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THE ROLE OF SALES AND MARKETING FUNCTION IN INDUSTRIAL SERVICE INNOVATION AND DEVELOPMENT

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Introduction

- Services are more and more taking the head role in creating customer perceived value.
 - there is evidence that services are the most important piece of solutions as companies are outsourcing their production
- In the manufacturing industry services may mount to up to a considerable percentage of their billing in many companies.
- Service-dominant logic as marketing concept
- The service innovation process and the development of industrial services should be customer focused.
 - That is why it is important to involve sales and marketing closely in service development processes.



Purpose and Methodology of the Study

- Research project carried out by VTT Technical Research Centre of Finland and Turku School of Economics (TSE) and financed by Tekes.
- The main goal of the project is to deepen our knowledge about developing customerships in service business
- The project focuses on industrial b2b services that support customers' business processes and that are strategic to customers
- First phase is a multiple case study employing the IMP approach to study the cases.
 - The evidence of this study is primarily qualitative (interviews) aiming at to build a picture about the phenomenon in participating Finnish companies.
- The paper at hand focuses on the literature of business services and their innovation and development together with the empirical evidence concerning the role of sales and marketing function in service development



Business Services

- Service characteristics:
 - intangible, inseparable, perishable and heterogeneous
- Complexity associated with specification of the content of the service.
- In contrast to goods, the service purchase is extended throughout the period that the supplier provides services to the buying company.
- Services are produced and consumed in interactive processes between the buyer and the seller.



Business Services

- Number of service offerings is highly diverse
 - e.g. facility services, financial services, transportation services, knowledge intensive services, professional services
- Organisational buyer's perspective:
 - MRO services (purchased by an organisation to run its operations) and production services (part of the production process for a (set of) product (s)). (Jackson, Neidell and Lundsford 1995)
 - The elements of the buying organisation the service is directed at (people, things, processes) in combination with the criticality or importance of the service. (Fitzsimmons, Noh and Thies 1998)
 - Component services, Semi-manufactured services, Instrumental services, Consumption services. (Axelsson and Wynstra, 2000, 2002)



Industrial Services

- Manufacturing industry services such as installing, repairing and maintaining machines, devices and equipment, providing spare part service and training customers to use machines and systems that have been delivered
- Logistics services, transportation, stockist services
- Waste management and cleaning services
- etc.



Service Innovation and Development

- Innovative developments in service industries seem to be difficult to explain in terms of traditional innovation theories and typologies
- Three main categories of innovation in services literature
 - the innovation process or the 'new product development' process in a service firm
 - the role of information and communication technology in services
 - the third category focuses on the various forms of innovation, especially organisational and technological innovations



Case Companies

- *Cargotec's Mac GREGOR* is a global provider of marine cargo flow and offshore solutions.
- *Fastems* is a leading factory automation supplier and a recognized partner for the plastic industries.
- *KONE* sells, manufactures, installs, services and modernizes elevators and escalators and services automatic building doors.
- *Kontram* is one of the leading companies in the industrial process technology in Finland. A new area of is electrotechnology, covering e.g. test and measurement instruments, electric components and drive technology.
- *Lassila & Tikanoja* specialises in environmental management and property and plant support services.



Case Companies

- *Metso Paper* specializes in pulp, paper and power generation industry processes, machinery, equipment and aftermarket services. The company's offering extends over the entire life cycle of the process, covering new lines, rebuilds and various services.
- *Rauma Stevedoring* is a full service port operator offering transport, logistics and related services
- *Trafomic* is a designer, manufacturer and consultant of electronic solutions.
- *Outotec* is a worldwide technology leader providing innovative and environmentally sound solutions for a wide variety of customers in minerals and metals processing as well as related process industries.



State of the Art of the Research Process

- Preliminary discussions with participating companies' contact persons have been conducted with 7 companies.
 - Interviews were recorded and transcribed
- Data analysis is currently going on
 - Focusing on certain service products/product groups is needed to tackle the innovation/product development processes.
 - preliminary finding: types of competitive services and value services
- Deeper thematic interviews will be conducted in October and November 2008.