



Photo: Ikea

The servitization journey has just begun

Servitize or die, more and more people are saying. In a world of increasing competition, loyal and long-term customer relations are created when services are integrated with existing products. Differentiation, survival and profitability are made possible – and the help of a service designer makes it all easier.

By **Susanne Helgeson**

A WORD THAT IS BEING HEARD MORE AND MORE in every sphere of activity from manufacturing to retailing, marketing and service provision is servitization. The term is attributed to researchers Sandra Vandermerwe and Juan Rada, who in 1988 published the article “Servitization of Business: Adding Value by Adding Services” in the *European Management Journal*. In its broadest sense, servitization is about “an increased range of customized offerings that combine goods, services, support, self-service and knowledge in order to increase the value of the core product.”

Ultimately at stake are companies’ survival, profitability and brand building. As competition gets tougher in today’s global markets, especially in uncertain times when consumers prefer to postpone making major purchases, it is scarcely enough to

have just one quality product. To ensure growth, stand out better from all the competition, and create loyal, long-term customer relations, more and more companies are adding services to their existing products in order to create integrated solutions based on customer needs. Some examples: Swedish furniture maker Kinnarps is renting out furniture, Ikea is helping to design and install kitchens, and BMW is launching an app to enable car owners to rent out their cars to other people in a kind of private car pool. Sometimes the service is closely linked to the core product, like when Procter & Gamble launched a dry cleaning chain with the same name as its best-known laundry detergent – Tide. Sometimes the service is more remote; one example is the UK grocery chain Tesco offering everything from travel experiences and mobile telephony to banking and insurance services.

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A method for profitable service development

Two specialists in servitization are researcher and Associate Professor of Industrial Marketing Christian Kowalkowski at Linköping University and his colleague, Professor Wolfgang Ulaga of Arizona State University. Together they have recently published the book *Service Strategy in Action: A Practical Guide for Growing Your B2B Service and Solution Business*. In brief, it is a guide to how your company can use a well-explained twelve-step method to move from a product-focused business to a service-focused one – and to the profitable development of services. The book gives guidance on how to best determine if your company is suitable for services, what service strategies to use, how to best create an organisational structure that promotes service development, and how existing services can be exploited and new ones discovered.

“There is huge interest in this field and here at Linköping University we are considered to be among the pioneers of servitization research,” Christian Kowalkowski explains. “I’ve been working full time with this since 2008 and in recent years I’ve noticed that more and more people who work in product development have realised we must work more together with these issues.”

The designer as developer and driver

“The designer’s role is central,” Kowalkowski continues. “Partly it involves developing a broad spectrum of services – both those close to the product and ones that are farther away – and developing

business models more generally. And partly it’s about driving an internal process of change while having a customer focus, which I believe designers are good at doing. A designer can support both the commercialisation and the industrialisation of services by applying design-oriented methods. Often a cross-functional approach is needed, which requires that colleagues and partners from various units have both the knowledge and the willingness to work towards the same goal. In addition, nowadays servitization and digitalisation often go hand in hand, but unfortunately this means that many companies are tempted to start too much from what is technically possible instead of first understanding the customer in depth.”



Christian Kowalkowski, Associate Professor of Industrial Marketing at Linköping University.

Photo: Thor Balkhed

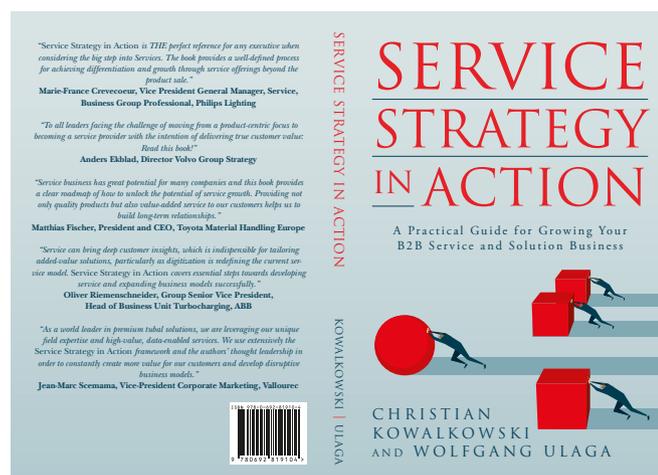
Less cyclically sensitive

One of the reasons for writing the book was that its authors noticed that research generally has difficulty reaching a wider audience. The book compiles the results of a large number of scientific articles, based on many years of studying many different companies’ servitization experiences.

“The central question – whether to sell products or services, or products and services – affects so many companies,” Kowalkowski explains. “That’s why we decided to write a book for decision makers, business developers and consultants in many different industries.

“More and more people have already realised that the ever-stiffer competition is making it harder to get paid for product quality, while at the same time customers are demanding that suppliers assume greater responsibility for maintenance. In addition, services are far less cyclically sensitive, which is a big advantage. A car owner might postpone buying a new car but will then need more service on the old one.”

The authors also point to the challenges of servitization – for example, the whole brand suffers if the services do not work. But having a service designer on staff minimises that risk. ■



Cover of Christian Kowalkowski and Wolfgang Ulaga's book.