

Industrial Service Selling – Is there a Need for a Broader View?

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Abstract

An increasing number of manufacturing companies are offering services to generate more revenue and profit. 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.

Introduction - Main research questions

Globalization and decreasing profit margins in manufacturing have forced many manufacturers to find new ways to generate revenue and profits (Wise and Baumgartner 1999). One alternative is “servitization”, a term coined by Vandermerwe and Rada (1988). Servitization means that manufacturing companies add services to their product range. Baines et al (2016) show that there has been an intense debate on this topic in the last years, including the transformation from products to services (Oliva and Kallenberg 2003), different service provider models (Gebauer, Paiola, and Saccani 2013) and research about the monetary benefits of the service business for manufacturers (Fang, Palmatier, and Steenkamp 2008). The focus in these papers is on industrial services meaning services that are offered in a B2B context.

The offering of 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 and Reinartz 2011). Vargo and Lusch (2004) emphasize that the selling of industrial services needs 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. This role of the customer as a co-creator is also in line with service-dominant logic (Vargo and 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 and Leach 2001).

Ulaga and Loveland (2014) found out 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, involving the ability to say “no” and make the intangible elements of the services offered tangible for the customer. 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 the different personality that is 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. In this paper, the professional management of these different aspects throughout the whole company, enabling the professional selling of industrial services, is called Industrial Service Excellence. 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. Therefore, this paper tries to answer the following research question:

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

Methods

To answer this research question a systematic literature review (Levy and 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 read and codified in MAXQDA. The coding system had two parts: points of excellence for the different aspects and the importance of the 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, resulting in a taxonomy of twelve aspects of Industrial Service Excellence.

Results

The analysis clearly showed that Industrial Service Excellence is a multifaceted construct. 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 to focus only 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, it is clear that changes in the sales department are not sufficient to achieve Industrial Service Excellence and the successful selling of industrial services. The literature analyzed indicates that a broader view can be beneficial. One helpful tool to broaden the view is the twelve aspects that were identified in literature and which are elaborated in Table 1.

1. Strategic partnership with customer and value co-creation	7. Service competent executives and top management/strategy
2. Network and relational capabilities	8. Risk assessment/key performance indicators
3. Organizational culture	9. Organizational processes
4. Organizational structures	10. Customization and repeatability
5. Ability to price services	11. Service quality
6. Sales force capabilities and selling approach	12. Continuous development of services/service design

Strategic partnership with customer and value co-creation mean that the manufacturer and their customer 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 together new solutions that are advantageous for both sides. Galvagno and Dalli (2014) highlight the need to focus on using the know-how of the customer and to co-create

value together. Network and relational capabilities refer to the ability to cooperate with other companies and institutions. Dyer and Sing (1998) show that companies that are able to find partners with complementary abilities and are able to benefit from these partnerships have a competitive advantage. 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 and Lappalainen 2012). Oliva and Kallenberg (2003) show that the structures of the organization also have to be considered. Oliva, Gebauer, and Brann (2012) focus on the decision as to whether a separate service organization with profit-and-loss responsibility should be established or not. 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. Indounas (2009) points out that in order to determine the price, not only should costs and market prices be considered, but also the willingness to pay off the customers. Service-orientation should not only be part of the culture, executives should be a model in showing service orientation (Wirtz and Johnson 2003) and the strategy should also be service-oriented (Eggert et al 2014). Benedettini, Neely and Swink (2015) warn against being too enthusiastic with including services with the offer, as services bear some risks. These risks should be assessed (Nordin et al 2012) and key performance indicators should measure the profitability of the service business (Parmenter 2010). Crotts, Dickson, and Ford (2005) highlight that organizational processes also need to be adapted to the service business to be in accordance with the strategy. One example of a tool to optimize service processes is given by Bitner, Ostrom, and Morgan (2008) who explain Service Blueprinting. Working across departments is important to guarantee that resources that are needed are available to all people in the organization and rapid responses in case of failure are also essential (Neu and Brown 2005). 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. MacDonald et al (2016) point out that another important aspect is the quality of the service, as it is experienced by the customer. The most prominent tool to measure service quality is SERVQUAL, developed by Parasuraman, Zeithaml, and Berry (1988). 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. Methods like „Service Design Thinking“ (Stickdorn and Schneider 2011) can be useful to develop new business models. Gebauer et al (2010) propose five different strategies or business models for manufacturers that want to enter the service business, called outsourcing partner, development partner, customer service strategy, after-sales service provider and customer support service provider.

All these aspects should be considered whenever managers want to set up a service-driven business model and improve the industrial services of their companies. However, the literature analysis has shown that some of these aspects are discussed more often in literature, indicating that these aspects are more important. The four aspects that were most prominent in literature were “strategic partnership with customer and value co-creation”, “network and relational capabilities”, “organizational culture” and “organizational structures”.

Limitation and further outlook

These dimensions are not exclusive and show the most important things to consider for companies on the way to achieving Industrial Service Excellence, as currently discussed in research as being important for the successful selling of industrial services. This taxonomy may help companies to broaden their view. It shows them additional aspects to be considered for successful selling of industrial services in the future and can help them to develop further. However, this research also has some limitations. 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 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 can 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. Finally, to give companies guidance on how to achieve Industrial Service Excellence, research on paths to Industrial Service Excellence is needed.

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