	<i>Industrial Marketing Management</i>	2013
Management of Complex Engineering Service Systems	<i>Journal of Service Management</i>	2014
Service Innovation in B2B Firms	<i>Journal of Business & Industrial Marketing Strategic Change</i>	2014
Servitization	<i>Production Planning and Control</i>	2015
Servitization of manufacturing and its implications for operations management	<i>Industrial Marketing Management</i>	This issue
Servitization and Deservitization	<i>Industrial Marketing Management</i>	This issue
Service implementation in manufacturing firms, strategy, economics and practice	<i>International Journal of Production Economics</i>	Forthcoming
Service transformation in industrial companies	<i>International Journal of Production Research</i>	Forthcoming

services was presented at the International Quality in Service Symposium (QUIS), a conference series that has since seen continued growth in servitization-related presentations. Many conferences now offer special tracks and sessions dedicated to deepening the discussion of topics, methods, and the theoretical implications of servitization. EUROMA, QUIS, ServSIG, and Frontiers in Services are among the general conferences currently shaping the domain.

This high level of interest has led to the emergence of a number of special conferences focused primarily on servitization and product-service systems. In the UK, for example, the Aston Business School runs an annual Spring Servitization Conference that brings together practitioners and researchers, and the Cambridge Service Alliance holds an annual event to facilitate discussion between researchers and large multinational companies. The Spanish research community organizes an annual International Conference on Business Servitization, which is academic-led but is also attended by practitioners. Similarly, a number of Germany’s Fraunhofer Institutes organize industry platforms to facilitate service knowledge exchange among companies, and in Italy, a number of universities have come together to organize meetings with industry partners on service management issues (ASAP SMF). Table 2 provides an overview of key conferences.

2.2. Industries and companies

In Fig. 1, the selected examples of product companies embarking on a servitization journey show how companies of different sizes from different sectors and product categories have been exploring service

Table 2
Conferences for research on service growth in product firms.

Conference	Organizer/affiliation/link
International Research Symposium on Service Excellence in Management (QUIS)	Biannual symposium (initiated in 1988)
Frontiers in Service Conference	Annual conference initiated in 1992; sponsored by INFORMS, the American Marketing Association, and the Center for Excellence in Service at the University of Maryland
International Annual EurOMA Conference	Annual conference initiated in 1994 by the European Operations Management Association
ServSIG International Research Conference	Biannual conference (initiated in 2001) organized by the American Marketing Association's Special Interest Group for Services Marketing and Management
ASAP SMF Service Management Forum	Annual Italian conference initiated in 2003 by the After-Sales Advanced Planning (ASAP) consortium
Service Operations Management Forum	Annual workshop initiated in 2008 and supported by EurOMA and EURAM
International Research Symposium in Service Management	Annual conference (initiated in 2010)
Industrial Product-Service Systems Conference (IPSS)	Annual conference initiated in 2009 under the auspices of CIRP (the International Academy for Production Engineering)
Cambridge Service Week	Annual conference initiated in 2010; organized by the Cambridge Service Alliance (founded by BAE Systems, IBM, and the University of Cambridge's Institute for Manufacturing and Judge Business School)
International Conference on Business Servitization	Annual conference in Spain (initiated in 2012)
Spring Servitization Conference	Annual conference initiated in 2013; managed by Aston Business School's Centre for Servitization Research and Practice
Service System Forum	Annual conference initiated in 2015; an initiative of the Warwick Manufacturing Group (University of Warwick)

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