Leaders of product-oriented companies – manufacturers, industrial suppliers, technology firms and other vendors of business goods – are coming to understand and realize the benefits of offering services and solutions to their customers. They see services and solutions as a means to financial growth, reduced revenue variability, greater differentiation from the competition, increased share of customer budget, improved customer satisfaction, loyalty and even lock-in. Yet, few executives grasp the extent to which they must change their organizations in order to dramatically grow services and solutions.

How can companies successfully transform their product-centric business models into model services and solutions businesses? How can they steadily shift their revenues from goods sold to services rendered? How can they drive this transition and overcome the challenges they will face? This book addresses those questions and more.

The authors use their novel services infusion continuum to distinguish types of services and solutions and to explain how companies can infuse ever more complex and valuable benefits into their offerings for customers. The book synthesizes the findings of academic research and business publications, draws upon the authors’ years of consulting work and features the practical experience of managers in the midst of transforming product-centric companies into services and solutions businesses.

Research category: Service Infusion and Growth

Foundational research for the book was sponsored by the Center for Services Leadership at Arizona State University and several of its FORTUNE 100 member companies.


(Valarie A. Zeithaml, Stephen W. Brown, Mary Jo Bitner, Jim Salas)
This article offers an answer to the call for understanding how product manufacturers can move onto a new level of competitive advantage by adopting a service perspective (logic), and for the development of metrics that enhances marketing accountability. The article takes the stance that developing industrial services into a separate business is not enough, but in order to take a quantum leap the whole business should be transformed into a service business. In order to make such a transformation process possible and the outcome of it measurable, the article develops a number of constructs:

- Practice matching (enabling the creation of a foundation of service-based business engagement)
- Mutual value creation and value sharing (enabling the understanding of how mutual gains in the engagement can be created and shared between the parties)
- Joint productivity and joint productivity gain (enabling measurement of incremental value reciprocally created between the parties)

Metrics are developed and tested in a longitudinal empirical study.

Research category: Service Infusion and Growth

* This research has been published in the Journal of Service Management, (21)5:564-590

(CHRISTIAN GRÖNROOS, PEKKA HELLE)
In competitive markets, firms seek new ways to differentiate their business, including an increased focus on service, often referred to as service infusion. Of the studies that seek to understand this phenomenon, most focus on large multinational firms; little is known about service infusion in small and mediumsized enterprises (SMEs). This study adopts an explorative approach to investigate how SMEs construct new value constellations that enable value creation through services. The findings, based on in-depth interviews with key informants from 13 SMEs, suggest that there is no predefined transition process for service infusion in SMEs.

- SMEs seldom have the internal resources to build new organizational units or create new specialties.
- We identify nine generic value constellations that can be used to operationalize different service strategies.
- Many SMEs provide services through multiple value constellations that coexist in the same business network.

Research category: **Service Infusion and Growth**


(CHRISTIAN KOWALKOWSKI, LARS WITELL, ANDERS GUSTAFSSON)
In this study we develop an inexpensive method that helps firms to assess the relative effectiveness of multiple advertising media. Specifically, we use a firm’s loyalty program database to capture media exposure, via an online media survey, for all the media in which they advertise. In turn, the exposure data are matched with the purchase history for these same individuals, thereby creating single-source data. We illustrate our method for a large retailer that undertook a short-term promotional sale by advertising in television, radio, newspaper, magazines, online display ads, sponsored search, social media, catalogs, direct mail and email. In this case, 7 of the 10 media significantly influence purchase outcomes. Finally, we demonstrate how to use our advertising response model to determine the optimal budget allocation across each advertising media channel.
A new trend seems to be emerging for multinational manufacturing companies to make a strategic reorientation into becoming service providers. For some companies such as Kone and IBM, the revenues from services are 50% or more of their total sales. Despite the increasing interest in exploring various aspects of the service part of the business in manufacturing companies, existing research has not focused on the interdependencies between different service strategies and organizational designs. This paper studies different service strategies in manufacturing companies and highlights the organizational design necessary for implementing each service strategy. The service strategies explored are after-sales service providers, customer support service providers, outsourcing partners and development partners. Each service strategy is supported by organizational design factors related to the service orientation of corporate culture, the service orientation of human resource management and the service orientation of organizational structures. This research concludes that a specific strategy-structure configuration is needed in order to succeed with a chosen service strategy.
RETURN ON RELATIONSHIPS: CONCEPTUAL UNDERSTANDING AND MEASUREMENT OF MUTUAL GAINS FROM RELATIONAL BUSINESS ENGAGEMENTS

Christian Grönroos, Hanken School of Economics Finland
Pekka Helle, Hanken School of Economics Finland

Relationship is based on the idea of creating a win-win situation for parties involved in a business relationship. The purpose of this project is to develop a model of mutual value creation and reciprocal return on relationships assessment which enables calculation of joint and separate gains from a relational business engagement. The empirical part is based on a longitudinal empirical study including several empirical cases.

Following a practice matching process, resulting in mutual innovation and aligning of their processes, resources and competencies, the parties in a business engagement make investments in the relationship. This enables the creation of joint productivity gains. Valuation of joint productivity gains produces an incremental value, which can be shared between the parties through a price mechanism.

Based on this shared value and costs of investments in the relationship, a reciprocal return on the relationship can be assessed and split between the business parties. Thus, the financial outcome of the development of customer relationships as well as an assessment of the return on relationships with customers/suppliers can be established. This forms a basis of further development of marketing metrics and financial contribution of marketing, and of developing financial measures of intangible assets called for by the finance and investor communities.

Research category: Service Infusion and Growth

(CHRISTIAN GRÖNROOS, PEKKA HELLE)
SALES ORGANIZATION RECOVERY MANAGEMENT AND RELATIONSHIP SELLING: A CONCEPTUAL MODEL AND EMPIRICAL TEST

Gabriel R. Gonzalez, Thunderbrid School of Global Management
K. Douglas Hoffman, Colorado State University
Thomas N. Ingram, Colorado State University
Raymond W. LaForge, University of Louisville

This paper presents and tests a model of recovery management practices in business-to-business (B2B) sales organizations. The linkages between organic and mechanistic approaches are integrated to provide a more comprehensive conceptualization of sales organization recovery management relationships than currently exists in the literature. Responses from 177 B2B sales managers indicate that maintaining a positive service recovery culture, analyzing service failures, implementing recovery strategies, and monitoring, evaluating, and seeking feedback about recovery efforts are linked with important customer and financial outcomes. Results indicate the importance of proactive integration of service recovery concepts and behaviors into relationship selling efforts.

Research category: Service Infusion and Growth, Service Culture, Service Design


(GABRIEL GONZALEZ, K. DOUGLAS HOFFMAN, THOMAS INGRAM, RAYMOND LAFORGE)
This paper examines the relationship among the complexity of customer needs, customer centricity, innovativeness, service differentiation, and business performance within the context of companies’ transitions from being product providers to being service providers. The basis for the empirical investigation is a survey of 332 manufacturing companies. One key finding of the study is that a strong emphasis on service differentiation can lead to a manufacturing firm’s strategies for customer centricity being less sensitive to increasingly complex customer needs, and can increase a firm's payoff for customer centricity. In contrast, the payoff from innovativeness appears to be higher if the firm focuses its resources on either product or service innovations, that is, a dual focus does not work well. This finding illustrates the interrelation among customer centricity, innovativeness and service differentiation as a company transitions from being a product provider to a service provider, and therefore has important implications for both managers and researchers.
Competing through service is no longer limited to service companies. Manufacturing companies are also beginning to realize the strategic importance of service in gaining a competitive advantage. The paper contains guidelines for manufacturing managers interested in the evolution from products to services in different industries. It can also be used as a relevant source of ideas and guidance for all those interested in doing research in services strategies in manufacturing.
This article integrates relationship marketing and social network perspectives to develop and test a model that links the informational and cooperative benefits stemming from relationship managers' social capital structure (brokerage and density) and relations (formal and informal networks) with objective sales performance. The authors demonstrate the effect of cross-network and overlap-network synergies on performance. Data about both formal and informal networks of 464 employees, including 101 relationship managers, demonstrate that relationship managers' performance improves with cross-network synergy when informational benefits from wide-reaching, non-overlapping ties in the informal network combine with the cooperative benefits of a densely interconnected formal network. In addition, the effects of formal and informal social capital structure on performance increase significantly when relationship managers have a high degree of network overlap between their formal and informal networks.

Research category: Service Infusion and Growth, Service Branding and Selling

Gabriel R. Gonzalez, Danny Pimentel Claro, and Robert W. Palmatier (in press) “Synergistic Effects of Relationship Managers' Social Networks on Sales Performance,” Journal of Marketing
Little research attention has been devoted to the impact of salesperson failure and recovery management on customer relationship development. This paper develops a theoretically anchored and externally validated sales recovery audit for the purpose of assessing sales organization performance in these matters. Results based on a survey of 177 sales managers indicate that practice of sales recovery efforts lag behind their perceived importance as they relate to organizational success. The sales recovery audit presented here can be a useful tool to continuously evaluate and enhance sales recovery efforts for the purpose of building a stronger relationship selling organization.

Research category: **Service Infusion and Growth, Service Culture, Service Design**


*(Gabriel Gonzalez, Douglas Hoffman, Thomas Ingram)*
This study investigates the trusted advisor in the context of relationships that form between salespeople and inter-firm relationship partners. Fieldwork indicates that salespeople who evolve their role to that of a trusted advisor provide inter-firm relationship partners with information that is characterized on seven dimensions, and they form and activate a decision support network that is described on four dimensions. Findings also highlight the reciprocal process-related way that a trusted advisor–partner relationship forms, how a trusted advisor contributes to the process of value creation for the firm and the customer, and the conditions in which the service activities of a trusted advisor are needed.

Research category: Service Infusion and Growth, Service Design


(Wayne Neu, Gabriel Gonzalez, Michael Pass)
Our research examines the question: What do executives of product-dominant companies need to do strategically inside their organizations to successfully grow services? Through a review of existing literature, combined with interviews with executives from five leading product-dominant companies, we develop what we call The Service Infusion Continuum that provides a strategic framework to guide executives in making the transformational changes needed to grow services. The continuum arrays services ranging from traditional entitlement services, or services supporting products, to the higher value, complex services and solutions supporting customers. As firms strive to successfully move across the continuum, we identify and examine six factors that they must change. We refer to these factors as the 6C’s – customization, capabilities, company structure, culture, collaboration with customers and challenges. We provide managerial insights for managers who seek to infuse services into their strategies and identify research and practice gaps that remain to be addressed.

Research Category: Service Infusion and Growth

This research was supported by five Fortune 100 Center for Services Leadership member firms. A working paper based on this research is under review at a journal.
Many product dominant firms have started to emphasize the service side of their business in order to establish a relationship with their customers throughout the entire life-cycle of their installed product base. There are several reasons for doing this, from increased profits and an improved competitive position to making a radical change in the way they do business. A change from being a manufacturer or product company to being a service provider can be described as an evolutionary transition from pure goods into a more service-oriented mixture of market offerings. Despite the attractiveness and the pitfalls of moving into services, relatively little guidance is available to help firms make such a transition. This work addresses that gap by examining the factors that differentiate traditional manufacturers and product firms from those that are successfully transitioning into services. This research is based on over 20 case studies, a large survey of European-based companies and the authors’ personal experiences.

Research category: Service Infusion and Growth

* An article based on part of this research appears in the Wall Street Journal, June 22, 2009

(STEPHEN W. BROWN, ANDERS GUSTAFSSON, LARS WITELL)