



# 5° Business Strategies

# Innovation of Business Models

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- Servitization
- Open Innovation
  - Knowledge acquisition from outside
  - Enhancement of innovative results on the market

# Servitization, Theoretical Bases

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- New Service Dominant Logic: from the product logic to the service logic (Vargo e Lusch)
- Primacy of service on the product (B2B)
- Increase of the service dimension in the customer-supplier relationship, with reference to manufacturing companies
- Services are no longer an addendum to the industrial product, they acquire a central value in the company offer

# Definition

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- Vandermerwe and Rada (1988): study of the evolution of business models of manufacturing companies
- Indicates a strategy to expand the offer through a broader portfolio of products and services

*“The increased offering of fuller market packages or ‘bundles’ of customer focused combinations of goods, services, support, self-service and knowledge in order to add value to core product offerings”*

# Servitization Evolution

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- Servitization, favored by technology, globalization and increasing competitive pressure, is divided into three phases:
  - goods or services;
  - goods + services;
  - goods + services + support + knowledge + self-service

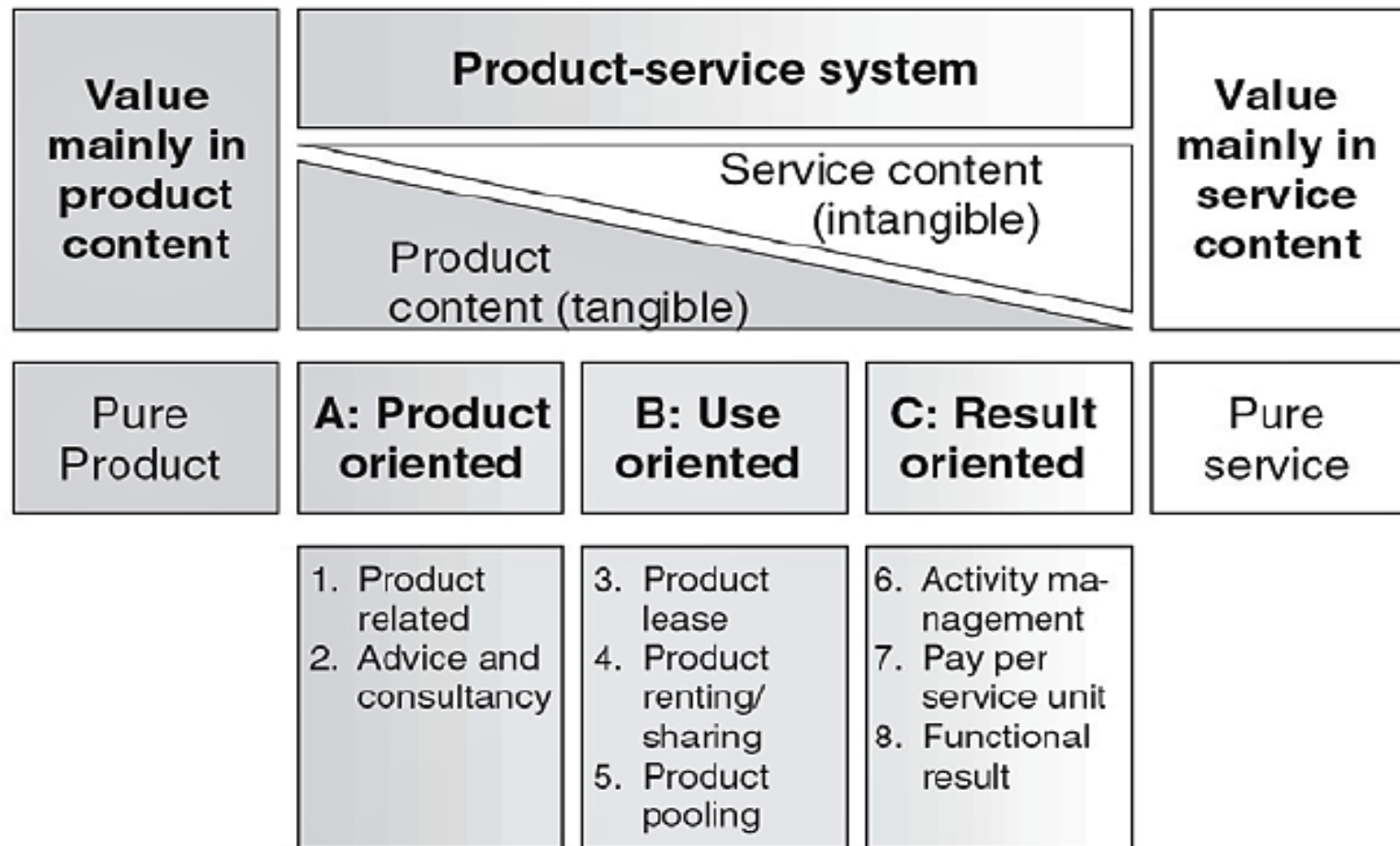
*“Innovation in the capabilities and processes of a company move from selling products to selling **product-service systems**”*

# Product Service System

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- PSS is a business model in which a manufacturer provides an offer consisting of products and services
- Born as a tool to promote the collaborative consumption of products and services in order to limit their environmental impact
- It also includes the "sale of the use" rather than the sale of a product

# PSS Model



# Case Studies

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- 60s: Rolls-Royce "power-by-the-hour"
- 80s/90s: IBM, Xerox, General Electric, household appliance company in Tokyo
- 2000s: empirical analysis of companies by Neely ("high-tech sectors have a tendency to higher servitization")

*«If everybody wants to have an IBM terminal it is because IBM services are the best» (IBM adv 1985)*



# Rolls Royce

- With Total-Care package, the customer does not buy the property of the object, but pays for its use
- The system called "**power-by-the-hour**" allows the customer to use Rolls Royce aircraft turbines by paying a monthly/annual fee based on actual usage



# Motivations

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## **Economic** motivations:

1. Reduction of the products profitability and (presumed) better margins obtainable with the services
2. Greater stability of revenues and cash flows that services can provide

## **Marketing and strategic** motivations:

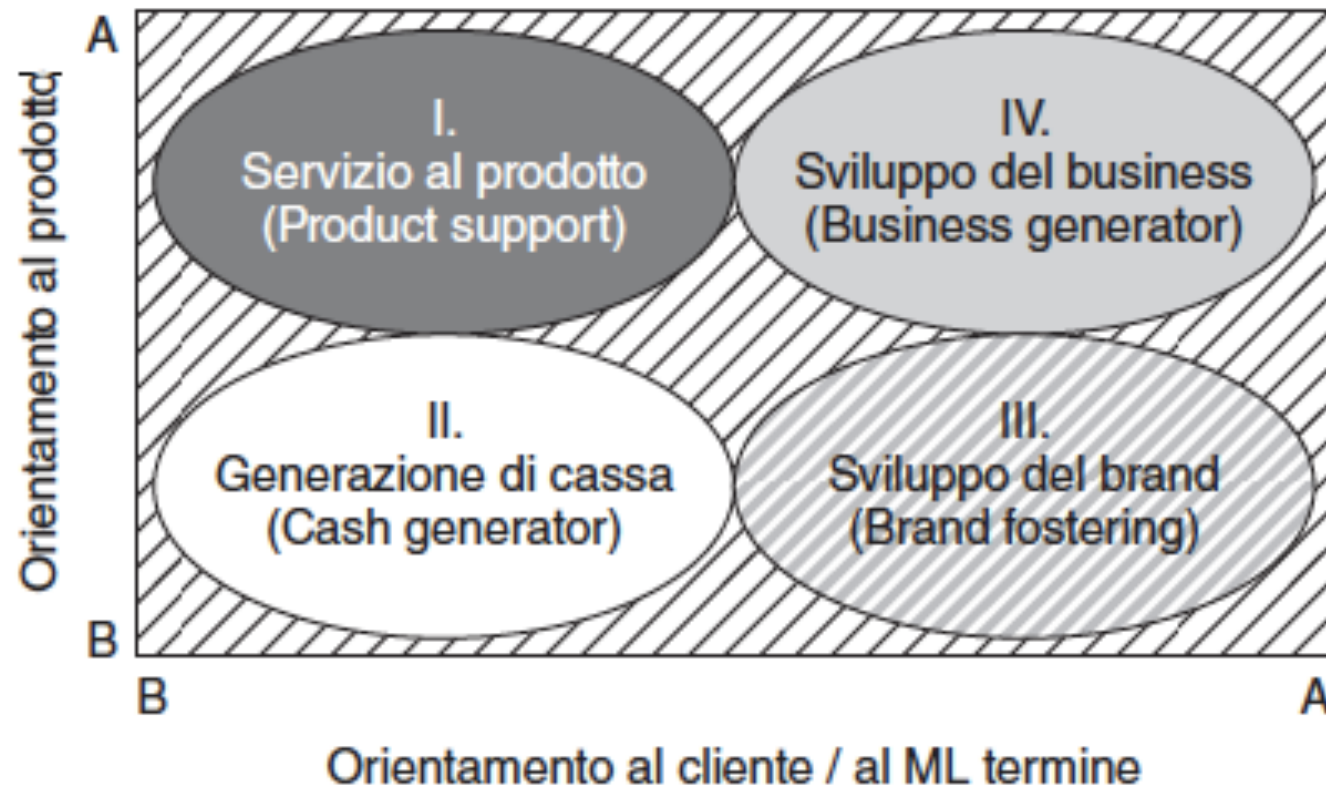
1. Adding service to the product is considered a way to differentiate company's offer from that of competitors and gain a competitive advantage
2. Service is normally a process in which two parties interact and therefore has a relational value that the product normally has not

# Servitization Benefits

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- **Financial:** service, linked to the product, can be a source of additional financial flows  
(e.g. the combined purchase of a car and the insurance policy offered by the manufacturer, or the combined purchase of an aircraft engine and flight hours)
- **Strategic;** associating a service with a product allows easier product differentiation  
(e.g. accessing iTunes by purchasing the iPhone)
- **Marketing;** sale of the service can trigger sale of the product  
(e.g. food and wine tasting events)

# Servitization Strategies



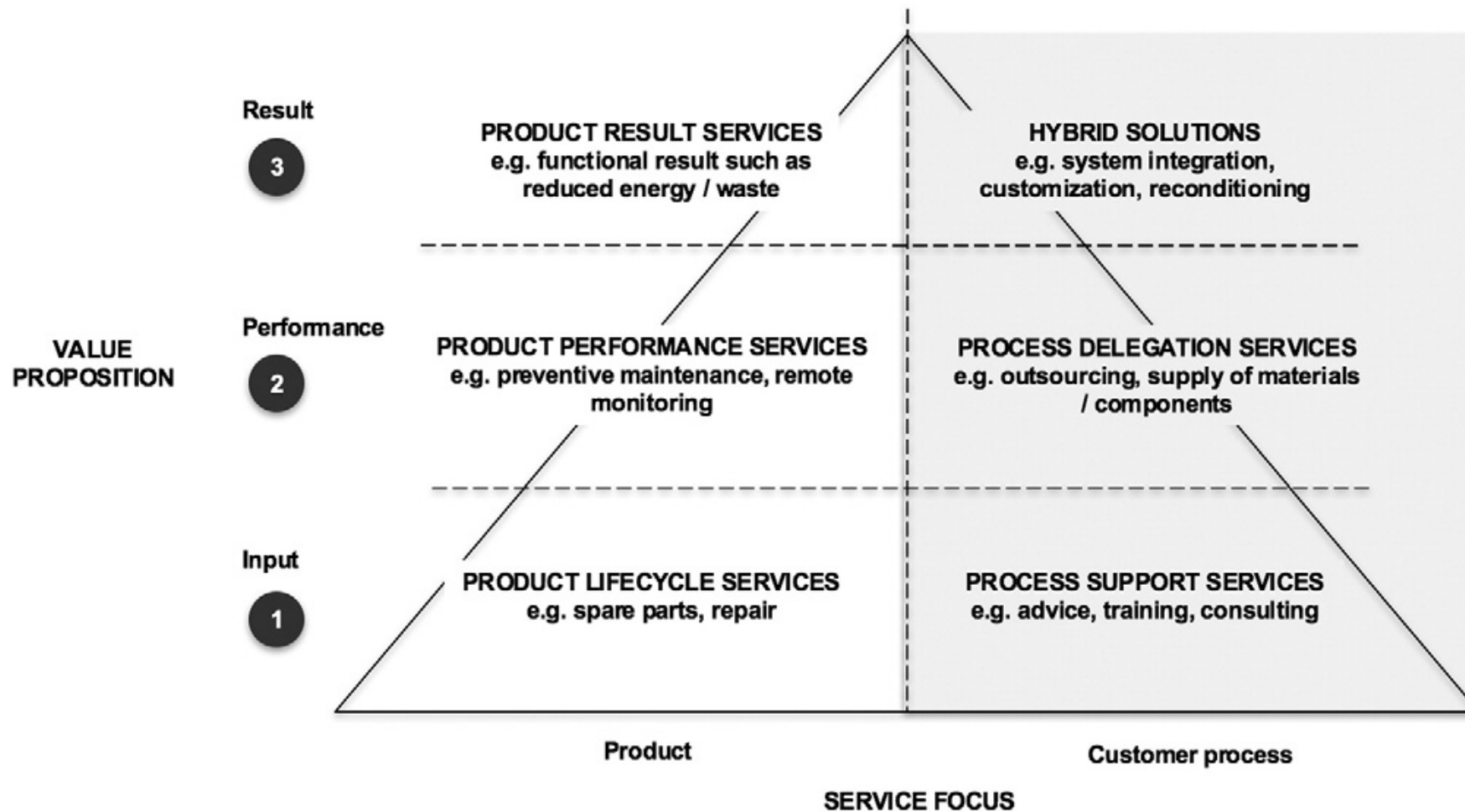
# Servitization Strategies, Meaning

I. Servizio al prodotto (Product support)	<ul style="list-style-type: none"><li>• Fornire il minimo di assistenza tecnica e servizi accessori necessari per legge e per mantenere la funzionalità del prodotto.</li><li>• L'assistenza è «un male necessario» che incide sui profitti.</li></ul>
II. Generazione di cassa (Cash generator)	<ul style="list-style-type: none"><li>• Generare flussi di cassa mediante la vendita di servizi e parti di ricambio.</li><li>• L'attività si avvantaggia della «cattura» del cliente, «obbligato» a comperare ricambi (e altri servizi) dal produttore originale.</li></ul>
III. Sviluppo del brand (Brand fostering)	<ul style="list-style-type: none"><li>• Costruire la soddisfazione del cliente, differenziare l'offerta di prodotto-servizio, influire sulle intenzioni di acquisto del prodotto. Fidelizzare il cliente tramite la qualità del servizio.</li><li>• Orientamento al valore d'impresa a medio-lungo termine.</li></ul>
IV. Sviluppo del business (Business generator)	<ul style="list-style-type: none"><li>• Creare valore mediante l'offerta di una ampia gamma di servizi venduti anche «come prodotti» di qualità, innovativi ed economici, anche sulla base di ricerche di mercato mirate a individuare business opportunity.</li><li>• L'attività viene spesso svolta nell'ambito di una Business Unit indipendente.</li></ul>

# Typologies of Products-Services

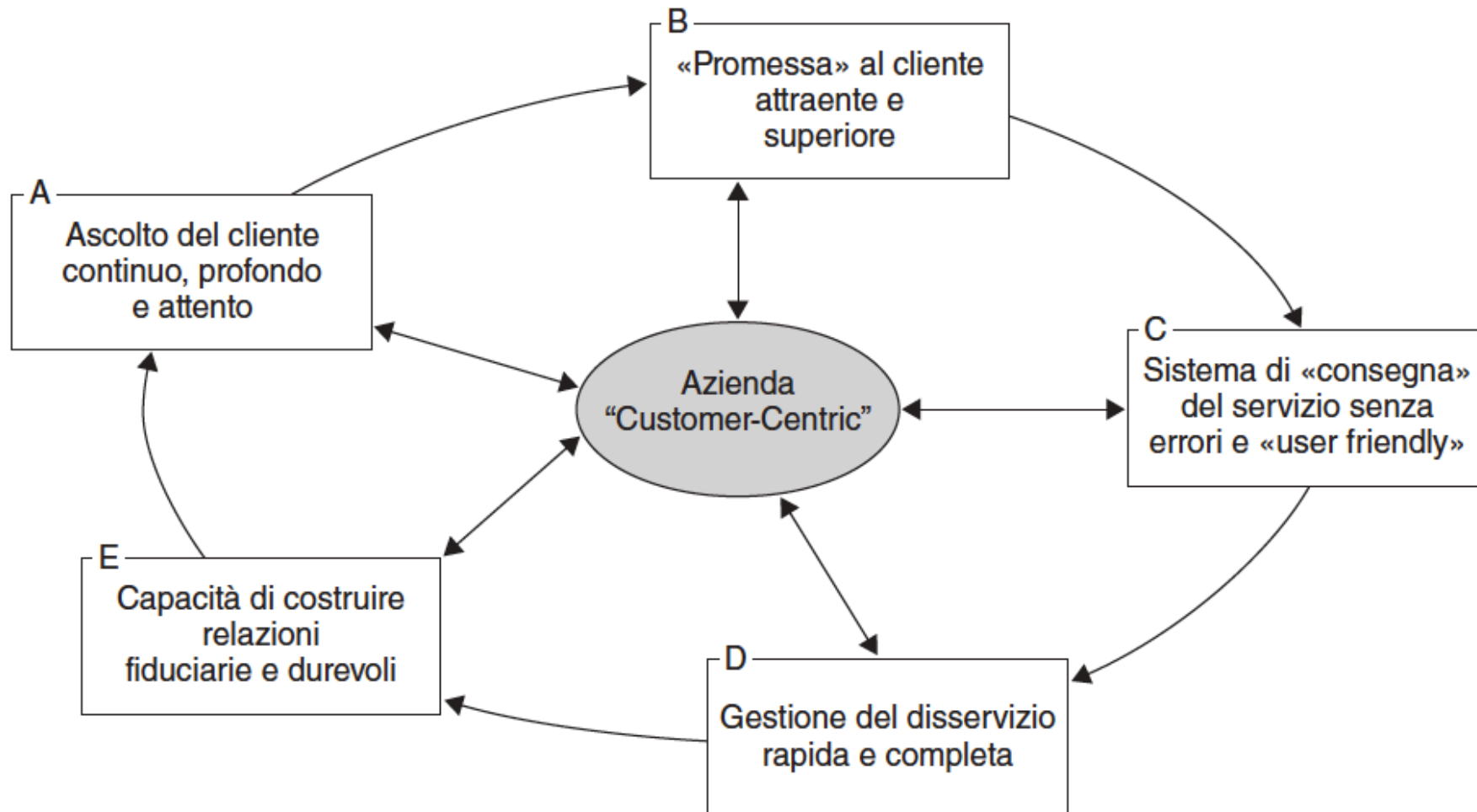
Tipo di prodotti-servizi	Natura	Proprietario del prodotto	Fornitore del servizio	Esempi
Connessi tecnicamente al prodotto	Connaturati al prodotto. Ne consentono l'utilizzo	Cliente	Produttore o terzi	Installazione, manutenzione, ricambi, garanzie sugli elettrodomestici
Integrazione a valle	Aggiungono agevolazioni per l'utilizzo del prodotto	Cliente	Produttore	Finanziamento, assicurazioni, consulenza sui computer
Orientati all'uso	Consentono di utilizzare, senza fastidi, il prodotto quando è necessario	Produttore	Produttore	Full leasing, sharing, pooling di automobili
Orientati al risultato	Assicurano al cliente i risultati della prestazione che desidera dal prodotto, anche su un periodo esteso (ciclo di vita del prodotto)	Cliente	Produttore	Sistemi di printing forniti come parte di una soluzione organizzativa di document management

# Servitization Process



Source: based on Kindström & Kowalkowski (2014, p. 102); Ulaga and Reinartz (2011, p. 17)

# Servitization Service System





# Digital Servitization

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- Potential explosion of "**digital services incorporated in a physical product**"
- **Digital technologies** constitute the physical-cybernetic infrastructure for continuous evolution, based on the incessant flows of information and knowledge
- Thus requires an incessant increase in the **companies skills** to measure themselves against a world characterized by digital ubiquity and ubiquitous computing

# New Skills



## DATA ANALYSIS & MANAGEMENT

1. **Research, acquisition, elaboration, analysis and interpretation of data**
2. **Protection of data & digital assets (cybersecurity)**

Data Scientist and  
Cybersecurity  
Expert



## DIGITAL CREATIVITY

1. **Creation of digital contents**
2. **Development of back-end and front-end software, database, scripts.**
3. **Critical Thinking and problem-solving, creativity, ideation of digital solutions and models.**

Service Architect and  
Digital  
Communication  
Expert



## INNOVATION APPETITE

1. **Scouting new technologies,**
2. **Evaluating risk, cost and opportunity of technology-driven innovation**
2. **Managing innovation projects**

Project Manager

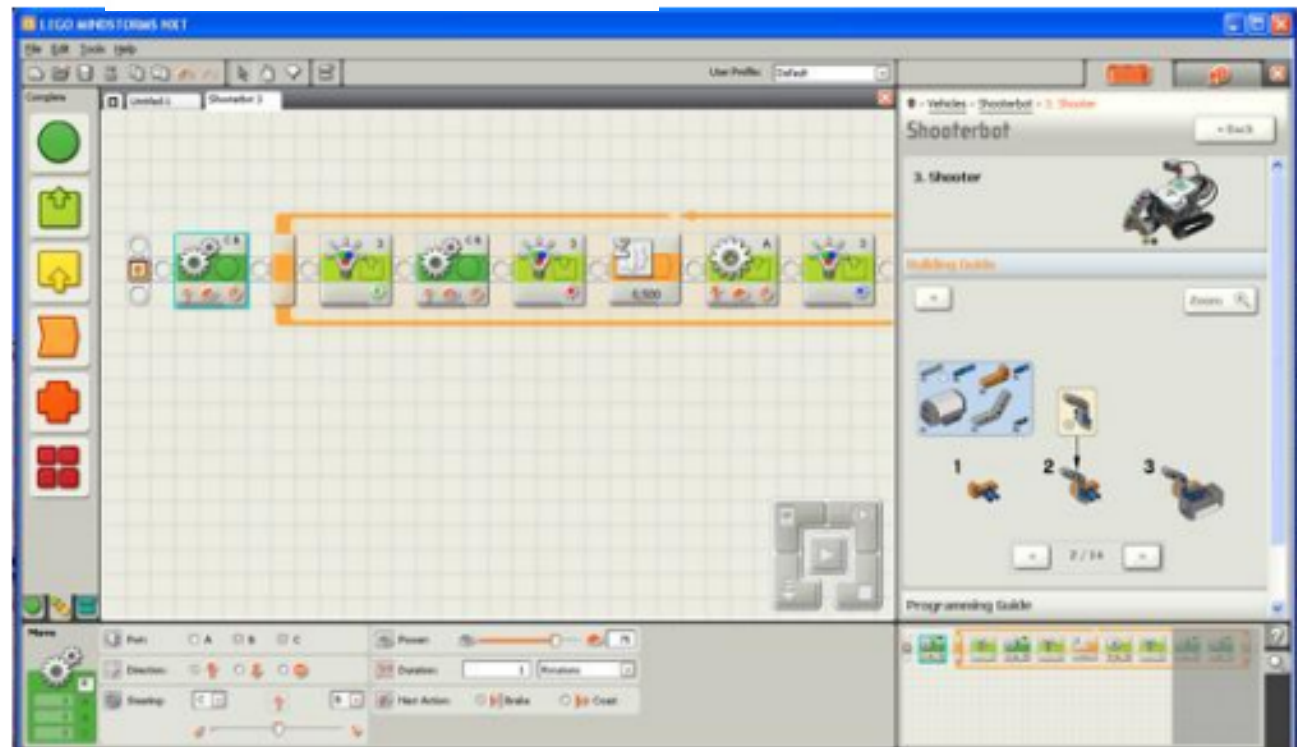


## SOFT SKILLS

1. **Communication**
2. **Teamwork attitude**
3. **Leadership**
4. **Orientation to results**

HR Manager  
and Social Media  
Manager

# Examples



# Examples



# Contact points between KM & Servitization

