

Industry transformation towards service logic: A business model approach

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The Cambridge Service Alliance

Research motivation

The media industry is undergoing major changes due to the increasingly unpredictable business environment.

Use case illustrations to pinpoint *why* and *how* an alternative logic of doing business should be adopted in order to gain sustainable competitive advantage

Research questions

1. What is the content of change in the business model framework when applied to the service-context
2. How can the business model be used as a tool to explain industrial transformation towards service-orientation
3. What is the phenomena in traditional media business
 - Adoption of a competitive strategy: *servitisation*
 - Adoption of a new value-creation mind-set: *service-dominant logic*

	Goods-dominant (G-D) logic	Service-dominant (S-D) logic
Unit of exchange	Goods (products and services)	Service: a process, applying skills and knowledge
Role of goods	End products produced and distributed by firms	Vehicles for service provision and distribution
Value of goods	Measured in value-in-exchange (i.e. price). Brand value embedded in physical goods.	Measured in value-in-use (i.e. in consumption). Brand value co-created with stakeholders.
Organizational resources	Tangibles	Competences (knowledge and skills)
Role of customer	<i>Target:</i> recipient of goods (customers segmented and isolated entities)	<i>Resource:</i> co-creator of value and co-producer of service (customers operate in their networks)
Meaning of value	Determined by producer (value produced in a value chain)	Determined phenomenologically by customer (value co-created in a value network)
External environment	Uncontrollable to which a firm needs to adapt	Resource a firm proactively co-creates with
Economic growth	Profit maximization from selling output	Financial feedback to learn to become better

(Vargo & Lusch, 2004, 2008)

Definitions

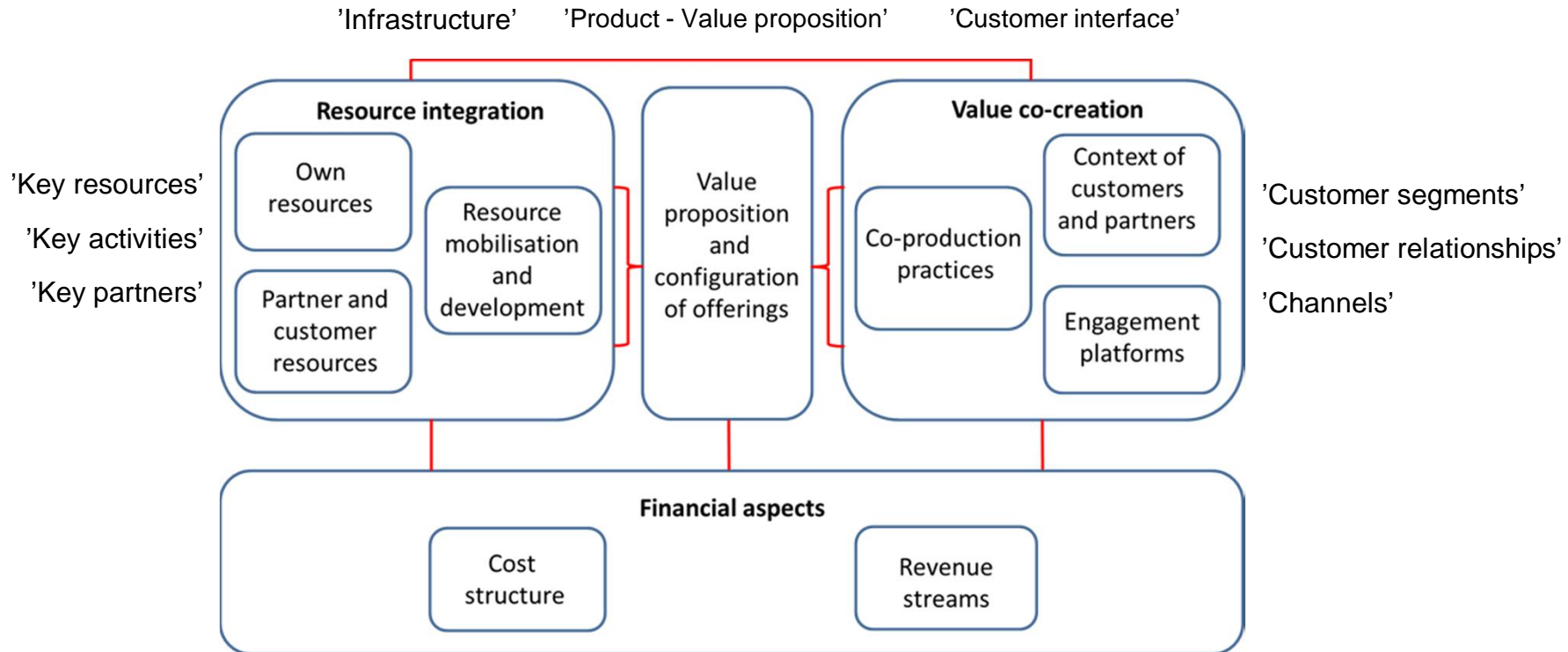
Media refers to technologies (print, radio, television, sound recording etc.) through which the content created for groups of consumers is moved and organized. Firms in the media industries are usually thought to act as packagers of materials that utilize those technologies.

(Küng, Picard, & Towse, 2008)

Media products are experience goods that can only be valued while being consumed.

(Nelson, 1970)

Business model in service context



Adapted from Osterwalder, 2004; Osterwalder & Pigneur, 2010; Vargo & Lusch, 2004, 2008; Read et al. 2009; Nenonen & Storbacka, 2010; Maglio & Spohrer, 2013; Fiel, 2012; Zolnowski et al., 2011; in Viljakainen, Toivonen, & Aikala, 2013

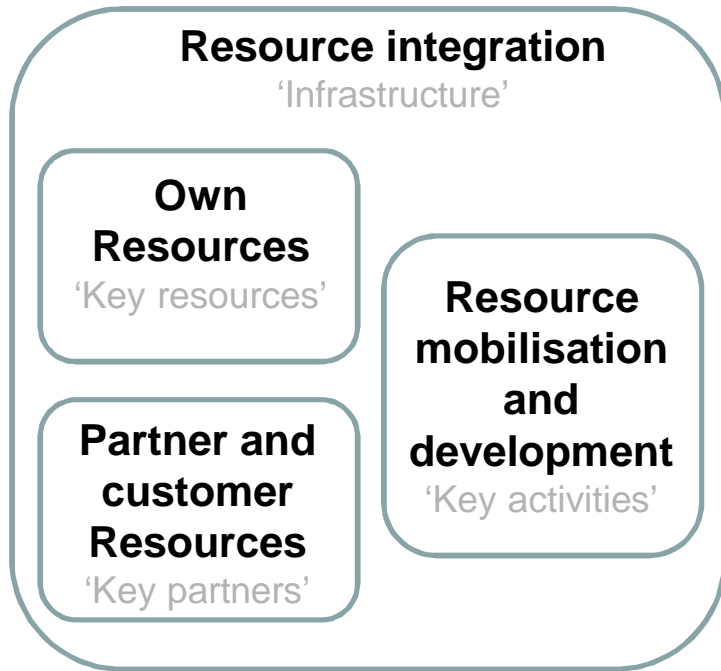
Commercialising strong brands with strong value propositions

Value proposition and configuration of offerings

- Transfer from mass communication to niche markets
- Creating brands ‘people are in love with’
- Introduction of service-dominant offerings
 - *Goods*
 - *Services*
 - *Information*
 - *Interactions* (online communities, offline services)

(cf. Ramaswamy, 2011; Zolnowski et al., 2011; Grönroos, 2008)

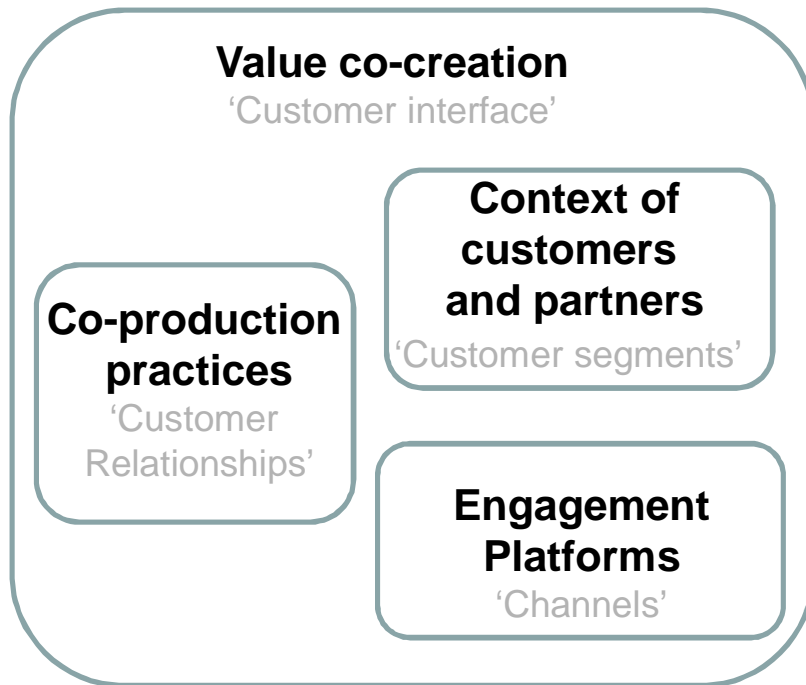
From R&D to service innovation in ecosystems



- Separation of *having* and *using* resources
- Knowledge is the main source of competitive advantage
- From authoritarian journalist power to crowdsourcing
- From autonomy to alliances across borders
- Partner and customer resources from the ecosystem
- Increasing importance of dynamic capabilities

(cf. Penrose, 1959; Barney, 1991; Teece, Pisano & Shuen, 1997)

Building one story across platforms and time



- From reach (value-in-exchange) to the *media experience* (value-in-use)
- Value based on human experiences rather than service process
- Unique situational factors determine service experience
- Engaging people to create valuable experiences together
- Platforms for idea generation and co-development
- From own to partners' platforms to reach fragmenting audiences

(cf. Lusch, Vargo & O'Brien, 2007; Ramaswamy, 2011, Lengnik-Hall et al., 2000)

From one big ocean to small streams

- Publishing reconciling both the value-driven and cost-driven strategies
- Growing cost pressures
 - diminishing circulations and advertising revenues
 - rising paper and distribution costs
- From dualistic revenue model to small streams

Cost
structure

Financial aspects

Revenue
streams

Managerial implications

- 1) Media firms can no longer regard themselves as value distributors.
- 2) Value is co-created with customers and partners instead of being produced and sold.
- 3) Knowledge and skills are key organisational resources providing long-term competitive advantage.
- 4) Increasing of efficiency through effectiveness instead of making efficiency primary.
- 5) Customers are to be seen as resources, not handling them as targets.
- 6) Customers are not isolated and segmented entities, but operate as part of their own networks in specific contexts.

(cf. Vargo & Lusch, 2004, 2008)

Thank you.

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