

# ***Selling Industrial Services – How to Achieve Industrial Service Excellence?***

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## **ABSTRACT**

An increasing number of manufacturing companies are offering services to generate more revenue and profit. However, selling services often requires a different selling approach and different skills of the sales representatives. Based upon a systematic literature review this paper analyzes whether there is a need to be attentive to further aspects in the selling of services. Finally, twelve different aspects affecting the selling of services in manufacturing companies were identified. These aspects are the foundation of a multifaceted construct called Industrial Service Excellence, which can serve as the basis for future empirical research.

To give companies guidance on how to achieve Industrial Service Excellence, our research identified important aspects as well as practical paths to excellence from the literature. Industrial Service Excellence means that the services are developed, produced and sold in an effective, efficient, flexible and profitable way and that finally customers are highly satisfied with the services offered. Every aspect of the organization is important in order to be able to achieve Industrial Service Excellence. The taxonomy shows that it is important to broaden the view and not only to focus on the sales aspect. Industrial Service Excellence means more than changing the sales approach and the sales personnel. As 'sales force capabilities and selling approach' is only one of the twelve aspects found in the literature, it is clear that changes in the sales department are important but alone not sufficient to achieve Industrial Service Excellence and the successful selling of industrial services. However, the paper points out the major considerations for sales which may support the achievement of Industrial Service Excellence. Therefore, in-depth interviews with 26 companies serving as successful examples in one or more aspects of Industrial Service Excellence in Austria and Bavaria were conducted to identify relevant excellence factors and possible development paths towards Industrial Service Excellence in general and in particular in sales.

## **1 INTRODUCTION**

Globalization and decreasing profit margins in manufacturing have forced many manufacturers to find new ways to generate revenue and profits (Wise & Baumgartner, 1999). One possible option is 'servitization', a term coined by Vandermerwe and Rada (1988). Servitization means that manufacturing companies add services to their product range. Baines et al. (2017) show that there has been an intense debate about this topic in the last few years, including the transformation from products to services (Oliva & Kallenberg, 2003), different service provider models (Gebauer et al., 2013) and research about the monetary benefits of the service business for manufacturers (Fang et al., 2008). The focus in these papers is on industrial services, meaning services that are offered in a B2B context.

To offer industrial services or product-service solutions in manufacturing companies is a challenge for the marketing and sales department as a different selling approach as well as different skills of the sales personnel are needed (Ulaga & Reinartz, 2011). Vargo and Lusch (2004) emphasize that the selling of industrial services calls for a relationship-based approach, not a transaction-based approach. Galvagno and Dalli (2014) further emphasize that the customer should be seen not only as a buyer, but also as an important resource that co-creates the industrial service. The role of the customer as a co-creator of value is also in line

with service-dominant logic (Vargo & Lusch, 2004). As the value proposition and the customer value are often hard to grasp for the customer, it is important that the seller of industrial services explains this value in a way that is easy to understand for the customer, using value based selling (Terho et al., 2012) and consultative selling approaches (Liu & Leach, 2001).

Ulaga and Loveland (2014) found that solution and industrial service selling requires sales reps to be able to understand the customers' business models and operations and to be able to manage networks in the own organization as well as in the customer's organization. In addition, they also have to be able to manage customers' expectations proactively, make the intangible elements of the services offered tangible for the customer and be able to say "no". Their research indicates that the following personality traits are helpful for the sales reps selling industrial services: learning orientation, customer service orientation, general intelligence, emotional stability, teamwork orientation and introversion.

These different approaches as well as different personality traits that are needed for selling industrial services are substantial hurdles for companies to succeed in industrial service selling. However, Brax (2005) and Martinez et al. (2010) show that the offering of high-quality industrial services at an affordable price needs changes well beyond the sales department, affecting the whole company and that many manufacturing companies do not know what to change and how to change. The professional management of these different aspects throughout the whole company, enabling the professional selling of industrial services, is called Industrial Service Excellence. Therefore, this paper tries to answer the following research questions:

RQ1: Which aspects can be identified in the literature that are important for selling industrial services successfully?

RQ2: How can companies achieve excellence in these different aspects?

In this paper, Industrial Services are defined as services offered by manufacturing companies which can also be offered independently of the product. Industrial Service Excellence means that the services are developed, produced and sold in an effective, efficient and flexible way and that customers are highly satisfied with the services offered.

## **2 RESEARCH METHODOLOGY**

To answer the research questions a systematic literature review (Levy & Ellis, 2006) was conducted. The databases Emerald, EBSCO and ScienceDirect were searched with a wide range of keywords which are central and relevant to Industrial Service Excellence and Industrial Service Selling. These databases were chosen because the most important journals concerning this topic are included there. In addition, forward and backward author and reference search was conducted to find also relevant articles that were not part of the databases searched. 104 articles that seemed relevant were found. 35 of them were excluded after a further abstract analysis. 69 articles were fully reviewed. These articles were codified in MAXQDA. The coding system consists of two parts: points of excellence for the different aspects and the importance of these aspects. The analysis revealed some aspects with very high importance and also some aspects of limited importance. Some of the aspects were merged, some of the irrelevant ones removed. Finally, twelve aspects constituting Industrial Service Excellence were identified.

In addition, a qualitative study was carried out to validate the results of the literature review and to find possible paths to Industrial Service Excellence. Therefore in-depth interviews were conducted with 26 good-practice companies, which serve as successful examples in one or more aspects of Industrial Service Excellence. The scope of these interviews was to reveal which of the identified twelve aspects are applied and which points of excellence within the different aspects are important in practice. These good-practice companies are situated in Austria and Bavaria. We aimed for diversity concerning industrial sectors in order to maintain the Industrial Service Excellence dimensions and possible paths to achieve excellence, following a purposeful sampling approach. The companies were small and medium-sized companies (SMEs) as well as large industrial companies from the sectors engineering, IT, maintenance, plastics, energy, automotive, window construction, food, electronic services, metal construction and textiles. Therefore the most important sectors of the surveyed regions were involved. The selection of aspects which were discussed with the particular company in the course of in-depth interviews, was carried out through a self-assessment questionnaire, in which business representatives like sales directors, customer service manager and CEOs themselves had to assess how excellent their company in each of the twelve aspects is (on a scale from one to ten; one = not excellent, ten = excellent). Those aspects with the best ratings were used as a basis for the interview. Sales directors, customer service managers or CEOs were interviewed for 45 – 90 minutes per company. The interviews were semi-structured; therefore an interview guide with open questions was developed for each aspect. The interviews were digitally recorded, transcribed verbatim and coded in MAXQDA. Relevant statements were assigned to one of the twelve aspects. The relevant statements were paraphrased and clustered to allow further analysis.

Both, the literature review and the qualitative study were brought together and relevant factors leading to Industrial Service Excellence for each aspect were identified.

### **3 RESULTS**

The analysis showed that Industrial Service Excellence is a multifaceted construct, as twelve different aspects affecting the selling of services in manufacturing companies were identified (see figure 1). To achieve Industrial Service Excellence, every aspect should be considered in the company. The professional management of these aspects throughout the whole company, enabling the professional selling of industrial services, is called Industrial Service Excellence. As shown in figure 1, twelve different aspects can be analyzed in particular, but they are interdependent and hard to separate in practice. Changes in one of the aspects require and cause changes in other aspects as well. There is not only one best way to achieve Industrial Service Excellence. As the internal and external environment of companies differ, different approaches are better for different environments. It is important that the configuration chosen is compatible with the environment and that the decisions made concerning the different aspects are compatible with one another. In the following section, the twelve aspects, with focus on the aspect 'selling approach and sales force capabilities' are described separately.



**Figure 1.** Twelve Aspects of Industrial Service Excellence

*Strategic partnership with customer and value co-creation* mean that the manufacturers and their customers work together on a long term basis. Fang, Palmatier, and Steenkamp (2008) emphasize the importance of exchanging knowledge and information in an atmosphere of trust to develop new solutions together that offer a benefit for both parties. Galvagno and Dalli (2014), reviewing the literature on value co-creation highlight the need to focus on using the know-how of the customer and to co-create and co-produce value together.

*Network and relational capabilities* are an essential aspect which has to be considered in order to reach Industrial Service Excellence (Windahl & Lakemond, 2006). This aspect refers to the ability to cooperate with other companies and institutions and includes trusting collaboration with suppliers, universities and other partners to create benefits for all stakeholders and improve the quality of services. It also raises the question of whether it is more profitable to carry out activities within the company or to outsource them to others.

The *organizational culture* should be customer and service-oriented, which means that the foundational premises and values have to be in line with this orientation (Nuutinen & Lapalainen, 2012). Manufacturers have to be empathetic and to use the lens of the customer. Defining corporate values, such as customer orientation or innovation, which affect service performance, is another factor in this aspect (Kohtamäki et al., 2015).

Oliva and Kallenberg (2003) show that the *structure of the organization* also has to be considered. Oliva et al. (2012) focus on the decision as to whether a separate service organization with profit-and-loss responsibility should be established or not. They conclude that organizational clarity is the key, meaning that it should be clear who is responsible for services. It is important to specify which services can be done internally and which services are assigned externally. Also, the availability of the service organization is important to ensure short decision paths and flat hierarchies which allow a fast response and flexibility.

Service-orientation should not only be part of the culture, *executives should be a model in showing service orientation* (Wirtz & Johnson, 2003) and the *strategy* should also be service-oriented (Eggert et al., 2014). A service strategy should be developed and executives and management should encourage all sales employees to work accordingly.

Benedettini et al. (2015) warn against being too enthusiastic by including services with the offer, as services bear some *risks*. These risks should be assessed (Nordin et al., 2011) and *key performance indicators* should measure the profitability of the service business (Parmenter, 2010). Quantitative and qualitative KPIs should be used for the service area not only

in general, but broken down into individual areas, customers and orders. These service KPIs should be used as a basis for decisions.

Crotts et al. (2005) highlight that *organizational processes* also need to be adapted to the service business to be in accordance with the strategy. If possible, scripts and checklists should be developed for service processes. The offering of self-service opportunities can provide new benefits for customers at lower costs.

On the one hand, services have to be *customized* to meet the individual needs of the customer; on the other hand *standardization* is important to produce at low costs. Therefore, a balance has to be found. Böttcher and Klingner (2011) offer the modularization of services as one alternative to reach both goals to a certain extent. Standard solutions (modules) should be provided which allow a certain flexibility and individualization, but individual adjustments should be economical.

MacDonald et al. (2016) points out that another important aspect is the *quality of the service*, as it is experienced by the customer. Essential factors in this aspect are the continuous improvements of service processes or improved response times, but also fast feedback and an easy and reliable business management, close contact with the customer throughout the product lifecycle and obtaining customer feedback regularly.

Den Hertog, van der Aa, and Jong (2010) emphasize the ability of *continually developing services* and the underlying business model as important for success in the service business. The entire life cycle should be considered in the development of services where the focus should be on the value chain of the customer and not just on the product life cycle.

The *pricing of services* is another important aspect to achieve Industrial Service Excellence. Witell and Löfgren (2013) highlight that the ability to price services is crucial and that often the first step is to charge for services, as services are often given away free. Every service should be charged for if possible, including the planning phase of a new project. It is essential to show the customer the costs of the service transparently.

A *selling approach and sales force capabilities* aligned to services are essential for achieving Industrial Service Excellence. Services need a different sales strategy and other skills of sales personnel. A value-based selling approach is an essential aspect of a service-oriented sales strategy including the quantification and visualization of the benefit of a service to the customer (Terho et al., 2012). However, using value-based selling techniques in service selling is a daunting task (Töytäri, 2011). An advisory sales style in addition to providing a solution for customer requirements are decisive aspects of a service-oriented sales strategy (Liu & Leach, 2001). The qualitative study further pointed out that the sales employees should be able to put themselves in the customers' situations recognizing their problems and developing solutions for them. This requires the ability to listen carefully to the customer and to take the customer's needs seriously. The seller should additionally have expertise and experience in sales and act professionally with consultative selling and advisory capabilities. Moreover, the qualitative study highlights the need for explanations and illustrations that explain the customer the benefits of the solution. Further, the literature review and the surveyed companies address the necessity of empathic and flexible sales personnel with technical and social skills, understanding the customers' needs and processes in detail in order to successfully sell Industrial Services (Ulaga & Loveland, 2014). Therefore, companies should promote regular trainings for sales employees so they can better argue the benefits to the customer. These trainings should not only include training in sales but also enhance the exchange of experiences between the sales staff so that the know-how of the employees concerning how to sell services successfully is shared internally. A comprehensive training of new employees

is essential too. However, the selling of services should not be seen as a task of the sales department. The selling of services should be seen as a strategic process, including several departments (Storbacka et al., 2009). The surveyed companies emphasize this as well by integrating not only the sales force into the selling process but also service employees and service and application technicians working together and having direct contact with the customer. This involvement enormously facilitates acquisitions of future projects. The service personnel as decisive after-sales representatives should be flexible concerning quick responses, being spontaneous and also flexible concerning working hours/working days. In the qualitative study additional factors for selling Industrial Services successfully have been identified which are infrequently considered in the literature analyzed. A relevant aspect is the appropriate allocation of sellers, which means that depending on different customer groups, different services or a different customer approach is necessary, e.g. pure sale of products or services, retail or private customers. The company, especially the management or sales directors, should allocate the sales staff in a suitable way concerning their abilities and skills to different customer groups. Selling services or solutions requires a completely different selling approach to the customer than selling products. Products are sold at the staff level, but services are often sold at the management level because they are associated with monthly costs. This means that people at higher hierarchical levels have to be addressed. Therefore, a good network is required. Not only sales representatives, but also sales directors and managers should visit the customers in order to match different hierarchies.

An additional factor which was mentioned by the surveyed companies is adequate wages with regard to additional income for sales staff. Sellers should be paid concerning a defined premium bonus system, e.g. payment according to turnover and returns, as well as possibilities of an additional income in the case of few complaints or with the conclusion of maintenance contracts. Non-financial bonuses in the form of vouchers are also conceivable here. The surveyed companies mentioned that a challenge for companies to sell Industrial Services successfully is to communicate the value of a service to customers in an understandable manner. Customers often have to be made aware that they need exactly these services. In the case of reserved or reticent customer groups it may be problematic to sell services that they really need. A further challenge for companies is the identification of sales opportunities and the exploitation of unrealized potential. Finally, if services are sold abroad the language and the different culture can be essential barriers to successful service selling.

#### **4 CONCLUSION**

For each of the twelve aspects mentioned in this paper several excellence characteristics have been identified. These characteristics represent possible paths to achieve industrial service excellence for manufacturing companies. However, the twelve aspects identified are not exclusive and may support managers navigating their company on the path to Industrial Service Excellence. This taxonomy developed may help companies to get a broader view especially whenever managers want to set up a service-driven business model and improve the industrial services of their companies.

Concerning the aspect of the 'selling approach and sales force capabilities' necessary for Industrial Service Excellence the literature review has resulted in a number of success factors, too. Among others the sales employees should be able to use the value-based selling approach, quantify and visualize the benefit of a service to the customer and apply advisory selling techniques. Further, adequate remuneration with regard to additional income for sales

staff is essential. Some of the identified factors are discussed more often in the literature indicating that these aspects are more important, for example, constant training possibilities for the sales staff and empathic and flexible sales employees with outstanding technical and social skills. The qualitative study of 26 good-practice companies has shown that the surveyed companies already consider the aspects mentioned in the literature quite well. Beyond these factors they are taking additional steps to sell industrial services successfully such as actively integrating service employees, service and application engineers and the management in the selling process.

## 5 LIMITATION AND FUTURE RESEARCH

As the keyword search was only conducted in three databases, articles that are not included in these databases are also not included in this review. The frontiers between the twelve aspects are sometimes not clear cut in the literature and there is little research about what constitutes an excellent company concerning the different aspects and how these aspects can be measured. Therefore, future research could focus on the measurement of these aspects. Furthermore, empirical qualitative and quantitative research is needed to validate these aspects as relevant for the successful selling of industrial services. By merging the results of the literature analysis and the qualitative interviews, research in this field can be expanded and practical recommendations for action can be given. To validate these findings a comprehensive quantitative analysis could be conducted. In order to achieve Industrial Service Excellence, the continuous measurement of the development of the company is indispensable. The development of metrics for each of the twelve mentioned aspects could be a next step.

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