

SERVICE STRATEGY IN ACTION

A Practical Guide for Growing Your
B2B Service and Solution Business



CHRISTIAN
KOWALKOWSKI
AND WOLFGANG ULAGA

Copyright © 2017 Christian Kowalkowski and Wolfgang Ulaga
All rights reserved.

ISBN: 069281910X

ISBN 13: 9780692819104

SERVICE STRATEGY IN ACTION: A PRACTICAL GUIDE FOR GROWING YOUR B2B SERVICE AND SOLUTION BUSINESS

In today's competitive global markets, simply making a great product is not enough. To achieve profitable growth and stand out among competitors, you must start to strategically compete through service and innovative solutions for business customers.

Professors **Christian Kowalkowski** and **Wolfgang Ulaga** show you how to shift your business from a goods-centric model to a service-savvy one—and grow your company in today's extremely competitive environment. Their **proprietary twelve-step roadmap to profitable service growth** will help you break out of a narrow product-centric logic and discover how to

- determine if your company is “fit-for-service,”
- make the most of your existing services,
- innovate and create value-added services & customer solutions beyond your products
- embed a true service-centric culture in your organization,
- drive change and align your service strategy with corporate goals,
- transform your product-centric sales force into a service-savvy sales organization,
- design an organizational structure that promotes service growth, and
- align your interests with distributors and partners.

Christian Kowalkowski is Associate Professor of Industrial Marketing at Linköping University in Sweden and Hanken School of Economics in Finland. Wolfgang Ulaga is the AT&T Professor of Services Leadership and serves as the Co-Executive Director of the Center for Services Leadership at Arizona State University's W. P. Carey School of Business.

Kowalkowski and Ulaga's twelve-step roadmap is based on rigorous research and long-standing experience. They have worked with hundreds of managers in industrial and professional services companies, conducted multiple research projects, led practitioner workshops, and published numerous articles in scientific and managerial journals, including *Harvard Business Review* and *Journal of Marketing*. Here, they share not only their own insights but the lessons learned from successful case studies and years of extensive research.

For more information, visit <http://ServiceStrategyInAction.com>

SUMMARY

These are times of fast transformation and change. With growing digital disruption across industries, the emergence of new business models, Industry 4.0, IoT-based services, and the mounting pressure to deliver better business outcomes for customers, much has been written about *what* servitization of industries means and *why* firms need to move into the service space. Yet, in times where increasingly ‘everything’ is considered as a service, decision-makers still need to understand *how* to master this profound transformation and decide which concrete actions they must take to carry out this change.

With this book, we fill the gap of long needed practical guidelines for navigating the transition from a product-centric to a service- and solution-savvy business model. To achieve profitable growth and stand out among competitors in today’s global markets, it is no longer enough to simply make great (service) products. Companies must start to think more strategically about service, determine how to compete through innovative services and solutions, and create more value for (and with!) customers if they want to deliver business outcomes that truly matter.

We wrote this book for senior executives and experienced managers in industrial companies and professional services organizations, who want to design and implement a service-growth strategy that will deliver results. We adopt a unique perspective by blending managerial relevance with academic rigor to take you on a hands-on twelve-step journey to profitable service growth. We share the concepts and frameworks that we developed based on sound research and many years of experience working with hundreds of managers in industrial and professional services companies. Our proprietary road map will help you break out of a narrow product-centric logic and discover how to determine if your company is “fit-for-service,” make the most of your existing services, innovate and create value-added services and solutions beyond your products, embed a true service-centric culture in your organization, drive change and align your service strategy with corporate goals, transform your product-centric sales force into a service-savvy sales organization, design an organizational structure that promotes service growth, and align your interests with distributors and partners.

When service-growth strategies work, the payoffs are impressive, and firms often discover that their new activities make more money than products. But for every success story, numerous cautionary tales remind us that this move involves more than a few cosmetic adjustments. Without giving this strategic initiative serious thought, and without methodologically managing the change process, our research has found that the transition is doomed to fail and companies struggle to turn a profit from their service growth initiative.

Roadmap for Service Growth

Our intention in this book is to provide decision makers in product firms with the tools they need to craft a competitive service strategy and put it into practice. Readers can employ our proprietary twelve-step road map and use methods and frameworks for each step in their own firms to navigate the transformation into service.



The Roadmap for Service Strategy in Action

The first part of the book tackles the very foundations of a service business: why to move into services and how to understand services and a service culture. The second part deals with strategic issues: how to craft an overall service strategy, how to determine if the firm is ready for service transformation, and how to lead the change. Then we discuss how to come to grips with implementation: how to manage the service portfolio, develop new services, and build the service factory. Finally, we show how to build the structure needed: transforming the sales force, integrating service into the organization, and aligning with channel partners. More specifically, each chapter deals with the following issues:

In chapter 1, we explain why service is such a powerful growth engine for companies regardless of industry sector and market. We discuss the underlying drivers for service transformation and show the most important internal and external motivations that every company needs to consider.

In chapter 2, we define more precisely what we mean by “service” and discuss fundamental characteristics that make service strategies hard to implement for many product firms. Recognizing that services are heterogeneous activities, we provide a classification framework for business services. This allows for a more thorough understanding of the growth opportunities at hand and how firms can combine products and services in intelligent ways—what we refer to as hybrid offerings.

Chapter 3 addresses how a service culture deviates from a manufacturing mind-set. We examine the role of service on a companywide level and provide a framework for stakeholder mapping. Finally, we present the seven deadly sins of service-myopic firms and discuss how to avoid them.

Chapter 4 focuses on how to craft the service strategy. It begins with scrutinizing common arguments against service-led growth. We then discuss how to redefine the mission of the company, addressing questions like these: Is your DNA goods-centric or service-centric? How do you determine the right market position? How do you manage the commodity magnet?

Chapter 5 reveals unique resources and distinctive capabilities needed and provides a diagnostic-tool framework for determining whether your firm is fit for service. While manufacturers frequently struggle to compete with pure-service players, they can be in a unique position to grow revenues through hybrid offerings if they learn how to leverage resources and build capabilities for service growth.

Chapter 6 presents a change management framework and discusses visionary leadership, top managers’ roles as change agents, and how to manage internal resistance to change. Building on the established eight-step process for leading change, we discuss how firms can manage the service transformation.

Chapter 7 shows how to build the service portfolio, how to get more mileage out of existing services, and how to move from free to fee. It also reviews the pricing options managers have at hand and presents a framework to guide the crafting of compelling value propositions.

Chapter 8 discusses how to institutionalize service innovation. First, we show how service innovation differs from conventional product innovation and what this means for product-centric firms. Then we explore how to identify new service opportunities and provide managers with a service innovation framework.

Chapter 9 demonstrates how to build the service factory—that is, how to industrialize the implementation of service, how to manage the specificities of service, and how to address service productivity challenges. We also show how to work with the service blueprinting method, which can be used both strategically and at an operational level.

Chapter 10 reveals how to build a service-savvy sales force—the skills needed, the necessary steps to take, and the implications for the sales organization. Businesses must foster personality traits in favor of service and understand how to implement service strategy at sales force level.

Chapter 11 provides fundamental guiding principles for how to integrate services in the organization, including the relationship between product and service units and central and local ones. Recognizing that different organizational structures have their distinct pros and cons, we discuss how businesses should organize to accomplish service growth and control.

Chapter 12 provides a structure and strategy framework for aligning with channel partners and accessing the feasibility of the current channel structure arrangement. It provides guidance for how to define a dealer strategy and discusses how to manage value constellations in complex business networks.

The proprietary twelve-step road map we present in this book provides a unifying framework—supported by best practices from a variety of businesses, industries, and countries—for how to navigate the transition from a goods-centric to a service-savvy business model. At the end of each chapter, we provide a set of questions that allow you to think through how your company is positioned on the road map for service growth.

While we hope that our book proves helpful and thought-provoking, we do not expect that it will provide a final answer to all challenges on your journey to profiting from service growth. We are sincerely interested in your comments and reactions and hope that our book will initiate a fruitful dialogue among our community on this topic we all are so passionate about. Please share your ideas on www.ServiceStrategyInAction.com or follow us on Twitter on @Serv_Strat to continue the conversation with your peers and with us. May we *cocreate* the journey of profiting from service growth together!

Christian Kowalkowski and Wolfgang Ulaga

TESTIMONIALS

“Service Strategy in Action is THE perfect reference for any executive when considering the big step into Services. The book provides a well-defined process for achieving differentiation and growth through service offerings beyond the product sale.”

Marie-France Crevecoeur, Vice President General Manager, Service, Business Group Professional, Philips Lighting

“To all leaders facing the challenge of moving from a product-centric focus to becoming a service provider with the intention of delivering true customer value: Read this book!”

Anders Ekblad, Director Volvo Group Strategy

“Service business has great potential for many companies and this book provides a clear roadmap of how to unlock the potential of service growth. Providing not only quality products but also value-added service to our customers helps us to build long-term relationships.”

Matthias Fischer, President and CEO, Toyota Material Handling Europe

“Service can bring deep customer insights, which is indispensable for tailoring added-value solutions, particularly as digitization is redefining the current service model. Service Strategy in Action covers essential steps towards developing service and expanding business models successfully.”

Oliver Riemenschneider, Group Senior Vice President, Head of Business Unit Turbocharging, ABB

“As a world leader in premium tubal solutions, we are leveraging our unique field expertise and high-value, data-enabled services. We use extensively the Service Strategy in Action framework and the authors’ thought leadership in order to constantly create more value for our customers and develop disruptive business models.”

Jean-Marc Scemama, Vice-President Corporate Marketing, Vallourec

“There will be that day when your industrial organization will have decided on its IoT devices, when big data will stream through big platforms and great capabilities will provide big opportunities to create unheard customer value. That day (and hopefully earlier) somebody will need to capture said value and organizational focus should shift from technologies to servitization strategies. Valuable advice is rare for transactional product marketers needing to embrace continuous services. ... if you're in B2B solution marketing then this needs to be in your library.”

Holger Pietzsch, Head of Marketing & Solutions Deployment, Caterpillar

“Service Strategy in Action will help you unlock hidden profit potential, for both you and your customers, by changing the way you think and act about your products and expertise. No longer is it about delivering a product that meets the customers’ expectations, it’s about delivering a product and adding services to help the customer realize all the value that your offering can bring. Companies must move past selling basic must-have after-sales services, such as replacement parts and access to technical support. Advanced companies add value to customers top- and bottom-line through innovative services and customer solutions. If your company needs to re-think the value you can offer through value-added services and new service business models, then this is the book you need to read for implementing the authors’ twelve-step roadmap to service growth and profits.”

Todd C. Snelgrove, Vice President Marketing, ABB

“Overall this is the best book on business services I have ever seen and one that every manager involved with development and delivery of business services should read.”

Dr. Peter J. LaPlaca, Emeritus, University of Connecticut