WINNING THE SERVICE MARKET WHEN THE CORE PRODUCT TECHNOLOGIES ARE CHANGING

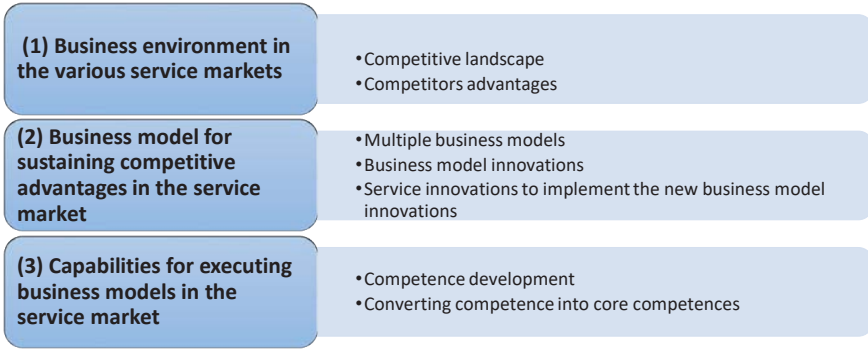
Besma Glaa 1, Heiko Gebauer 2 & Lars Witell 3

RESEARCH MOTIVATION

The service market has become an increasingly important source of revenue and profit pool. But product technology shifts (e.g. combustion to hybrid and, finally, to electric engines), autonomous driving function and digitization are changing this service market logic. While the service market for combustion engines benefits from high product complexity and intensive usage, electric engines are much less complex and have less mechanical wearing. Electric engines create less traditional business opportunities in the service market. However, in combination with new digital technologies and autonomous driving services, electric engines might open-up new types of business opportunities.

Certainly, aftersales support is both the longest part of a product's life and the enduring source of revenues to sellers. Aircraft manufacturers, for instance, can gain extra revenues for as long as 25 years after a sale. Besides, providing service market support can help companies to gain valuable knowledge about customers needed for acquiring competitive advantage. However, delivering aftersales services is far from easy. The service market becomes more complex when there is technological leap in the core product technologies. Despite the benefits of service market, few manufacturers comprehend it and the role of manufacturing firms in shaping the service market for different core product technologies remains often neglected. In this context, it becomes interesting to investigate how to win the service market for different product technologies. To secure the future service market as a profit pool, companies have to manage the shifts in product technology successfully. To do so, companies need to understand the following themes (See figure 1):

Figure 1: The elements needed to secure the future of service market



This paper is based on the insights gained from an ongoing research project in collaboration with manufacturing firms that experience a shift in the core product technology. These firms include a gearbox manufacturer, microscopy device manufacturer, wind turbine manufacturer, and a commercial vehicle manufacturer. We follow a typical case study approach. For each case study, we collected data through series of workshops and interviews. The findings of the current study will be achieved in three steps. The first step used workshop series to describe the service market logic for the different product technologies. The aim of this step is to develop and visualize future scenarios for

the different technologies and identify synergies and cannibalization between the physical and digital world and between product technologies and services. The second step is to conduct series of in-depth interviews to describe necessary capabilities, development of new capabilities (creating new capabilities, transforming and eliminating existing capabilities) and important capability gaps for future scenarios in the service market. The third step aims to to consolidate the findings through series of workshops and interviews and finding out ways of aligning the service market for different core product technologies.

CONTRIBUTION TO THEORY AND PRACTICE

Servitization basically describes the shift in the business logic from products to basic, and, finally, advanced services. The servitization literature assumes that the core product technology is stable, but neglects situations, in which it is changing. A typical illustration of such core product technology change is the shift from combustion to electric engines and normal to autonomous self-driving vehicles in the automotive industry, optical to digital microscopy devices, or, onshore to offshore wind turbines. Such technology shifts re-shape existing service markets and require modifications in the service capabilities. The aim of this study is to address this gap in the service literature by investigating how the service market is affected by a shift in the core product technology.
Besides, this study has a clear contribution to practitioner by finding out how to win the service market for different core product technologies, secure the future service market as a profit pool and to determine the role of manufacturing firms in the service market during a technological shift in the core product technology. Therefore, we propose to explore this subject by an empirical study of a selection of manufacturing firms to investigate the following research questions:
- How should the service market look like for different product technologies? What are the similarities and differences for the service market for different technologies?
- What are the synergies between these three technologies and cannibalization effects of the new technologies?
- What are the resources needed to win the service market for different core product technologies?
- How should the business model look like for the three product technologies (diesel, hybrid, and electric engines)?
- How should digitization be combined with different core product technologies to win the service market?
- How should autonomous driving function be combined with different core product technologies to win the service market?

KEY DISCUSSION POINTS

- The change of the core product technology is an essential factor to consider in the transition from products to services.
- To win the service market, there is a need to understand the effect of the technological shift on the transition from products to services and how various technologies change the service market logic.
- The importance of finding out ways of aligning the service market for different core product technologies.

AUTHOR CONTACT DETAILS

Besma Glaa, Assistant Professor of Business Administration at Service Research Center (CTF), Karlstad University and at Linköping University, Sweden (besma.glaa@liu.se).
Heiko Gebauer, Professor of Business Administration at University of St.Gallen, Switzerland and Fraunhofer IMW, Germany. Guest Professor at Linköping University (heiko.gebauer@liu.se).
Lars Witell, Professor of Business Administration at Service Research Center (CTF), Karlstad University and at Linköping University, Sweden (lars.witell@kau.se).