

Lappeenranta University of Technology

School of Business and Management

International Marketing Management

Master's Thesis

Servitization in the sales function. Challenges and opportunities at the salesperson level

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Master's Thesis 2019

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TIIVISTELMÄ

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School of Business and Management
International Marketing Management
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Palvelullistaminen myyntitoiminnossa. Haasteet ja mahdollisuudet myyjätasolla.

Pro-Gradu tutkielma 2019

117 sivua, 4 kuviota, 9 taulukkoa, 3 liitettä

Työn tarkastajat: Professori Joonas Keränen

Professori Sanna-Katriina Asikainen

Avainsanat: Palvelullistaminen, Palvelumyynti, Lisäarvopalvelut, Palvelukulttuuri

Palvelullistamiseen liittyvä tutkimustyö on ollut aktiivista pääosan 2000-luvusta, vaikkakin tutkijat ovat käyttäneet aiheesta vaihtelevia termejä. Sen vaikutus myyntitoimintoon on kuitenkin saanut vain vähän huomiota. Tämä tutkimus pyrkii tarjoamaan käsityksen ilmiöstä yksittäisen myyjän näkökulmasta kuvaamalla niitä haasteita, joita he kokevat palvelullistamisen yhteydessä sekä toimenpiteitä ja henkilökohtaisia ominaisuuksia, jotka auttavat näiden haasteiden selättämisessä. Tämänhetkisen kirjallisuuden mukaan nämä haasteet liittyvät palvelukulttuuriin, asiakasarvon luomiseen, palvelukehitykseen ja sisäisiin organisaatiomuutoksiin ja ne vaikeuttavat palveluorganisaation pyrkimyksiä rakentaa palveluorientaatiota myyjien keskuudessa. Tämä työ on tehty tapaustutkimuksena suomalaiselle energia-alalla toimivalle yritykselle. Tutkimus toteutettiin haastattelemalla yrityksen myyntihenkilöstöä sekä lähettämällä heille sähköinen kyselylomake. Tutkimustulokset tarjoavat uusia haasteita myyntihenkilöstön näkökulmasta vahvistaen samalla jo tehtyjä löydöksiä. Tutkimuksen suurimmat hyödyt ovat sen tarjoamat toimenpiteet haasteiden voittamiseksi sekä henkilökohtaiset ominaisuudet, joita tulisi vahvistaa ja arvioida palvelumyyntihenkilöstössä. Työssä luodaan myös yhteyksiä haasteiden, toimenpiteiden ja ominaisuuksien välille, mikä tukee päätöksentekoa ehdotuksiin perustuen. Tämän työn tarjoamat ehdotukset ovat rajattu koskemaan yrityksiä, jotka tarjoavat energia-alalle tyypillisiä tuotteita. Niitä voidaan kuitenkin tapauskohtaisesti soveltaa myös muihin tuotekeskeisiin yrityksiin.

ABSTRACT

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Keywords: Servitization, Service-dominant logic, Service paradox, Service sales, Hybrid offerings, Value-adding services, Service culture

Servitization has been an active research domain for most of 2000's, although the terminology used has varied by the author. However, its effects on the sales function have only had modest attention. This study seeks to establish a salesperson view over the phenomenon by describing the challenges it imposes to sales people as well as actions and personal traits to manage the challenges. Current research on the subject suggests, that the challenges are related to service culture, value creation, service development and internal re-organization. These challenges undermine the service organization's capability to establish service orientation among the sales force. This is a single case study conducted for behalf of a Finnish company acting in energy industry. The research was conducted by interviewing the company's sales people and also by sending an online survey afterwards. The research findings present new challenges in the viewpoint of a salesperson and indicate that the beforementioned challenges are relevant. The largest contribution of this study are the various activities that should be conducted to manage these challenges, as well as which capabilities and characteristics should be encouraged and evaluated in service sales people. This study also proposes linkages between challenges, actions and capabilities, which supports decision-making based on the findings. The propositions are limited to concern companies that provide similar products typical for energy industry but can be applied case-by-case to other product-centric companies as well.

ACKNOWLEDGEMENTS

When starting my studies at LUT, I was already pondering different thesis subjects in my mind. However, conducting a qualitative thesis about service transition among sales people did not even cross my mind. Always inspired by statistics, I was almost certain that I would carry out a quantitative study about some economic phenomenon. Still, I am really glad about my choice of subject, because, as a social creature, I really enjoyed listening and understanding different people and their opinions about the current state of business. Moreover, it let me to become much more integrated to the working community, than I think I would have by choosing another subject.

The previous year has brought new and wonderful things, which have also demanded a lot of attention and in a way, made me doubt whether I'm capable of graduating in time. I did a career change, while keeping some aspects of my previous work still taking my time. The change has been a long time coming, and a lot of sweat and tears have been shed in order to achieve it. In 2013, when I decided to start studying after postponing it for few years because of an interesting entrepreneurship venture, I did not believe that I would really achieve such a great job that I'm happy to be doing now. Nor did I believe that I would have the patience to go through the master's studies as well.

However, the biggest thing that has happened was the birth of our first-born son Leon. I finished most of my thesis during my paternity leave and must say, the time spent with him removed all the stress and anxiety from the project. I can really say, that he has been helping me a lot even without him probably knowing it. Besides Leon, I want to thank my partner Janette for tolerating me using almost every bit of our spare time during the last years studying. You have been the most supportive partner and I could not have managed without you. I would also like to thank all the people helping me in the case company and Joonas Keränen for providing suggestions for the thesis. Finally, the people I got to meet during my time at LUT have been of great and especially our power-team with Hans, Sebastian and Ahmet made the studying really fun.

Järvenpää, 10.3.2019

Mikko Vesterinen

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1 INTRODUCTION

This study focuses on the phenomenon on servitization in the viewpoint of the sales organization and an individual salesperson. The purpose is to point out challenges brought by transformation from product to service sales as perceived by sales people, as well as name the capabilities and activities supporting this transformation. This is a case study, conducted for a publicly traded company in the energy industry selling products to both consumers and businesses. The act of complementing product portfolios with services is of high importance for such companies, since the market for traditional products is highly competitive and volatile to changes in global supply of raw material. These factors underscore the need to innovate new solutions to maintain healthy margins and the role of industry incumbent.

The introduction chapter includes the background of the study, preliminary literature review and research questions. In addition, it discusses the organization of the study as well as its delimitations.

1.1 Background

Conventionally, companies have been capable of continuously creating customer value and differentiating them from competitors by offering a range of tangible products with varying features and by developing them further to maintain competitiveness and customer satisfaction. Sales organization's role has been in managing the transactions of these goods by offering right products to right customers and increasing the value of a customer by up- and cross-selling as well as simply selling more of the same product. New customer acquisition played a large role and extraverted salespersons with a 'hunter' attitude have traditionally been rewarded. The product-orientation as the logic of business have been dominant for most of the industrial era starting from the idea that natural resources are finite and the source of competitive advantage, and they have to be captured to maintain competitiveness and create value. The first marketing scholars established marketing institutions' role as enabling the availability of goods and arranging their exchange. Company's internal functions, such as R&D, marketing and sales, were only valuable in transforming the natural resources to products and arranging their transactions. (Vargo & Lusch 2004, 1-2)

Intangible and dynamic functions have only been identified as valuable resources over the last half of a century by the notion that resources are not valuable in themselves but only when they are used (Baum & Zimmerman 1951, 592). Service industries as banks and airlines were the first to begin marketing their professional services but still in a limited fashion in 1970's, while more product-intensive industries were still skeptical in communicating the value of those services (Kotler & Connor 1977, 71). In the same decade, Levitt (1972) pointed out that everybody is in service business, whether they identified it or not. He suggested that companies with sophisticated products are probably more service- than manufacturing-intensive, because accompanying services guaranteed the optimal usage of the product. Gradually, services were identified as essential part of companies' offerings, when they found it harder to differentiate their tangible products from competitors (Kotler & Keller 2018, 421) By offering services they were capable of increasing customer satisfaction, which relocated value adding functions to the core of their competitive advantage (Bustinza, Ziaee Bigdeli, Baines & Elliot 2015, 53).

The need to integrate services to company's offering is evident from the exponential growth of the service-producing sector. As the dominant employment generator, service sector accounted 88 percent from the total increase of employment between 2010 and 2018, adding about 18 million jobs. The percentage of goods-producing sector was 11.9 percent, while in 2000 it was 16.8 percent. These numbers indicate the growing demand for services among customers and the necessity for companies to answer this demand to stay competitive. (Kotler et al. 2018, 421-422) Moreover, the service transition is also beneficial for vendors, because service margins are higher than that of products. The latter have fallen due to intensive competition and difficulty in differentiation. (Kowalkowski, Gebauer & Oliva 2017, 82) Manufacturing companies cannot close their eyes from this development but need to view their workers also as service providers using their knowhow to create customer value. These workers contributing to manufacturing company's service offering and delivery are called the 'service factory' (Kotler et al. 2018, 421-422)

A goods-centric company does not transform to a thoroughbred service provider overnight nor does it have to. The servitization process of adding services to a product-based portfolio usually starts from offering solely tangible products and continues gradually to the point

where the company is capable of offering a comprehensive range of services, from which some are completely intangible and not related to products. (Kindström & Kowalkowski 2014, 102) Services are by nature intangible and do not result in the ownership exchange of a tangible resource, which creates the need to invent a whole new approach to value proposition and sales process. This brings new challenges for traditional product-oriented companies in organizing themselves around service creation. Comprehensive understanding of customer's processes and identification of their problems are the key factors in new service innovation as well as in the successful deployment of these services. As mediators of transactions between the customer and the vendor, sales people possess most information about individual customers. Their role has been drastically changing during the emergence of value-added services as have the capabilities expected from them. (Kindström, Kowalkowski & Brashear 2015, 12; Sheth and Sharma 2008, 266)

Regardless of the numerous benefits of adding services to portfolios, many companies struggle to reap sufficient profits from this transition (Neely 2008, 103). Sales function is the company's dominant revenue generator, and thus the responsibility for this failure is commonly casted on the sales organization and on individual salespersons (Reinartz & Ulaga 2008). However, the reasons for service business's shortcomings are not that simple and servitization-related studies have been able to pinpoint multiple organization-wide factors contributing to these challenges (Alghisi & Sacconi 2015; Kowalskowsky 2011; Martinez, Basti & Kingston 2010). In this paper, the focus is on sales people and the challenges it faces when organizing to provide services as well as the capabilities that an individual salesperson need to possess in service sales. Furthermore, sales people require support to adjust to their new role and company's new offering. This study pursues to find also the supporting actions needed for successful service sales.

Understanding the issues arising from servitization among the sales force and how to manage them is important for companies pursuing to increase the share of revenue from service offerings. Ulaga and Loveland (2014, 113) suggest, that the sales force constitute a major barrier in the development towards a successful service business. The current literature is insufficient to thoroughly explaining the phenomenon, because limited number of sales people are included in their sample and most studies are not focused specifically on the sales

function. Thus, they cannot establish a salesperson perspective over the subject, which would be useful in managing the transition in an optimal way.

1.2 Theoretical framework

The theoretical framework of this paper is built upon multiple studies covering the subject of service transition in, predominantly, manufacturing companies as well as its effect on such companies' offerings and sales force. Since manufacturing is predominantly viewed as product-centric industry, the act of adding services to such companies' portfolios has drawn a lot of interest among economists to understand this phenomenon. The vast number of studies conducted on the subject has created communities with differing terminology regarding servitization or service offerings (Rabetino, Harmsen, Kohtamäki & Sihvonen 2018). Studies that use different terminology to servitization but are synonymous in their definition of the phenomenon were also included in this paper. Furthermore, different but complementary concepts related to service offerings were identified and discussed. The theoretical framework of this study is identified in figure 1.

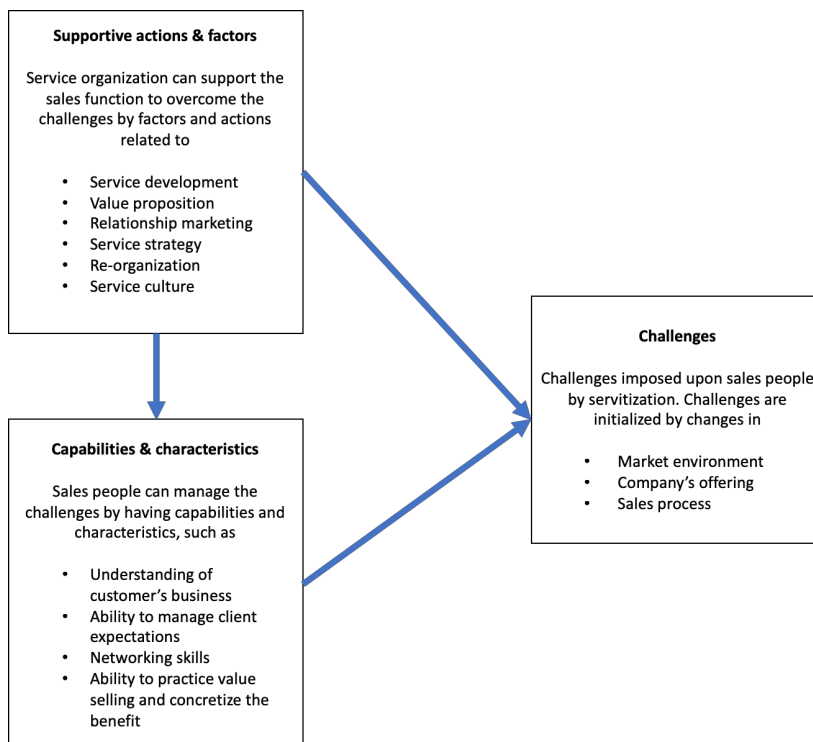


Figure 1. Theoretical framework

The studies discussing servitization and its underlying market environment can be divided in three groups, concerning the scope in which they address the effects of servitization. Those, which have adopted the broadest viewpoint explain the phenomenon itself by analyzing the environment in which the need for servitization exists (Vandermerwe & Rada 1988; Vargo et al. 2004). Moreover, they pursue to offer strategies and models for companies to conduct the transformation successfully (Kowalkowski, Windahl, Kindström & Gebauer 2015; Oliva & Kallenberg 2003; Tuli, Kohli & Bharadwaj 2007). Second group include the studies, that analyze the changes in those companies' portfolios and different service offerings as well as their revenue models and life cycles (Gebauer 2008; Gebauer, Fischer & Fleisch 2010; Kindström et al. 2014; Paiola, et al. 2013). The third group are the studies, that examine the effect of servitization to sales function and how the servitized offerings should be sold. They discuss the changes in value creation (Ulaga & Loveland 2014) or the roles of sales people (Sheth et al. 2008) and required competences and characteristics to adapt to these roles (Kindström et al. 2015; Ulaga et al. 2014). Moreover, some studies suggest new concepts of service selling (Evanschitzky, Wangenheim & Woisetschläger 2011; Mattsson 1973; Ryals & Rackham 2014).

This study is focused particularly on the challenges emerged from servitization and its underlying market environment among the sales force. The literature comprising the studies in the third group touches on this subject. Furthermore, the systematic literature review conducted by Zhang & Banerji (2017) sums up servitization challenges from earlier literature, but they do not specifically focus studies on the sales force. Neely (2008) discusses the financial challenges with which the companies struggle during their servitization and Gebauer, Fleisch and Friedli (2005) defines the phenomenon of service paradox, which describes these financial problems.

This study also pursues to provide a list of activities that support sales people to overcome servitization challenges. They can do so directly or help to develop the capabilities beneficial for service sales people. A variety of solutions can be found in the earlier literature related to organizational re-structuring, service development, value creation and service culture (Gebauer et al. 2005; Kindström et al. 2014; Oliva & Stermann 2001; Ulaga & Eggert 2006). The solutions provided to tackle these challenges are sufficient to create a macro-level view about what are the most influential actions to take at the general level and some organization-

level suggestions are very concrete. Studies related to service sales people’s competencies give also a good view on what capabilities should be developed. However, the information about how sales people themselves view the change and how they would want their capabilities developed or what kind of help would they need to succeed in service sales is scarce or nonexistent. The studies directly related to the research targets are presented in table 1.

Table 1. List of the most relevant studies creating the theoretical framework

Name of the study	Author(s)	Research gaps	Main findings
A manufacturer becoming service provider – challenges and a paradox	Brax (2005)	Limited number of account managers interviewed Not focused on sales function	Challenges that servitization imposes to the sales function
Challenges in transforming manufacturing organisations into product-service providers	Martinez, Bastl, Kingston & Evans (2010)	Only managers were interviewed Not focused on sales function	
Transitioning from product to service-led growth in manufacturing firms: Emergent challenges in selecting and managing the industrial sales force	Ulaga & Loveland (2014)	Only managers were interviewed	
Adding services to product-based portfolios	Kindström, Kowalkowski & Brashear (2015)	Only managers were interviewed Not focused on sales function	Capabilities & characteristics valuable for service sales people
Overcoming the Service Paradox in Manufacturing Companies	Gebauer, Fleisch & Friedli (2005)	Not focused on sales function	Actions & factors supporting the sales people to overcome servitization challenges
The impact of the product to service shift in industrial markets and the evolution of the sales organization	Sheth & Sharma (2008)	Emphasis on the effects of the service-dominant logic and not on servitization	
The impact of servitization on selling	Ryals & Rackham (2014)	Propositions are limited to cover sales opportunity evaluation	

The challenges of servitization are described by a plethora of studies, as can be observed in the systematic review by Zhang et al. (2017, 218), who found a total of 631 researches about the subject. However, it was Brax (2005), Martinez et al. (2010) and Ulaga et al. (2014) who came closest to describing the challenges in the sales function. From these, only Ulaga and Loveland did focus on the sales force. Moreover, studies describing the actions which should

be taken to overcome servitization challenges were lacking sales people perspective and focused on organizational activities. Ryals et al. (2014) discusses factors related to service selling but the scope is very narrow, since they only suggest evaluating sales opportunities. Beneficial competences of sales people related to servitization are directly presented only in Ulaga's and Loveland's as well as in Kindström et al. (2015) study, since Sheth et al. (2008) are more concerned of their changing role and responsibilities. The changing roles and their effect to sales people are discussed in other studies as well, but not related directly to servitization as in the study of Davies, Ryals and Holt (2010), who present the effects of relationship management approach in selling.

The studies in table 1 are limited in comprehensively answering the specific salesperson-level challenges, supportive actions and competences, since only a limited number of account managers were interviewed. Brax (2005), Kindström et al. (2015) and Ulaga et al. (2014) have interviewed an unspecified number of account managers, but since the respondents were from various hierarchical levels and titles, the real number of salespersons not in managerial positions was most probably low. Other studies had either interviewed only personnel in managerial positions or they were grounded on previous literature. Hence, there is room for more studies that pursue to understand the salesperson perspective to servitization.

Kowalkowski et al. (2017, 83) claim, that previous articles more or less replicate the existing knowledge without moving the field forward. On a similar note, this paper pursues to address the implications of servitization at a salesperson perspective, which has not been the approach of earlier research. Sales people are the interface between the customers and the service provider and their orientation and capabilities to sell services and adapt to their new roles is essential in succeeding in capitalizing on the biggest benefits of servitization, namely differentiation and larger margins. For this, it is important to understand the impact of servitization on sales people and what challenges they face as well as how they see those challenges should be answered.

1.3 Research problems, objectives and delimitation

As noted in the previous chapter, the current research does not sufficiently cover the phenomenon on servitization in the perspective of individual salespersons. This paper seeks to establish a salesperson view over the changes related to servitization to understand and help the sales function to successfully transition to service sales. Over the course of the thesis, it is intended to maintain the focus on sales force, albeit the role of other functions in the organization is discussed as well. This is due to their interconnectedness with the sales function. The research questions are formed to reach the objective of this study as well as to limit its scope.

Research questions and their sub-questions are,

1. What are the main challenges that servitization imposes to the sales function?
 - a. How do these challenges manifest at the salesperson level?

2. How can the service organization support the sales function in overcoming the servitization challenges?
 - a. What capabilities and characteristics are required from individual salesperson to manage servitization challenges?

Service organization refer to the profit and loss responsible business unit where the sales function is located, and the term is not limited only to organizational entities that sell merely services. Furthermore, the organizational structure of a company is usually product-centric in the early phase of servitization and a clear distinction between a product- and a service organization cannot be made. Service organization could for example consist of sales- and marketing functions as well as service development function, which include service design, service owners and technical personnel. The sub-question seeks answer to those capabilities and personality traits needed from an individual salesperson to manage the challenges. By this question, it is meant to offer tools to evaluate sales people's capability to sell services and acknowledge the skills and mindsets that salespersons should seek to develop.

The objective of this study is to provide a salesperson view to problems that arises from servitization as well as to solutions that answer those problems. Moreover, the purpose

is to provide concrete solutions to sales people's problems in adapting to selling offerings that include services. Service organizations can utilize the findings to support sales people's capabilities to sell services and manage the difficulties related to service transition.

The study is limited to concern only business-to-business context. Thus, the service offerings as well as sales process described in the text are only applicable in B2B selling. Furthermore, target group of this study are the sales people and the sales function. In the current service organization setting, there might be other personnel taking part in the sales process, such as service design people, and they are likely to find the results useful as well. Also, other stakeholders in the service organization can utilize the findings of this paper. However, the information sought was limited to concern organization's sales function and cannot be directly translated to other functions. This study does not seek to provide company-wide solutions to servitization challenges but is limited to profit and loss responsible business unit selling services.

1.4 Structure of the study

This study consists of seven chapters. The first chapter, introduction, offer a brief background to the subject and a validation to its importance. Furthermore, the theoretical background and research questions were discussed in this chapter. Chapter two, servitization, presents the theory on servitization and related concepts. It also goes through different service offerings and concepts related to service sales. Third chapter discusses servitization's effect on salesforce, the characteristics and capabilities needed from service sales people and the challenges imposed by servitization to sales function. The fourth chapter is about the solutions that literature offers to overcome servitization challenges for sales people.

The fifth chapter describes the research method and presents the case company of the study, while chapter six introduces the findings of the research. Chapter seven presents the answers to research questions based on the findings from the research and the relevant literature elaborated in chapters two to four. Finally, in chapter eight the conclusions are drawn with managerial implications, research limitations and possible future research about the subject.

2 SERVITIZATION

2.1 The concept of servitization

The concept of servitization has existed since the late 1980's, when Vandermerwe & Rada (1988, 315-316) described it as the act of creating wealth by delivering value. They stated, that servitization is not merely repairing or maintaining the sold good, which is called 'servicing', nor it is only about customer engagement or focusing on the 'moments of truth', i.e. the critical contact points with the customer. Companies had previously viewed themselves as either service or product suppliers before noticing that products demand services to complement their function. Next phase of the process toward servitization was to offer 'bundles' that are consisted of products, services, support, self-service and knowledge. To offer these complete solutions, companies needed to adapt their internal processes to become more customer oriented instead of resource oriented and aim for higher customer satisfaction instead of only measuring financial indicators.

The academic interest toward servitization has since generated information about the benefits of integrating services in companies' product offerings. As product manufacturers are the main beneficiaries of service integration, the literature mainly covers companies that produces the goods being sold. Oliva et al. (2003, 160), divides the benefits in three categories of arguments; economic arguments, customer-related arguments and competitive arguments. Economic arguments relate to longer product life cycles, higher margins and more stable revenue streams, since services are resistant to economic phenomena affecting equipment purchases related to goods manufacturing (Oliva et al. 2003, 160; Potts 1988). Customer-related arguments derive from increased demand of services and the need for companies to customize the offering to answer the specific customer needs. The increasing technological complexity has created a need for companies to narrow down their core competencies and offer solutions that customers can easily comprehend. Finally, services present a sustainable source of competitive advantage, since they are less visible, difficult to imitate and more labor dependent (Heskett, Jones, Loveman, Earl Sasser & Schlesinger 1994).

Rabetino et al. (2018, 358) structured the servitization-related research in different clusters, where different concepts apply to certain environments. For example, servitization belongs to both customer solutions and operations management clusters meaning that it does not merely relate to company's offering, but it is also a management issue or a mindset. Another concept related to servitization is service infusion (Brax 2005). According to Kowalkowski, Witell and Gustafsson (2013, 19), service infusion is an organization-wide support for different long-lasting processes that enhance service orientation and customer value creation. Service transition, on the other hand, is a company's repositioning to become a provider of more customized product-oriented services and finally, a provider or overall solutions (Fang, Palmatier & Steenkamp 2008, 2; Kowalkowski et al. 2015, 59). Third servitization-related concept of servicification was introduced by Tomiyama (2001, 64). All these concepts are used to describe the process of service growth. (Kowalkowski, Gebauer, Kamp & Parry 2017, 4) Servitization will be used as the word describing this phenomenon in this paper.

Vargo et al. (2004, 7) point out the essential differences between goods-centered and service-centered dominant logic and offers foundational premises to service-dominant logic. They suggest, that knowledge and skills, instead of goods, are the main resource of the company. Tangible products serve as transmitters of skills and knowledge used to create customer-centric solutions that could include products as well. Furthermore, they see knowledge as the main foundation of competitive advantage and economic growth. However, the knowledge is not built merely inside the company by its employees but extracted from customer interactions and market analysis. The emergence of vertical marketing channels has decreased the amount of direct exchange with customers, thus demanding more effort from companies to understand their clients. (Vargo et al. 2004, 6-12)

Customer understanding is pivotal in value creation, since no good or service has value for customers in themselves. Traditional good-centric approach viewed that value is created in the act of exchange, implying that a good has some embedded value. (Vargo et al. 2004, 6-12) However, as Gummesson (1998, 247) point out, value is only created when the good or service is consumed and Grönroos (2000, 24-25) suggests, that customer value comes from value-creating processes during the relationship between the customer and the supplier. Moreover, as amendment to service-dominant logic, Grönroos (2011, 245-246) states that service providers can do more than just value propositions. They should also actively engage

themselves with keeping promises made and can even extend market offering to include activities during value creating process. Finally, it should be noted that knowledge and skills have always been used to answer to customers' problems. They are just becoming increasingly separated and exchanged in the market. (Vargo et al. 2004, 10)

2.2 Service types

After briefly describing the different terminology related to servitization, it is useful to go through the various service concepts and categories found in the literature. The need for new kind of offerings complementing their current portfolios was brought upon goods-centric companies by the commodization of products as well as their declining profitability (Paiola et al. 2013, 390) Commodization refers to the process where products become interchangeable and lose their differentiation advantage. It leads to decreasing margins, since customers base their purchase decision on price only. (Kotler 2018, 212) Furthermore, increasingly complex customer needs demand more comprehensive solutions that traditional products cannot provide (Mathieu 2001a, 39).

Servitization offers companies a compelling opportunity to increase their profitability and customer satisfaction as well as differentiation from competitors (Oliva et al. 2003, 160). Commonly, these companies start by adding services that relate to the functionality and delivery of their current products. These are the simplest type of services and their benefits are easily comprehended. In the other end of the product-service continuum, are the intangible solutions that are complex and relate to customer's processes. (Kindström et al. 2014, 102; Paiola et al. 2013, 402) There are various concepts describing the service provider's offerings and along the product-service continuum, these concepts give partly same recipe for the offering. Service and product combinations are called product service systems (PSS), functional products (FP), total care products, integrated solutions, hybrid offerings or -products and customer solutions. (Alonso-Rasgado, Thompson & Elfström, 2004, 515; Berkovich, Leimeister & Krcmar 2011, 369; Davies 2004, 727; Tukker 2004, 246; Tuli et al. 2007, 1; Ulaga & Reinartz 2011, 5).

In addition to products and services, PSS's or hybrid products are consisted of the infrastructure and personnel contributing to customer satisfaction (Mont 2004, 71). Dimache

and Roche (2013, 1437) also suggests, that PSS's relieve customer's responsibility because they do not necessarily claim ownership of the solution. Furthermore, environmental sustainability is claimed as one of the key features of a PSS (Dimache et al. 2013, 1437; Mont 2004, 71). Functional or total care products are similar overall solutions and are typically described to consist of hardware and a service support system (Alonso-Rasgado et al. 2004, 515). Shankar, Berry and Dotzel (2006, 2) define hybrid offerings as product-service bundles that create more customer benefits than if the product and service were sold separately. As all the previous concepts, also customer solutions and integrated solutions denote an integrated solution of products and services that meet customer's needs (Davies 2004, 727; Tuli et al. 2007, 1)

It is notable, that the definitions of all these concepts only relate to integrated solutions of products and services and do not mention the possibility of services as standalone value creators. This could be due to the fact that the majority of studies conducted about servitization are done from manufacturing companies, whose main offering consists of products. These products are also essential for their customers' businesses. When digging deeper to service providers offerings, some service types can be found that are not related to product offering but to customer's processes as activity management services introduced by Tukker (2004, 254) or operational services elaborated by Davies (2004, 738). Furthermore, Kindström et al. (2014, 102) view customer solutions as services that not only can be intangible and focus on customer's process but also have a distinctive output-based revenue model. However, these are individual service categories that do not describe the whole service portfolio. Thus, all the previous concepts are used in the context of servitization, even if they do not disclose the possibility of a truly intangible service. Different service categories are covered in the following paragraphs.

Frambach, Wels-Lips and Gündlach (1997, 347-348) identified four different service categories: relationship product services and pre-sale-, sale- and post-sale services, linking the services closely to product sales and maintenance. Since then, various different classifications have been made. In 2001, Mathieu (2001b, 453) suggested that one type of service is a service as a product, where the service is independent of the company's goods. Oliva et al. (2003, 168) divided services to transaction-based services and relationship-based services. Former are more product-centric, such as product repairs and transportation, while

latter represent services where the supplier is proactive in delivering the value such as in full-maintenance contracts.

In the categorization by Gebauer (2008, 287-288; 2010, 121) there were similarities to earlier notions, since he had classes for after-sales and process-oriented services. After-sales services included the simple transaction-based services, such as repairs and basic training, and process-oriented services were similar to relationship-based services. However, he went a step further to suggest two more service categories of R&D services and operational services. They represent the types of services, where the supplier claims ownership of its customer's processes, for example the customer's maintenance function. Kowalkowski, Kindström and Brehmer (2011, 771) also separate product-oriented and process-oriented services and acknowledge that the latter can be sold separately from products or in a product-service bundle, such as a rental agreement. Finally, the same kind of continuum from customer-initiated services to full delegation of customers processes can be detected from Ulaga and Reinartz's (2011, 15-19) paper, where they divide the service in four categories. Product life cycle services and asset efficiency services secure the optimal functioning of the product but process support and delegation services either aid the customer to enhance or completely take over a specific process. The evolution of service portfolio during the servitization process can be seen in figure 2.

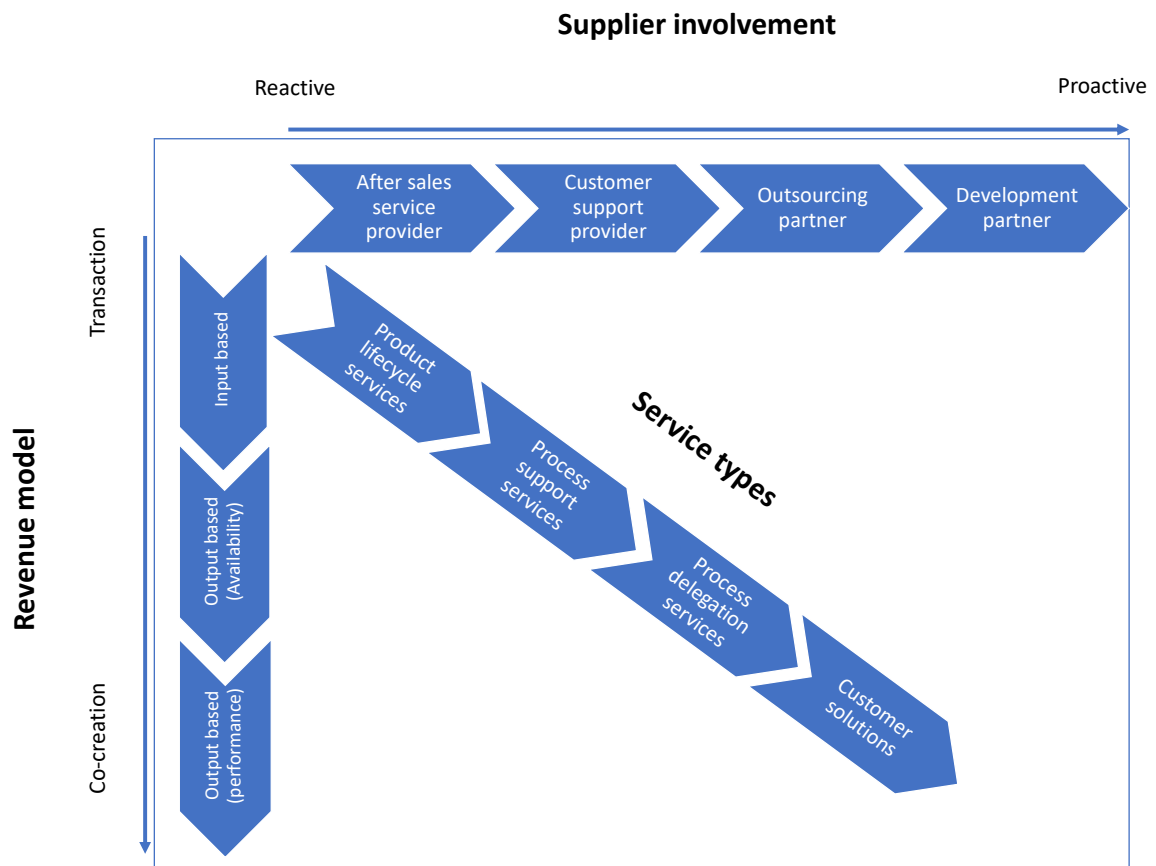


Figure 2. The evolution of services during servitization process (Gebauer 2008, Gebauer et al. 2010a; Kindström et al. 2014, Paiola et al. 2013, Ulaga et al. 2014)

Based on the notions from the studies conducted on different service types, three different but complementary categorization methods can be detected. First, services could be either product- or process-oriented. Product-orientation refers to services supporting the usage of the vendor's product or help to maintain or enhance the functionality of the product. The main benefit of these services derives from the continued or larger output of the product. Examples of these could be product training and maintenance. Process-oriented services are directed to customer's processes instead of vendor's product. A company with higher competence in a specific business process could offer its services to another company, for example by doing cold calls in behalf of its customer's sales function or taking over customer's maintenance function. The benefit is higher efficiency in that particular process by increasing the output or decreasing the input, since more capable firm can enhance the

process and could do that with fewer resources. (Kindström et al. 2014, 102; Kowalkowski et al. 2011, 8; Oliva et al. 2003, 165; Ulaga et al. 2011, 15-19)

The second categorization method is to divide services by the involvement of the supplier. The continuum ranges from the supplier being only reactive in providing services to a complete outsourcing model, where the supplier is the owner of the customer's process or pursues to develop them. The most reactive model is the after-sales service provider, who seeks to react to product breakdowns and failures as soon as possible or on demand. Customer-support service provider would instead seek to prevent breakdowns altogether. Along the continuum, there are even more proactive models of outsourcing partner and development partner, which are not necessarily continuums to each other. Outsourcing partner offers services, which are designed to take over the responsibility for customer's process. Development partners provide R&D-oriented services intending to develop customers' processes, also letting the customers benefit from their innovations. (Gebauer 2008, 287-288; Gebauer et al. 2010a, 106; Ulaga et al. 2011, 15-19)

In addition to separating services by whether they are product- or process-oriented, or how involved the supplier is in the process, services can also have different revenue models. Input based product-oriented services have their pricing based on the input used for repairing, maintaining or delivering the product. Conversely, output-based process-oriented services have a revenue model focusing on the achieved outcome, which is shared by the supplier and the customer. Kindström et al. (2014, 102) call the former product lifetime services and the latter customer solutions. Along the continuum from product life cycle services to customer solutions, there are various other revenue model options. For example, process or product availability services would be compensated on a monthly basis at a fixed rate, regardless of the input. Examples of these services are rental plans and preventive maintenance. Similarly, as with customer solutions, the customer benefits from this model because the service provider have a clear incentive to improve the efficacy of the solution. (Kindström et al. 2014, 102, Oliva et al. 2003, 168-169)

A service provider can vary the intensity of its involvement to customer's business as well as the revenue model of the service depending on customer's requirements and potential. Moreover, it could have different services from product life cycle services to customer

solutions in its portfolio. (Kindström et al. 2014, 102) However, only a small minority of formerly product-oriented companies have been able to organize themselves to offer such customer solutions that are visualized in figure 2 (Oliva et al. 2003, 170; Paiola et al. 2013, 402). In this paper, the word ‘solution’ is used to describe services that answer to customer needs. They could be, but not necessarily are, accompanied by products. Solutions can be either process- or product-oriented and the level of supplier involvement is not specified. Essential is, that they are created in cooperation with customers and they cover customer requirements. However, the revenue model should be other than input based, and the nature of sales process should not be transactional.

2.3 Service sales

Ryals et al. (2014, 249) conceptualized the term complex selling to describe service logic in the sales function. Important characteristic of complex selling is the idea of value co-creation between the service provider and the customer, which takes place not only post-sale but during the sales process as well. Complex selling could refer to selling product service systems but unlike PSS, in complex selling there may be no tangible product at all. In both cases, complex selling aims to provide a solution to a customer's problem or change the customer's business model.

The key perception of complex selling is that the solution has a value greater than the sum of its elements, meaning that service provider's expertise adds value to services and products bundled in the solution (Johansson, Krishnamurthy & Schliissberg 2003, 116). Furthermore, customers expect the service provider to understand their requirements, customize the offering accordingly, integrating and deploying applicable products and supporting them continuously (Tuli et al. 2007, 4). The customization might manifest in developing the solution as a part of the sales process. These factors lengthen the sales cycle and make the process costlier compared to sales where the product or service is pre-specified. (Ryals et al. 2014, 250)

There are also concepts similar and partly alternative to complex selling, such as systems selling, solution selling, functional selling and relational selling. Systems selling is by definition the act of providing systems comprised of something more than just products. The

word system is derived from the idea, that fulfilling customer needs entail various components that form an integrated system. (Mattsson 1973, 109) Solution selling is similarly referring to sales of product and service bundles, where the solution is defined in the relational process with customers, taking account their requirements and customizing the offering accordingly. Like systems selling, solution selling includes the implementation of the solution, but it also comprises the post-deployment customer support. (Evanschitzky, et al. 2011, 657) Relational selling strategy is based on the interdependence of the supplier and the customer as well as exchange of critical information in a way that benefits each party (Guenzi, Pardo & Georges 2007, 122). Finally, in functional selling the focus is on fulfilling customer needs and creating customer value as in other concepts also. The key feature of this approach is that the solution or the product is not pre-specified by the customer as it would be for example in leasing contracts, and the vendor need to decide what is the correct solution for the specific customer problem. (Sundin & Bras 2005, 914).

Kindström et al. (2015, 4) relate the service selling to relationship and value-based selling as both emphasize the understanding of customer's business and needs but also refer to more customer-centric approach. Terho, Haas, Eggert and Ulaga (2012, 183) conceptualize the value-based selling as "working with the customer towards crafting a market offering in such way that translates the benefits into monetary terms based on an in-depth understanding of the customer's business model". Value-based approach has also inspired some vendors to take part to customer's value creation by linking their compensation to the customer's value-in-use, meaning that the supplier only gets compensated if the service creates financial value to the customer, as discussed earlier concerning output-based revenue model (Storbacka 2011, 699). Relationship selling is an approach where service provider focuses on building mutual trust with the customer by offering consistent, long-term and value-added benefits. An idea that too many sales accounts can be bad for business, because the salesperson's attention is spread too thin, is a feature of this approach. (Jolson 1997, 76)

All the aforementioned concepts describe the change from transactional selling to long-term value creation. However, relational-, relationship- and value-based selling approaches focus on the nature of value creation, whereas complex-, solution-, systems- and functional selling takes account the characteristics of the offering as well. In systems selling, integrated offerings of products and services are the main offering, but complex-, solution- and

functional selling give the opportunity to comprise the offering only of intangible services. (Evanschitzky et al. 2011; Guenzi et al. 2007; Jolson 1997; Mattsson 1973; Ryals et al. 2014; Terho et al. 2012) The concept chosen to describe the changed nature of selling in this paper is ‘service sales’, because it best captures the concrete act of selling services without overcomplicating the issue for readers of this paper. The essential differences between product- and service sales are shown in figure 3.

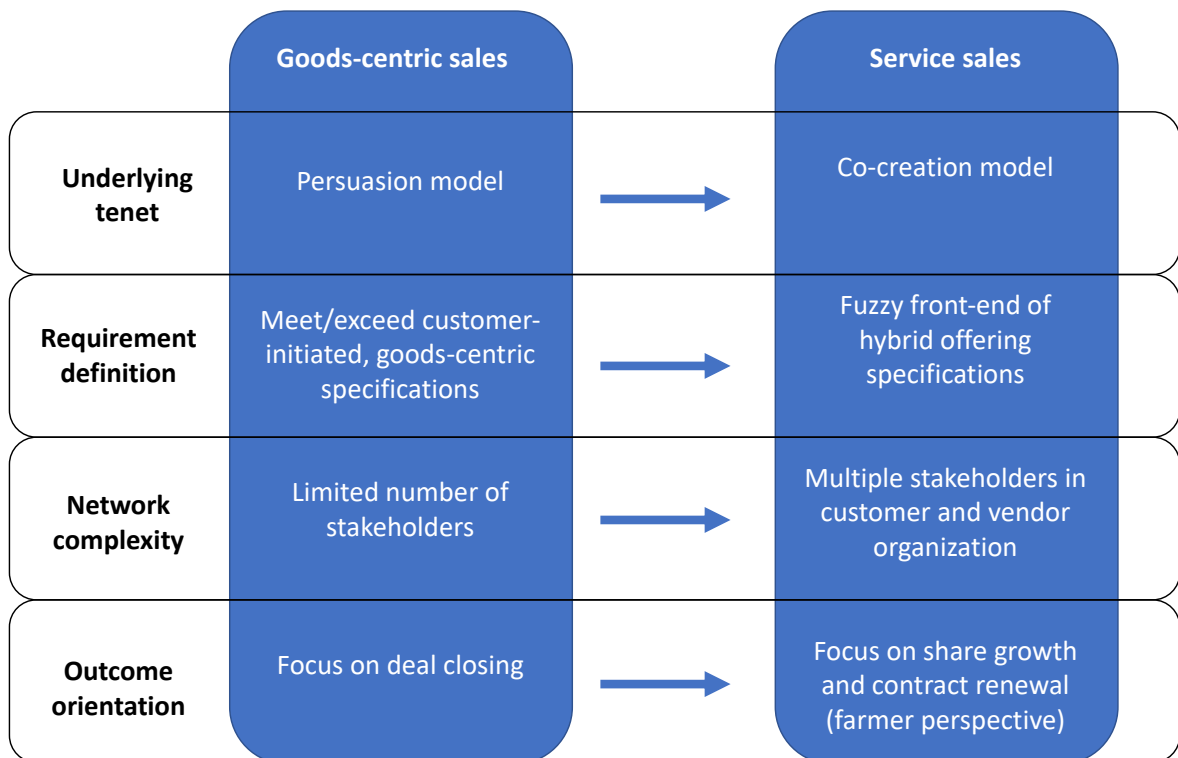


Figure 3. The transition from goods-centric sales to service sales (Ulaga et al. 2014, 118)

Goods-centric selling is characterized by its transactional nature, which is essential in increasing product sales volume, the main measure for sales organization’s success in product-centric companies. However, this approach need to be substituted with long-term orientation and co-creation in service sales, because the relevancy of services and customer value is dependent on the depth of customer understanding which takes a long time to build. Furthermore, customer requirements are often complex and subject to change. Thus, proactively maintaining the relationship offers the opportunity to develop the current solution and complement it with new innovations. Depending on customer’s organization, connecting with both users and buyers of the solution as well as executives help to communicate the value proposition and might lead to promotion of the solution by

customer's own personnel. As product salespersons are often viewed as 'hunters', who move on to the next customer after closing a deal, service sales people need to adapt a 'farmer' perspective, where the focus is on renewing the deal. It means, that service selling is a continuous, iterative process of identifying customer's problems and finding solutions. (Ulaga et al. 2014, 117-118)

3 THE EFFECT & CHALLENGES OF SERVITIZATION FOR SALES FUNCTION

While servitization has been the subject of a plethora of studies in recent decades, its implications to sales force has not been widely addressed (Ryals et al. 2014, 249; Sheth et al. 2008, 261). However, it is the salesforce that often is the mediator between the customers' demands and vendor's capabilities (Kindström et al. 2015, 12). The role of the middleman makes sales people's work environment especially prone to changes, since demand for servitization is coming both from the employer, who wants to benefit from larger customer lifetime value, and from customers, whose needs are changing towards comprehensive and long-term solutions (Oliva et al. 2003, 160). These demands also add pressure for sales people's roles, competences and characteristics to change. While changing roles are more or less typical during one's career, new competences demand effort to build and maintain. Furthermore, personal characteristics are even more difficult to change but the new environment might reward completely different characteristics than before. (Sheth et al. 2008, 266)

3.1 The effect of servitization on salesforce

For sales people, the new sales environment means they really have to understand the customer's processes to create profit for their company. In fact, the customer-oriented value-in-use concept, recommended as the foundation of the value proposition, suggests, that service provider's profitability should be based on customer's perceived value. (Grönroos 2011, 245-246) Thus, sales people need to create strong bonds with the customer and be aware whether the customer is really benefiting from the service. The sales cycles stretch longer compared to ordinary products, because carefully done assessment of customer needs is a prerequisite of this understanding. Another reason for longer sales cycles is the necessity to continue helping customer to extract the value from the service. Furthermore, the sales people may need to renew the service contract occasionally and acquire information about the changing situation of the customer's business. (Kindström et al. 2015, 16)

Kindström et al (2015, 2) suggests, that the effects of the servitization can be detected in companies' organization, roles and competences. As mentioned earlier, the role of sales people has been evolving from mere product sellers to relationship managers, which can also be seen from the currently common titles of account managers (Guenzi et al. 2007, 121). Many times, account managers are the primary point of contact and customers are appointed for them long-term (Weitz & Bradford 1999, 243). Kindström et al. (2015, 14-16) further brings forth two new roles that sales people need to adapt to. The first role is the solver of customers' problems, which refers to the value co-creation process with the customer. Customers are using the vendor's sales force to solve their own problems and simultaneously to create additional value. The second role, deliverer of brand value, is evident when services are becoming a larger part of total offerings. In those cases, the customers find it hard to comprehend supplier's value proposition and as a consequence, the sales people need to channel more effort in explaining the benefits (Kindström, Kowalkowski & Nordin 2012, 539).

Not only are the roles of sales people changing, but also service users are transforming. Traditionally, customers were seen as passive users only enjoying the benefits that the vendor could produce. Currently, suppliers are expected to teach the customers to use the service in the optimum way. Vendors also benefit from teaching, as well-taught customers learn to appreciate continuing potential of the service. This is most crucial in the context of advanced and comprehensive services. (Kindström et al. 2015, 16). Contrary to goods-centric sales, customer is co-creating the solution and a member in its own value creation. Both the salesperson and the customer benefit from including multiple stakeholders in the process. Customer might have a separate buyer not related to the business unit using the solution and they are both important to involve to decision-making. Similarly, service provider has both technical- and sales personnel, from which both are essential to value creation. (Ulaga et al. 2014, 118)

The organizational effects of servitization are apparent in the greater resource deployment through the whole sales process. Sales function cannot be self-sufficient during the process and cross-functional coordination is needed, since the value-creation is a joint-operation of multiple specializations in the company. (Hancock, John & Wojcik 2005, 3; Ulaga et al. 2014, 118) For example, the sales leads could be created by another unit or a team, who need

to understand customer needs that are often subject to change and discovered through the problems of customer's processes. Sales people are the experts in those processes, but service technicians are the ones creating the solutions. In addition, there are other specialists needed to answer the specific questions such as invoicing and possible outsourcing of some processes in the service life cycle. This calls for general understanding of the customer's business for the whole service organization. Thus, the personnel responsible for the service development function as an extended sales function contacting customers and carrying out customer visits. These parallel operations have the potential to create synergistic benefits when they are coordinated, and different functions cooperate and share information. (Kindström et al. 2015, 11-13; Ulaga et al. 2014, 118)

3.2 Capabilities and characteristics of service sales people

As the role of the sales people and the organization of the service provider is changing due to transition to services, the competences that sales people need to possess are transforming as well (Kindström et al 2015, 16-17). Traditional sales people have adopted to systems that reward purely revenue generation. In order to persuade more customers to buy company's products and achieve short-term results, they have needed aggressive selling techniques. Their competences have evolved to serve the pre-purchase and purchase phases of the sales process. Consequently, it has been suggested that the sales people who are good at traditional sales might not easily adopt to new service-logic of sales. Sales people's new roles demand both capabilities that were not needed in traditional sales as well as those that are even contradictory to previous capabilities. (Davies et al. 2010, 1050) The relevant roles, competences and characteristics are visualized in figure 4.

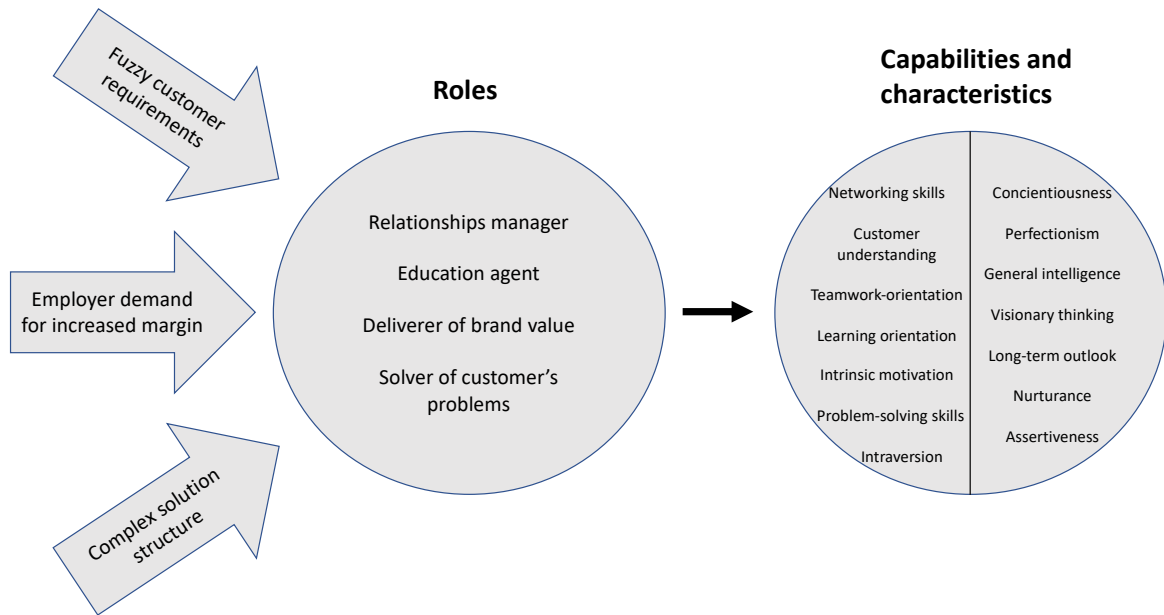


Figure 4. Roles, capabilities and characteristics of service sales people (Davies et al. 2010; Sheth et al. 2008; Kindström et al. 2015; Rabetino et al. 2017; Ulaga et al. 2014 & 2011)

Davies et al. (2010, 1055) found multiple attitudes and competences contributing to service sales. They suggest, that capabilities that help to create a broad customer and market understanding are especially essential. Sales people need to collect information about market environment and proactively seek to understand customer's culture. Furthermore, prioritization and planning of their account portfolios are important in efficient use of their resources. Inside their organization, they need to forge relationships and coordinate cooperation with different functions. Long-term outlook was also a valuable skill in managing customer relationships and seeing through the longer sales cycle of services. Sales people need networking skills to become facilitators of contacts, which is an essential role in relationship selling (Sheth et al. 2008, 266). They enable the flow of information between the service provider and the customer, which in turn helps to create deeper relationships and opportunities for customization (Piercy & Lane 2005, 258). Although, understanding the technical aspects of the offering is highly important, the service sales people should also be equipped with problem-solving capabilities to be able to diagnose, suggest and implement provided solutions. Innovativeness, in turn, is related to the capability to bring new ideas to customer to create additional sales. (Kindström et al. 2015, 19; Rabetino, Kohtamäki & Gebauer 2017, 153)

Sheth et al. (2008, 266) point out that the characteristics needed from sales people are subject to change as well. Previously, so called customer hunters with charisma and push were the most important asset to sales organization. However, the shift toward consultative selling demands softer characteristics aiding customer understanding and the ability to provide excellent customer service. These characteristics help the salesforce to transform from selling products to selling solutions and further to be a trusted partner.

Uлага et al. (2014, 119-120) identified several individual traits essential for service selling. These traits are not in correlation with sales figures but identified by managers of companies offering services. Constantly improving by learning new material independently and devoting time to improving abilities is essential in successful service sales. It includes the understanding that initial sales opportunities seldom lead to purchase but are used to learn more from the customer and the sales process. Failing to understand this key difference between service and product sales would lead to insufficient knowledge of customer's business. Sales managers had identified that some sales people learn nothing from service trainings because they enter the event with a fixed mindset that they already possess the information provided. Salespersons also need to put the customer first and have the ability to provide personalized and responsive service. In product sales, sales people have used to focus on prospecting new customers, whereas building and managing the relationship with existing ones is an important feature of the service culture. Another difference between product and service selling is that the former emphasizes outcome and the latter behavior. (Uлага et al. 2014, 119-120; Uлага et al. 2011, 13)

As sales people often sell what is measured, objective numerical sales targets might lead to extrinsic motivation. However, intrinsic motivation is a beneficial trait among service sales people meaning that they should enjoy a task for its own sake. Intrinsic motivation encourages the previous trait of learning orientation and cooperation, since sales people would not be that prone to competing with each other over sales figures. In fact, teamwork orientation is one trait of a successful service salesperson, since service selling demand the sales people to work in cross-functional team inside the organization. Moreover, bigger customers might be served by a team of sales people instead of only one contact person. Uлага et al. 2014, 120-121) Barr, Dixon & Gassenheimer (2005, 82-83) point out that the sales people willing to work alone, or the 'lone wolves', might be highly committed to their

tasks but fail to establish loyalty to the organization and appreciate the value of others. This could manifest as an obstacle to effective teamwork. Salonen (2011, 688) call for selecting the people with right behavioral characteristics needed for customer orientation and extended sales processes to conduct service sales.

Service selling is characterized by uncertainty and even hard work could lead to rejection if the customer does not see or understand the benefits of the solution. Emotional stability is a trait valuable in dealing with these issues and starting the process again with another customer. Since service selling also has longer sales cycles and demand connecting with multiple stakeholders the initial rejection might be turned to successful sales after managing the relationship for longer period. In this environment of longer customer relationships and fewer customers, the previously valued trait of extraversion might not be as important in service selling. (Sheth et al. 2008, 266; Ulaga et al. 2014, 121) As extraverts are easily distracted and could have problems in concentrating on detail as well as maintaining their focus on monotonous tasks, this trait may turn out detrimental for their effectiveness in service sales environment (Blumenthal 2001, 501). They have also been found to have higher reward sensitivity, which could decrease their willingness for teamwork (Lucas, Diener, Grob, Suh & Shao 2000, 466-467). Ulaga et al. (2014, 122) also found other traits mentioned not as often by sales managers. For example, visionary thinkers were reported to have an ability to focus on future possibilities and opportunities and communicate the benefits of the solution. Furthermore, openness to experience was seen valuable in trying new approaches and experience new cultures.

3.3 The challenges of servitization for salesforce

Although services frequently have better margins compared to products and service transition can prove to be a profitable process for many companies, the benefits do not concretize immediately as pointed out by Fang et al. (2008, 1). They suggest, that the critical mass when servitization has a positive effect on the firm's value is only achieved after service sales reaches 20-30% of total revenue. Fischer, Gebauer, Gregory, Ren and Fleisch (2010, 592) found that majority of firms struggle to reach this target. Moreover, a quarter of solution providers lose money through selling value-added services and although industrial manufacturing companies that sell services create more revenue compared to traditional

ones, the profits stay smaller as percentage of sales (Neely 2008, 103; Ulaga et al. 2014, 113). This phenomenon where substantial investments in servitization does not lead to sufficient returns but only increases the number of service offerings and costs is known as service paradox (Gebauer et al. 2005, 14). Ulaga et al. (2014) see that the sales force's resistance to service transition is a major barrier to successful transformation. They also suggest, that a majority of industrial sales people do not easily transition to service sales and even after comprehensive training, they might not live up to expectations of the management (Ulaga et al. 2011, 21). The main challenges of servitization for sales function are identified in table 2.

Table 2. The challenges of servitization and their effect on sales function (Baines et al. 2008, Brax 2005, Jones et al. 2013, Kindström et al. 2009 & 2014, Martínez et al. 2010, Oliva et al. 2001, Ulaga et al. 2014, Zhang et al. 2017)

Subject	Challenge	Effect on sales function
Service culture challenges	<ul style="list-style-type: none"> • Insufficient communication • Employee resistance <ul style="list-style-type: none"> • Fear of change • Insufficient understanding of strategy • Change in value creation process • Integrated product- and service organization • Lack of management service-orientation & commitment • Tension between product and service culture 	<ul style="list-style-type: none"> • Lack of service offering understanding • Inability to communicate value • Unwillingness to offer services • Product-orientation • Lack of resource allocation to sell services • Lack of support to service sales
Service development challenges	<ul style="list-style-type: none"> • Using traditional product development process • Immature service development process • Complexity of service offering • Lack of management support because of associated risks • Lack of customer engagement • Lack of capacity to sense market opportunities • Problems getting investment decisions and commitment 	<ul style="list-style-type: none"> • Wrong performance measures • Irrelevant services • Poor cross-functional cooperation • Lack of customer pull • Lack of customer references • Poor value proposition • Bias towards product sales and unwillingness to offer services
Internal re-organization challenges	<ul style="list-style-type: none"> • Need for new resources • Re-allocation of resources • Need for cross-functional integration • Human-resource intensive services • Lack of management support because of associated risks • Lack of necessary service infrastructure 	<ul style="list-style-type: none"> • Lack of resources • Increased employee workload • Ambiguous service organization • Lack of service sales incentives • Poor service quality • High salesforce turnover among the best sales people • Conflict between the sales and marketing
Value creation challenges	<ul style="list-style-type: none"> • Changes in value creation logic • Complexity of service offering • Changing and complex customer needs • High service costs • Multiple stakeholders in sales process • Supply-chain partner not sharing service culture • Value risk-sharing not agreed with partner • Rising customer expectations 	<ul style="list-style-type: none"> • Customer rejection • Sales people or customer not understanding the value proposition • Difficulties in communicating the benefits • Unstable value creation • Poor service revenue and customer satisfaction • Problems in service delivery • Loss of credibility among customers

Sales people's problems to adapt to service sales arise from the differences in the sales process when selling service offerings compared to selling products. The new value creation logic, internal re-organization around services, service development process and difficulties in establishing a service culture create the largest challenges for sales people's capabilities and willingness to successfully include service sales in their everyday work.

Value co-creation process with the customer is not unequivocal, since the needs might be ambiguous, and the benefits provided by the solution are hard to comprehend. (Ulaga et al. 2014, 119) As the value proposition changes from being a one-way delivery of value to value co-creation, sales people face problems if they are not thinking from customer's perspective, which in turn lead to propositions not aligned with customer interests. Moreover, the realized value of the solution is much dependent on the effort of the customer, but the dissatisfaction will likely be attributed to the seller (Jones, Brown, Zoltners & Weiz 2013, 108). Also, solutions built to answer to customer's complex requirements are far more expensive compared to tangible products. This might create tension between the salesperson and the customer, if benefits are not thoroughly explained and comprehended. (Zhang et al. 2017, 220)

Customer expectations are increasing as they demand more communication, information and faster response, which strains the salesforce. At the customer interface, sales people have the best perspective of these expectations and their market knowledge is many times underutilized. Moreover, customers expect that the salesperson become familiar with public information found from them prior to making the first call. Failing to conduct pre-call preparations will likely lead to poor customer satisfaction and rejection. Salespersons could be subject to information overload due to these customer-specific reasons as well as the rising complexity of service offerings. (Jones et al. 2013, 106) Customer satisfaction will also suffer when customers need to communicate with several contact persons and wait for responses, which can be a challenge for a service organization since service delivery is a cooperation of multiple internal and possible also third-party stakeholders. This can present a problem for feedback processing as well, if the process is not well-defined. (Brax 2005, 151)

Even though selling services demand concentrating on the outcomes of the solution, many kept falling into presenting the features instead. (Ulaga et al. 2014, 119) The inability to communicate the benefits might also originate from insufficient deployment of service culture, an important cultural mindset in transitioning from a product-centric to a customer-centric organization. The shift is especially difficult when the product culture is deeply embedded in the company's culture (Martinez et al. 2010, 456). Management need to increase awareness of the developed service offerings both to internal and external customers. The lack of communication lead to insufficient knowledge about service offerings and decreased willingness to offer them to customers. The transition from product- to service culture is also likely to create resistance within the organization especially if the service strategy is not understood or because of a fear of structural change. (Baines, Lightfoot, Benettini & Kay 2008, 559; Zhang et al. 2017, 220). Also, the marketing function could undermine the service culture by treating services as product add-ons and not promoting them actively (Brax 2005, 149).

Traditional new product development process is not suitable in innovating and developing offerings that are at least in part intangible, which create the need to build a new process for service development. At the initial phase of servitization, the tools, methods and techniques for service development are usually underdeveloped and might only partially support the creation of relevant services. Customers do not acknowledge the value of solution when their problems are not understood. (Zhang et al. 2017, 221) Companies might also be discouraged in expanding their service offerings because they are afraid of the competition outside their usual domain, which hinders service development (Baines et al. 2008, 558).

Furthermore, the new service offerings are also new for customers of product-centric companies. Services are characterized by non-transferrable ownership, which customers might reject because they are used to owning the solution or product they have purchased. They are afraid losing the control over the contract. Thus, customer engagement is critical in teaching the benefits, understanding the relevancy and testing the solution. Selling these offerings is easier when there is an established customer need and reference as well as knowledge of the existence of such solution. The issue might arise also from value co-creation, since the benefits are concretized by human-resources. It involves unstable factors and hurt the supplier's credibility if employees appear unprofessional. (Brax 2005, 151,

Zhang et al. 2017, 221-222) Customers may also be intimidated by having to share information which is regarded as commercially confidential (Zhang et al. 2017, 222) Moreover, the service offerings are often more complex than solutions formed only from products and can create confusion in their definition, such as in contracts and what is required, both in customers and in vendors side (Martinez et al. 2010, 457).

The sales people need to address wider network of stakeholders in customer's organization to strengthen their value proposition. Finding the right contact people and communicating with all relevant stakeholders is time-consuming and demand networking skills. A major reason for failure in service sales is a lack of support from customer's local management. Moreover, cross-functional cooperation inside the service provider's organization is needed to offer the complete solution, which make the network of stakeholders even more complex and difficult to manage. (Brax 2005, 149; Kindström et al. 2015, 21; Martinez et al. 2010, 457; Ulaga et al. 2014, 117-118) Ulaga et al. (2014, 119) found that salespersons lack this networking ability and for many, accessing non-traditional customer contacts was out of their comfort zone.

The internal reorganization for service-led growth demand leveraging the workforce and materials across departments as well as acquiring new resources. Two challenges arise from this restructuring. The first is related to earlier topic of identifying and connecting with multiple internal stakeholders in changing organizational environment. (Zhang et al. 2017, 119) The second relates to executives' unwillingness to allocate enough resources initially, which lead to decreased service quality and more work for current employees. (Oliva et al. 2001, 913) Furthermore, the new service organization requires new service-oriented metrics, which should be aligned across the whole unit to avoid drifting into silos that all have a separate goal. In its initialization, the service organization might lack sufficient infrastructure and tools for fluent service design and delivery. (Martinez et al. 2010, 458)

Service delivery is sometimes dependent on supply chain partners that might not share the service mindset with the company. Especially, complex services might include multiple components which are all needed for successful value creation. The delivery of these services involves many uncertainties and these partners need to agree on a risk-sharing policy that shares the responsibility. Supply chain partners' actions affect sales people's

relationship with the customers as well as their workload as they must be able to make realistic promises without having to be afraid that they are not met by third-party operators. (Zhang et al. 2017, 220)

If left unanswered, these challenges might lead to undesirable consequences. Sales managers should be aware of certain factors that indicate the starting of a downward spiral and seek to turn the tide if they are noticed. These factors include the turnover of the best salespeople, conflict between sales and marketing, sales people spending too much time on non-selling activities and resulting decrease in customer focus, declining customer satisfaction and consistently missed performance goals. (Jones et al. 2013, 109)

4 OVERCOMING THE SERVICIZATION CHALLENGES IN THE SALES FUNCTION

Customer centricity is at the core of service sales. Inside the service provider's organization, a successful shift from product- to customer-orientation is a key issue and prerequisite in integrating customer-centric solutions in everyday business (Galbraith 2002, 196; Shah, Rust, Parasuraman & Staelin 2006; 116). Galbraith (2002, 196) sums the main contrast between product- and customer-centric companies from different aspects. Product-centric company creates cutting-edge products with useful features and applications and tries to find multiple uses for the products. The organization is formed around products as product teams and new product development is the main process. Success is measured in the number of new products, percentage of revenue from products and market share, while the most advanced customer is the most important for the company. The organization culture is open to new ideas and experimentation of new products. Product developers are the biggest asset for a product-centric company and the organization is on the side of the seller in a transaction. Finally, the main offering are the specific products. (Galbraith 2002, 196; Vargo et al. 2004, 10)

Conversely, a customer-centric company creates value by customizing the most beneficial solution for a customer and tries to find the best combination of products for that specific client. Organization is formed around customers as customer teams and customer segmentation is important. Relationship management is valued over product development. The success measures are customer share of most valuable customers, customer satisfaction, lifetime value of a customer and customer retention. Most profitable and loyal customers are seen as most important. The search for more customer needs to satisfy is deeply rooted in the organization culture. People most knowledgeable about customer's business are valued and managers who save the customer's business are rewarded. The company is on the side of the buyer in a transaction and the main offering are customized bundles of services, support, education and consulting. (Galbraith 2002, 196; Vargo et al. 2004, 10)

Gebauer et al. (2005, 24) divide the organizational changes in first- and second-order improvements. First-order improvements relate to symptoms of poor service management

such as low customer satisfaction and poor fit of services to customer needs. Second-order improvements treat the causes of these symptoms and refer to structural changes. Even though it is obvious that both are needed in successful service transition, the symptoms are more tangible and thus usually treated instead of the causes. Moreover, the second-order improvements are not quick-fixes and would not eliminate the existing problems. The overemphasis on the first-order improvements is concretized in the case of inadequate service concepts that are insufficient to answer to customers' needs. Substantial financial and time resources may have been used to generate the solution, creating an urge to keep offering it, in order to cover the investments. (Gebauer et al. 2005, 24) This phenomenon of the sunk cost fallacy combined with preference of treating what is obvious and tangible creates the tendency to prioritize first-order improvements (Arkes & Blumer 1985, 124). Employees should be encouraged to concentrate on second-order improvements by using traditional quality improvement methods, such as Total Quality Management (TQM) (Al-Ibrahim 2014).

Table 2 summed the main challenges concerning sales function during servitization. Next chapters will present findings on how to overcome these challenges. Since the sales function is only a part of the service organization and multiple internal stakeholders take part in service delivery, many factors relate to actions by which the sales people can be supported by the rest of the organization. However, there are also factors concerning only sales function or a single salesperson. Table 3 sums these actions and their effect.

Table 3. Actions to overcome the servitization challenges (Galbraith 2002, Gebauer et al. 2005 & 2010, Grönroos 1990, Kindström et al. 2009 & 2014, Oliva et al. 2001 & 2003, Ryals et al. 2014, Shah et al. 2006, Ulaga et al. 2006 & 2014)

Challenge	Action	Effect in sales function
Service culture	<ul style="list-style-type: none"> • Internal marketing • Separate service organization • Management service orientation • Employee service orientation • Sufficient resources • Service champions • Making service offerings visible for customers 	<ul style="list-style-type: none"> • Less inertia • Service orientation • Better understanding of service offering • Stand behind the value • Better understanding of service potential
Service development	<ul style="list-style-type: none"> • Separate service development process • Customer engagement from the start • Sales people engagement • Portfolio management • Structuring existing service portfolio • Clear decision about the degree of standardization • Linking services and products • Service design capability 	<ul style="list-style-type: none"> • Relevant services • Better understanding of service offering • Good value proposition • Cross-functional cooperation • More customer references • More sources of innovation
Re-organization	<ul style="list-style-type: none"> • Separate service organization and service salesforce • Employee engagement in planning changes • Management support • Sufficient and timely resource allocation • Customer-value-related and realistic objectives 	<ul style="list-style-type: none"> • Incentives to implement changes • Less time for service strategy adoption • Enough resources • More time per customer • Better quality services • Incentives to offer services
Value creation	<ul style="list-style-type: none"> • Learning customer's business • Cross-functional collaboration • Core offering's quality enhancement • Service support and personal interaction • Developing service delivery infrastructure • Sharing knowhow with customer • Supporting or taking over customer's operations • Evaluating sales opportunities • Co-creation of value with customer • Risk-sharing agreed with supply-chain partner • Developing sales tools 	<ul style="list-style-type: none"> • Increased service revenue, margin and customer satisfaction • Good customer relationship • Identifying service opportunities • Customer and salesperson understand service benefits • Easier to communicate service benefits • Customer agrees on service benefits • Trust among customers • Trust on service processes • Customer needing interpretation capabilities

4.1 Internal re-organization

Employees working with services should be engaged in planning the organizational changes needed for extending the service business, because they already understand the settings where the change is carried out. Furthermore, they have incentives to implement those changes they themselves developed. Thus, this strategy decreases implementation time and increases commitment. Service workers are also experts in understanding the resources needed to maintain service quality while increasing service revenue. (Gebauer et al. 2005, 23) Oliva et al. (2001, 912-913) acknowledge the need for sufficient resources in service organization by stating that employees reduce the time spent with each customer to meet

objectives. While this enables the same number of service people to deal with more customers thus increasing service revenue, it also decreases the quality of provided services. Likewise, Anderson, Cornell and Rust (1997, 139) found that increase in service productivity has a negative effect on customer satisfaction. In time, decrease in service quality is seen to result in lower profit, slower growth and greater financial pressure to boost productivity, which increases the workload even more and leads to more corner-cutting. (Oliva et al. 2001, 913)

Rising customer expectations for service quality is an additional reason of poor service capacity. Thus, the amount of resources needed by service organization might increase over time. Moreover, because learning curve related to services with high professional standard is significant and slow, the company need to provide sufficient human resources from the beginning. Newly hired employees have only a fraction of the productivity of more experienced workers and they require extensive training to reach the professional potential needed to contribute to service sales. New hires also decrease the productivity of experienced workers, because time resources need to be channeled to mentoring and coaching. (Oliva et al. 2001, 897, 913) If service quality is led to erode due to insufficient resources thus decreasing customer satisfaction and service profits, managers might construct an impression of lower economic potential and higher risk of service business. Consequently, they will turn their emphasis back to tangible goods the same way as sales people, when they are given unrealistic service-related objectives. Managers should anticipate the resource bottleneck by hiring new service people in advance. (Gebauer et al. 2005, 23; Kindström et al. 2014, 99)

Multiple studies have observed that the companies that were the most successful in service transition had established a separate business unit for services with profit-and-loss responsibility. (Gebauer et al. 2005, 20; Kindström et al. 2014, 99; Oliva et al. 2003, 166-167; Ulaga et al. 2014, 11) Some companies have even established specific, customer-focused units supported by a key account manager (Kindström et al. 2014, 100). The service organization should have its own dedicated sales force and performance measures to match the relationship-building targets required for successful service sales. Furthermore, these targets need to be broken down to individual level where each employee contributes to the goals of service organization and overall corporate goals. Right incentives would also

contribute to the creation of service culture inside the organization, a necessity for sufficient internal support for service development and sales. (Gebauer et al. 2005, 20-21; Kindström et al. 2014, 103; Oliva et al. 2003, 166-18; Shah et al. 2006, 120-121)

This transformation is a top down process, where managers play a key role in starting to think services as value-added activities instead of add-ons. One concrete example is that services would not be given for free to help product sales negotiations but priced according to the value they create. Managers should address this issue and encourage sales force to ask compensation from services and provide incentives to make service sales worthwhile. (Gebauer et al. 2005, 20-21; Kindström et al. 2014, 103, 105; Oliva et al. 2003, 166-18; Shah et al. 2006, 116-117, 120-121) Previous studies offer different customer-centric metrics that can be applied to service sales people's and their managers' incentives. Shah et al. (2006, 121) suggest that account managers and people responsible on customer relationships can be rewarded for increased customer equity as well as extending customers' profitable lifetime duration. Likewise, Kindström et al. (2014, 103) call for incentives related to estimated savings and performance improvements. Oliva et al. (2003, 167) advice the service organization to measure the satisfaction of customers and employees but also business success. Incentives should also be shared by other internal stakeholders to encourage information sharing and service unit's integration. (Tuli et al. 2007, 10)

Although the service organization needs customer relationship-oriented measures, the financial measures are important in calculating the profitability of service business. Customer centricity demands large investments from the company and, as noted earlier, costs in service sales are likely to be higher compared to traditional product sales. Furthermore, the value of the expected outcomes from service orientation, such as customer satisfaction, loyalty, advocacy and reduced price sensitivity, are hard to measure. Firms can match the resources invested in an individual customer by measuring profitability at customer-level, or the customer lifetime value (Venkatesan & Kumar 2004, 120-121). Customer lifetime value is directly connected to customer equity, which is defined by Rust, Lemon and Zeithaml (2004, 110) as "the total of the discounted lifetime values summed over all of the firm's current and potential customers". As customer equity is found to correlate with firm value, increased engagement and profitability of a customer is a good measure for success. (Gupta, Lehmann & Stuart 2004, 17; Shah et al. 2006, 118)

In implementing the new objectives for sales, it is essential to keep them realistic and reachable. High demands from managers lead to higher employee expectations for extending the service business. If the goals are not being met, the sales force might enter a vicious cycle where poor results lead to less effort. However, progress is positive when results are high compared to expectations. The latter situation increases employee-pull, which should be a natural continuum from the managerial-push to extend service business. Employee-pull refers to continuous employee motivation and commitment to reach objectives, while managerial-push is sufficient for only creating a temporary enthusiasm. The controversy between excessively ambitious goals and achieved results is known as the credibility gap, where sales people believe that the goals are unrealistic and not viable. (Gebauer et al. 2005, 21-22) As Kahneman and Lovallo (1993, 29) point out, the risk of setting too high objectives is relevant since the scope and difficulty of tasks is commonly underestimated. Especially, the time allocated for the tasks is usually too short. Goal-setting in cooperation with employees working with services might relieve the time pressure and help to come up with attainable goals. (Gebauer et al. 2005, 22-23)

4.2 Service development

To help the sales force in selling services, service organization need to innovate and develop relevant services that add value to customer's business. New service development process (NSD) should be distinguished from new product development process (NPD), because it demands more flexibility in terms of iteration and customer involvement (Kindström & et al. 2014, 102). Gebauer et al. (2005, 18) suggested a five-step development process starting from identification of market needs and creation of service ideas, continuing to preliminary service concept, piloting and finally, introducing the service to the market. Kindström and Kowalskowski (2009, 158) offered a similar path beginning from market sensing to development, moving on to sales and delivery. In their framework, piloting was part of the development stage. The initial stages include market research, where customers and competitors are analyzed, and customer workshops, where the lead customers are engaged in service development by gathering ideas and suggestions for services that help them in their business processes. Market orientation is crucial throughout the whole service development, since ideas generated internally would not be as easily accepted by customers

when their real needs are not understood. (Gebauer et al. 2005, 18, Kindström et al. 2009, 158).

Traditional product-centric companies transitioning to services have an existing customer base, which they can use to collect information about customers processes and new service opportunities. These companies have information about how and where their products are being used as well as possible barriers in the way of optimal utilization of supplier's product. Moreover, experienced salespersons closest to customers have already generated extensive knowledge about their processes and can contribute by connecting service providers capabilities to customer needs in order to create solutions. (Kindström et al. 2014, 100) Given the fact that service people are the ones most frequently interacting with the customers, they should be engaged in service development already in this initial phase (Kindström et al. 2015, 12). Information and communication technology (ICT) is also a key driver of service innovation, because it increases the productivity of service development by cost cuts and increasing efficiency. Furthermore, it enables the integration of online applications and increases technical capabilities, thus creating more customer value. (Gago & Rubalcaba 2006, 33-34; Kindström et al. 2014, 100; Kowalkowski, Kindström & Gebauer 2013, 509). Although ICT capabilities are essential in capitalizing on service opportunities, the solutions should be easily comprehended by customers and not overly technology-intensive. (Kindström et al. 2014, 100)

As the innovation process for each new service need to be customer-centric, also the portfolio of different services must be adjusted to customer needs. Portfolio management is an activity, where the scale and scope of the service portfolio is decided and how the offering is developed further. Moreover, the decisions related to standardization versus customization is made taken account the customer segment variety and differing demands. (Kindström et al. 2014, 100). Oliva et al. (2003, 167) emphasize a clear decision about the degree of standardization to balance between using the same services across markets and customizing services to individual users. The optimal degree of standardization cannot be found from the literature, although Mattsson (1973, 108-109) advocate a model where the components of the service are standardized to some extent and can be marketed separately. On the other hand, Hannaford (1976, 140) suggests, that customer problems are best answered by customizing the solution according to customer's needs. Page and Siemplenski (1983, 91)

would also standardize service components but customize the solution by adapting the configuration to match each customer's demands. Together with Mattsson (1973, 108-109), they see that service components could be marketed separately.

New service development should seek to establish linkages between products and services to build synergies for increased solution value. The synergies are created for example from larger skill set in delivering the solution and increased solution benefit for customer, when services are complementing the functionality of the product. (Johansson & Olhager 2006, 615-616; Kowalkowski et al. 2011, 181) Moreover, product innovation can trigger service innovation and vice versa, since advanced products demand correspondingly modern services to maintain their functionality, and by innovating complex services the company could identify demand for specific new products (Dachs, Biege & Borowiecki 2012, 19). Ulaga et al. (2011, 12-13) underscore the design-to-service (or service design) capability in product-service integration. They describe the capability as "the manufacturer's capacity to develop a hybrid offering such that its tangible and intangible elements interact synergistically to tap its full differentiation and/or cost reduction potential". Adding the service components early in the innovation process enables effective differentiation and possibility to identify cost reduction opportunities.

Galbraith (2002, 197-198) offers four dimensions to service portfolio strategy. First, the scale of solutions refers to the number of products and services provided. Second, the scope of solutions is the number of different products and services combined into a solution. Third, integration relates to how integrated the components in a solution are. For example, products bundled to create a solution complemented with a consulting service which all could be sold separately is an example of a solution with only little integration. Conversely, solutions including products and services that would not create value independently but together form an entity are fully integrated. An example of this is a solution comprised of hardware, software and complementing services that computer companies offer. Companies create competitive advantage by offering standards in which different components could be used. Android is an example of such a standard owned by Google. (Galbraith 2002, 197-198) Companies should aim for high integration between services and products to achieve synergies for value creation (Kindström et al. 2014, 100)

The last dimension of service portfolio strategy is revenue. In companies where solutions contribute 10% or less of total revenues, the solutions unit could simply integrate products into solutions with little specialization. When the percentage gets higher, the solutions revenue is enough to specialize the solutions to serve different customer segments. A company could then have a unit specializing in each customer segment. The solutions can either be horizontal or vertical, meaning that they can apply to multiple customer segments or be customized for one particular segment. The latter demands more customer-centricity from the organization making the knowledge about customer's business essential. (Galbraith 2002, 197-198)

4.3 Value creation

An essential part of value creation is to understand what value-in-use is intended to achieve with the solution and is that compatible with customer perspective. The service provider as well as an individual salesperson need to possess customer needing interpretation capabilities. Strandvik, Holmlund and Edvardsson (2012, 135) defines customer needing as the expected value-in-use concerning a specific task in customer's business. Customer needing is divided in three dimension, from which each has a role in customer's value-in-use. 'Doing', the first dimension, are the resources and activities related to the buying decision. The service provider can create value either by enabling the customers to increase performance themselves or relieve them of an activity as in outsourcing (Normann & Ramirez, 1993). Identifying the reason for buying is the key in understanding the doing dimension behind customer's decision-making. Second dimension is called 'experiencing', since it refers to cognitive and emotional aspects of value-in-use. Service provider can positively affect this dimension by creating trust and showing commitment but also with strong brands and good company image. In customer's perspective, the benefits come from controlling risks and increasing motivation to perform activities. Third, 'scheduling' dimension is related to time framing and timing. In the former, the seller need to be aware of customer's long-term goals to understand what really is important to the buyer. The latter is the suitable timing of activities. (Strandvik et al. 2012, 135-137)

Uлага and Eggert (2006, 122) identified three sources of value creation in customer relationships. First, value is created by supplier's core offering, which has to meet certain

quality. Reliability and performance were mentioned as the key variables regarding the quality, but the products also have to meet customer's technical specifications. Moreover, the quality needs to be consistent as well as constantly improving, and problems regarding third party suppliers should be solved in cooperation. Besides quality, customers also benefit from timely deliveries and the ability to adjust to changes in demand, for example by emergency deliveries. Additionally, customers appreciated the accuracy of delivery in a sense that right parts were delivered consistently. (Ulaga et al. 2006, 123) Consistently succeeding in timeliness and accuracy demand a service delivery infrastructure that is different from product delivery, mainly because delivering services is more people intensive (Kindström et al. 2009, 166).

Second source of customer value creation is the sourcing process, where the supplier can benefit the customer by offering service support and by personal interaction. Customers value the service providers responsiveness by truly taking time to understand and identify customer's problems. Supplier must be able to adjust to changing customer requirements and offer detailed information when its needed. (Ulaga et al. 2006, 124) Thus, service sales people need to have enough time for each customer and sufficient technical knowhow to truly offer additional value. (Oliva et al. 2001, 913) Customers also experience value if they can outsource a process fully to the supplier. Personal interaction will benefit the customer in the form of interpersonal ties, which leads to better understanding of customer's goals and improved problem-solving skills. Furthermore, if customers are familiar with all the key personnel related to the service in supplier's firm, they can direct their questions to the right person and save time. It also relieves the salesperson from the task of intermediary between the customer and vendor's service unit, leaving time for managing other customer relationships. (Ulaga et al. 2006, 124) Hancock et al. (2005, 4) conversely found that customers expect a primary salesperson as contact for entire company. However, the finding might have only implied that multiple salespersons offering different solutions to the same customer leads to poor customer satisfaction, since Hancock et al. emphasize a need for a customer relationship manager to align supplier's communication with the client.

The third source of value is derived from customers operations, where supplier can offer value by providing knowhow, increasing process efficacy and reducing costs. Supplier's knowhow creates value, for example, when it relieves effort from customer's own sourcing

process. The contact person might possess extensive information and experience about the components which customer needs in its processes and can offer viable solutions thus saving customer's time. Experience in customer's operations and products is beneficial for both the supplier and the customer due to the increased capability to identify new service opportunities and value-added services derived from this information. Vendor's knowhow can also be capitalized by using it in customer's new product development. (Ulaga et al. 2006, 124; Vargo et al. 2004, 6-12)

Hancock et al. (2005, 2) highlight that identifying mutually beneficial opportunities is difficult, as underscored by the service paradox phenomenon. A common pitfall is the insufficient comprehension of customer's business, which leads to irrelevant service offering and diminished service margins. Some companies tackle this challenge by holding meetings during critical points in the sales cycle to develop strategies based on understanding of customer's business. Some even create cross-functional teams including both supplier's and customer's staff. They have also found, that for sales people time on the road and industry specialization are the best ways to gain expertise. Moreover, the service provider should reach its industry knowledge further down the value chain to understand the drivers and patterns of end-customers as well. By understanding them, the service provider can cooperate with its customer to plan a long-term strategy and offer value through know-how and solutions helping to attract the customer's customers. (Hancock et al. 2005, 2-3) Even if the service provider would have understood the customer's business and created relevant services, it can fail to establish customer acceptance if the benefits are not communicated clearly. Customers can not be expected to comprehend all the benefits themselves, especially in the case of complex services. (Kindström et al. 2014, 103)

An essential action to be taken to reach more profitable service strategy, is to update the value proposition from the proper functioning of the solution to its value for customer's processes (Gebauer et al. 2005, 18; Vargo, Lusch, Archpru Akaka & He 2010, 129). Oliva et al. (2003, 167-168) suggest that the transformation is from transaction- to relationship-based interactions, where the co-creation of value is essential (Grönroos 2011, 245-246). Many traditional services have the purpose of improving or restoring the functionality of a product for example through maintenance and repair. However, a stronger value proposition can be created by anchoring the service profit to desired outcome as in customer solutions

presented by Kindström et al. (2014, 102). They are focused on customer's processes and concentrate on increasing the performance of the process. In these services, the supplier's compensation is based on the added value, which increases the strength of the value proposition by creating a situation where customer can only benefit from the deal. (Kindström et al. 2014, 102, Oliva et al. 2003, 168-169)

A total solution can also include products or services, which have an input-based revenue model. However, the overall revenue logic need to reflect the customer's value-in-use. Creating this strong value proposition is not easy or risk-free, because it entails comprehensive knowledge and understanding of customers business and value potential. Moreover, a customer solution is expensive to deliver, since it requires personnel to conduct the actions needed and time to realize the outcome. In the worst case, service provider might end up having a negative return to its investment. (Kindström et al. 2014, 102, Oliva et al. 2003, 168-169) The service provider can relieve the insecurity of future returns by starting with a revenue model that provides a more stable stream of earnings, such as monthly compensated availability services. (Kindström et al. 2014, 102)

Even when encountering a strong value proposition, customers have an increased sense of risk when evaluating service providers. This is due to the intangibility of service contracts and further escalated in the case of highly complex solutions, where the value creation process is not completely understood. (Gebauer et al. 2005, 19; Kindström et al. 2012, 539; Kindström et al. 2015, 15) If there is no prior experience, service provider's reputation plays a big part in purchase decisions. Thus, the role of relationship marketing is pivotal in getting customers to believe in superiority of the services provided. Relationship marketing should be conducted in both externally and internally. Externally, companies pursue to improve their corporate image, which can be achieved both through traditional marketing activities, such as advertising but also by living up to expectations when delivering products and services. Internally, encouraging service culture inside the organization will lead to better understanding of customers and service benefits. Relationship marketing also include interactive marketing, which refers to continuous communication with the customer. Sales people need to be encouraged to proactively offer services and communicate their benefits as well as trained to maintain and increase the knowledge about the benefits. (Gebauer et al. 2005, 19; Kindström et al. 2015, 13)

The capability to provide value does not mean that the supplier should invest resources in that particular customer. Since all relationships are not profitable, the supplier should evaluate the potential short- and long-term return of the customer. Furthermore, not all customers are willing to invest in the long-term relationship making proactive relationship management hard and costly. This is true especially when customer has a massive bargaining power and uses that for continuous price reductions, thus decreasing the sales margins over time. In these situations, reactive and transactional sales approach might prove to be more lucrative. (Hancock et al. 2005, 6; Kindström et al. 2014, 104; Kowalkowski 2008, 64) These customers can also be directed to more cost-efficient account management channels, such as customer service and online channels where customer has the initiative. Kindström et al. (2014, 104) point out that companies should not merely focus on creating close relationships at the expense of new customer acquisition. CLV is a good measure to estimate customer's profit potential helping companies to channel their resources wisely.

In selling solutions, higher volumes are hard to achieve making it important to evaluate the opportunities carefully (Ryals et al. 2014, 250). Standardization of solutions help to increase the sales volume, but less experienced customers might need more customization during the solution's life cycle (Davies, Brady & Hobday 2006, 45, 47). The opportunities can be evaluated based on their desirability and winnability, where the former refers to whether the company wants the opportunity and the latter whether the opportunity can be won. In desirability, the opportunity's financial value plays a large role. The costs of selling and providing the solution might be greater than the value of the customer or profit may be insignificant (Gebauer et al. 2005, 15; Hancock et al. 2005, 6). Furthermore, solutions are difficult develop and implement (Brax 2005, 143). In addition to financial criteria, the desirability of the opportunity should be evaluated by its relational value and the risk it possesses. One aspect of relational value is the customer's capability and willingness to collaborate on the design of the solution. Service provider can manage the risk of the opportunity by evaluating whether the solution can be delivered and what could go wrong. Also, the reputational impact of the opportunity need to be evaluated. (Hancock et al. 2005, 6; Ryals et al. 2014, 251)

The winnability of the opportunity could be measured by evaluating the strength of service provider's value proposition compared to competitors' but also its attractiveness taking account the price of the solution. Also, the customer point of view need to be addressed in terms whether the customer needs the solution or is in a situation where buying the solution is possible. These could refer to customer's budget but also the timing of the sales related to customer's processes. The customer might also be unwilling to buy the solution from a specific provider because of previous experience, suppliers position in the market or due to sourcing policies. (Ryals et al. 2014, 250-251) Hancock et al. (2005, 7) also propose the same stage-gate mechanism as in product lifetime management plan to manage the customer relationships. It encourages the service provider to evaluate the profitability of the relationship at each gate and gives a guideline whether to divest or invest in the relationship. A customer should not be kept at one stage indefinitely, but the relationship should be reviewed every 18 to 24 months and developed according to pre-determined criteria.

4.4 Service culture

Training programs by themselves may not have a significant effect on the thinking and behavior of employees in previously product-centric firms (Ulaga et al. 2014, 113). Thus, internal marketing as a part of relationship marketing is essential for creating the service culture. Internal marketing is viewed as a top down communication of values, actions and new offerings. Management should enhance the understanding and appreciation of employees' roles in the new servitizing organization. (Gebauer et al. 2005, 24) Employees, on the other hand, should create a holistic view of their jobs. New services, marketing campaigns and technologies should be communicated first internally and only later externally. (Grönroos 1990, 7-8) Moreover, management's understanding of the economic potential of services is pivotal in their willingness to invest sufficient resources. Management's view of services as value-added activities would also contribute to employees' service awareness. (Gebauer et al. 2005, 21)

Gebauer, Edvardsson and Bjurko (2010, 252) found, that service orientation in company culture is positively associated with overall performance. Management service orientation was seen as a pivotal factor in increasing both corporate and employee service orientation

by mediating the service values between management and employees. Separating the service organization from product organization also helped to establish service culture. An integrated organization for products and services is a limiting factor to service culture both in management and employee level. A possible explanation for this is that traditionally product-centric values collide with new service values causing resistance and lack of cooperation. In a separate service organization, the development towards service culture is accelerated, since changing current behaviors and values lead to less inertia. (Gebauer et al. 2010b, 252-253)

Service champions, the dedicated service development personnel, are a valuable asset in creating a service culture by nurturing and protecting services during their development and launch. Furthermore, they play an important role in the sales process by developing tangible actions to commercialize the services. (Kindström et al. 2009, 165; 2014, 105) Product-centric companies tend to already offer free services before the initialization of their servitization path, such as extended warranty or reporting. The identification of this invisible service portfolio is important for companies in an early phase of servitization, since they could possess great profit potential and customer benefits. Structuring this portfolio and making it visible will increase understanding of their potential internally and externally among customers as well as bring more sources of innovation to service development. (Kindström et al. 2009, 163)

5 RESEARCH DESIGN

This chapter will elaborate on the research methodology and go through how the study was conducted. It will also present the case company with the justification of its servitization path's relevancy to this study. Furthermore, the profile of the interviewees will be discussed.

5.1 Research methodology

This is a qualitative research that seeks to find answers to research questions and fill its objectives through in-depth interviews and an online survey. By using quantitative method and accessing the sales figures of the sales people, it would have been possible to answer certain research questions by establishing links between service sales and salesperson capabilities. However, qualitative method was chosen, because the subject is more multifaceted, and quantitative results could lead to unnecessary generalizations. Furthermore, the purpose of the study is to establish a salesperson view of servitization, which demands collecting information that is highly subjective in kind and not suitable for quantitative tools. (Silverman 1997, 13)

The study has an abductive approach, where the objective is to discover new relationships between variables as well as develop new theoretical models, while still applying established theories. In abduction, the original framework is also modified based on empirical findings and theoretical insights. (Dubois & Gadde 2002, 559). The abductive approach was chosen, because the phenomenon of servitization at a salesperson level has had only little academic attention and this research pursues to add to the existing literature on the subject.

A case study was chosen as a method of the research, because it offers the researcher an opportunity to view the phenomenon in context (Farquhar 2012, 6). This was important to truly understand the pain points and perspectives of sales people. This is a descriptive single case study, meaning that the phenomenon is described in a real-life situation in a context of a single company (Baxter & Jack 2008, 548). Only one company was chosen to be studied, because in that way more sales people could be interviewed in a shorter time period. Even though multiple cases would create a better generalization for the findings, there are also benefits in a single case approach in this context. Namely, the level of servitization might

vary across different companies, which could have created propositions not applicable to any of them specifically. Furthermore, the possibility to collect data faster inside a single company helped to describe the phenomenon in that certain stage of servitization. The case study is also holistic, since it only has one unit of analysis (Baxter et al. 2008, 550). In this case it refers to treating the whole group of interviewees as one unit and not dividing the observations between different sales teams.

Interviews are the main method of data collection for qualitative researchers and their power lies in finding out things that we cannot observe or discover in other ways, such as feelings and interpretations (Carson, Gilmore, Perry & Gronhaug 2001, 73; Guest, Namey & Mitchell 2013, 113). In in-depth interviews, the interviewer is not searching for simple yes-no-maybe but rather elaborated and detailed answers (Seale, Gobo, Gubrium & Silverman 2004, 15). The course of the interview was semi-structured, which helped to use the time effectively but still leave room for answers and opinions that the interviewee was eager to bring out. Furthermore, by structuring the questionnaire to some degree prior the interview, it was easier not to impose own perspective on the respondent, a critical error in in-depth interviews (Carson et al. 2001, 73).

After the interviews had been conducted, an online survey was sent to participants. An online survey was an easy and fast method of gathering information and it also includes the possibility of reaching a large number of respondents while maintaining their anonymity. However, their disadvantage is that they usually do not achieve as high response rates compared to surveys done for example via telephone. The survey questionnaire used a Likert scale, which made it possible to compare the claims used in the questionnaire to each other. (Van Selm & Jankowski 2006, 452-453). The online survey was used to prioritize the findings about the supportive actions found in the interviews and give the respondents the opportunity to comment on the findings.

5.2 Case company

A purposive sampling strategy was used in choosing the case company for the research. It is a non-random method of securing that the particular research subject is relevant in the final sample. In purposive sampling, the researcher uses theoretical understanding to assume that

the sample has an important perspective on the phenomenon. (Robinson 2014, 32) The case company's suitability for the research was known to the researcher due to multiple conversations with service development and sales personnel prior to the study. The company was known to be in a middle of a servitization process and its sales function was known to struggle with some aspects of service sales. Furthermore, the company is a good example where the underlying theory about servitization can be applied. Servitization is referring to product-centric companies adding services in their portfolio to gain competitiveness, which describes the aspiration of the case company as well (Vandermerwe et al. 1988, 315)

The company used in this study to investigate the phenomenon of servitization in the sales function is a large Finnish energy company. It has over 200 employees in five countries, but it belongs in a corporation of more than 10 000 employees located also in distant locations. The company is in the midst of servitization process, as it pursues to increase the share of revenue from services. Currently, it has over 10 services in its portfolio and most of them have been launched during the last three years. Some services are specialized for different customer segments. It has offered certain services also earlier, but they have been given for free into the bargain. Recently, it has pursued to charge a fee from many of such services and added them to its service portfolio as independent offerings.

The company can be positioned as moving from customer support provider to outsourcing partner by the level of involvement in customer's operations. The place of the company along the continuum is not clear-cut, since its role is more proactive in some services than in others. For example, one relatively new service puts the company clearly in a position of an outsourcing partner, while in others it is a customer support provider or even after sales service provider. All of its services are product-oriented, although there are and have been also process-oriented services in development. Thus, they could be called product life cycle services. In some services, the customer can delegate the responsibility of a process to the case company, but they cannot be called process delegation services, since all actions taken during the service delivery are related to the product's functionality or the availability of the product. The revenue model in the service offerings are either output-based availability model or an input-based model. The case company usually charges the service fee monthly as in subscription model, but some services are sold on-demand.

The company does not have a separate service unit with profit and loss responsibility and only a few people working full time among services. All services have its own service owner who also has other responsibilities. The sales function consists of multiple sales teams that have their own customer portfolios and most offer services as add-ons on top of product sales. The main resource in service development is a service designer who is being helped by varying number of product specialists and analysts. The company offers a good framework for this study, since it is an example of a traditional and well-established product-centric company in the middle of a servitization process. It has listed services as one of its focus points and has started to allocate resources for their development. One example of this is a new, small, service sales team that is being established. Furthermore, value-added chargeable services are unusual in the company's market environment as its competitors are not offering many of such and they are not promoted widely to customers through marketing channels. Thus, they are not very known to customers and have not been able to create the necessary pull to become mainstream.

5.3 Data collection and analysis

The data was collected through one-on-one interviews, which were conducted either face to face or by a computer application Google Hangouts. The method helped to shape the questions in a dynamic fashion, keeping in mind participant's previous answers and research objectives. Moreover, it was possible to pay close attention to tone, content and, in face to face interviews, also body language of the client. (Guest et al. 2013, 113) The participants were first connected by email to set up the meetings and they were given a general subject prior to the interview, but not the questionnaire. The subject was said to be "service sales". The invitation was sent to twenty-nine account managers, four sales managers, one service manager (customer service) and one manager (business support). From those invited, all sales managers, the customer service manager, twenty-three account managers and the business support manager agreed to be interviewed. The interviews were recorded, and notes were taken from the most relevant things concerning research objectives. All participants agreed on recording the interviews and also gave their consent in using their answers in this study. The list of interviewees is presented in table 4.

Table 4. List of interviews

	Title	Date	Duration (min)		Title	Date	Duration (min)
1	Sales manager	11.12.2018	46.35	15	Account manager	10.1.2019	52.14
2	Sales manager	12.12.2018	39.22	16	Account manager	10.1.2019	28.43
3	Account manager	13.12.2018	49.02	17	Account manager	11.1.2019	36.28
4	Account manager	13.12.2018	55.06	18	Sales manager	11.1.2019	42.52
5	Account manager	14.12.2018	50.13	19	Service manager	11.1.2019	43.19
6	Account manager	17.12.2018	36.42	20	Account manager	14.1.2019	21.27
7	Account manager	18.12.2018	56.09	21	Account manager	14.1.2019	50.04
8	Sales specialist	18.12.2018	48.54	22	Account manager	15.1.2019	38.47
9	Manager	18.12.2018	40.27	23	Account manager	15.1.2019	43.41
10	Account manager	18.12.2018	30.18	24	Account manager	16.1.2019	63.28
11	Sales manager	3.1.2019	37.12	25	Account manager	16.1.2019	48.08
12	Account manager	4.1.2019	54.45	26	Account manager	17.1.2019	54.06
13	Account manager	8.1.2019	41.13	27	Account manager	21.1.2019	42.11
14	Account manager	10.1.2019	54.14	28	Account manager	23.1.2019	30.30

The interviews were conducted in the meeting rooms inside the case company headquarters, where the participants answered questions about how capable they perceive themselves in selling services, how can they be helped and what do they consider to be the biggest pitfalls of the case company's service organization. They were also asked about their customer base, background and role in service development among other questions. Questions for sales managers and the customer service manager had few differences compared to those for account managers and the business support manager. Moreover, the interviewee's previous answers affected the upcoming questions making each interview unique. The questionnaire that served as a base for interviews can be seen in appendix 1. The shortest interview lasted for 21 minutes and 27 seconds, while the longest endured for 63 minutes and 28 seconds. The average duration of the interviews was 44 minutes.

The invitation to the interview was sent to every salesperson and manager in the four sales teams, that had such customer segments in their portfolio for whom the case company had developed services as well as to the customer service manager. Majority of the sales people only communicate with current customers, but some also conduct new customer acquisition (NCA). To better understand the challenges and service mindset of those sales people acquiring new customers, the invitation was sent also to customer service manager, who is responsible of the team of customer service people also contacting potential leads. He was just recently promoted to the position and has conducted NCA for most of his employment

in the case company and he was very knowledgeable of the challenges and opinions of his subordinates. The profile of the sales people is diverse, since their experience and background are everything from working in the case company for over 30 years to just started. Furthermore, some of them had extensive experience in selling intangible services in other companies, while others were more experienced in product-intensive technical solutions.

After all 28 interviews were conducted, a preliminary screening of the interview material was done. The purpose of the screening was to find the factors and actions that the participants reported to help them succeed in service sales and transition. These factors and actions were then written in the online survey, which was sent to participants to find out how important they those perceived. The questionnaire used the Likert scale with four numbers, number one being not important at all and four as very important. It also left the possibility for an 'I don't know' answer. The scale of four numbers was used to minimize the number of number of the 'golden mean' answers. The first question in the survey specified each respondents team, which make it possible to compare answers between different sales teams. The online survey can be found in appendix II. It gathered 18 answers, which makes the response rate 64 percent.

By conducting the online survey, it was possible to understand which actions and factors the sales people perceived most and least important. However, for multiple reasons the rank order of the findings cannot be viewed as an exhaustive truth about which actions should be done first. First of all, even though fewer participants would have 'voted' for some actions, they could prove to be as or more important as others. Second, some actions could be easier and quicker to conduct, which would increase their prioritization. Third, the rank order describes the situation in the case company and could be somewhat different in another company.

The gathered data was analyzed to create a clear picture about the challenges the sales people faced in the servitization process as well as about the capabilities they saw as most important in managing the challenges. Both the interview and survey data were used to understand the factors and actions supporting the sales people's transition to service sales. Even though the survey data left the opportunity to use different quantitative analysis methods, only the

frequency of each answer were used in the analysis. This was because the survey data was of a secondary importance compared to interview data, but also because of small sample size. The possibility of overanalyzing data that is composed of participant's opinions was also one reason behind not choosing to use comprehensive quantitative methods. It would have not created any additional value to the study.

5.4 Participants' profile

In the interviews the participants were asked their work history in the case company as well as their background in sales. They were also inquired information about their customers and which services they tend to offer most. This information was gathered because it was seen important in understanding the basis of their answers and increasing linkages to the literature. Some previous studies had noted that sales people's background could affect their capabilities of transitioning to service sales.

Respondents were not required to provide the exact time when they began working at the case company. Thus, they either answered the year they started or the number of years or months (or in one case, weeks) they had been working there. Based on this information, the longest career so far at the case company was 38 years and the shortest was only 3 weeks. The average career duration in the case company was 13 years, which is a very long time considering today's work environment and is descriptive how traditional the case company is. The average duration of a job tenure in Finland was 9.9 in 2017 (OECD). However, 19 of the participants had been working at the case company for less than ten years and 10 for less than five years. 8 respondents had a career duration of twenty or more years. The median tenure duration was 7 years.

The participants were also asked about their prior experience in sales. Based on their responses, it was evident that majority of them had mainly had jobs related to sales, although some reported of having done customer service and product manager vacancies. There were eight respondents, who had done customer service jobs either in the case company or before. Four people said they have done technical sales or been a sales engineer, which indicates an extensive technical knowledge.

Most of more experienced sales people had at some point of their career specialized in selling some specific products, which is also a sign of the transition from selling specific products to selling solutions. Especially when younger and less experienced salespersons did not as often report of having such specializations. Only under a third of respondents had prior experience in selling services, though as seen in this paper, services might come in many forms and some could have sold packages that included service components. There were only four respondents who had worked in the service-sector, while others have had their experience in working in product-intensive industries. Majority have had their experience in B2B sales but a little over third had also worked in B2C sales.

The main customer segment of 12 sales people was road transportation customers. That is also the segment for which many of the services were created. Contractors were the second popular customer segment and 10 sales people reported of having them as customers. 5 respondents said they had customers in industry. The services sales people tend to offer most were related to easier and safer payments, automated delivery, and product functioning. Thus, they could all be called product life cycle services and are closely tied to product sales. Only three mentioned offering services that could be called process support services. Some sales people were responsible of bigger customer accounts, while some only contacted small and medium sized enterprises.

6 FINDINGS

The case company's sales people from four different teams provided answers to questions related to challenges in service transition, competences and characteristics needed for service sales and factors that would aid them in increasing service revenue. Furthermore, they elaborated on problems related to selling specific services in case company's portfolio and how, in their opinion, these problems could be solved. This chapter aggregates the findings from interviews under four chapters. The first chapter discusses the prior sales experience and current customer base of the participants, what could be called as a salesperson profile. This information is useful in understanding the later chapters, since the background of the participants have inevitably affected their answers. The second chapter covers the challenges the case company's salespersons experience when changing the sales focus from products to services and during the sales process of these services. The third chapter is the competences and characteristics needed in this transition. The fourth and final chapter includes the factors that would support salesperson's competences and capabilities to transition successfully to service sales. All observations can be seen in appendix 3.

6.1 Challenges that servitization imposes to the sales function and their manifestation at the salesperson level

To structure the factors sales people reported as challenges, they are discussed under five subjects: service culture, service development, internal re-organization, value creation and internal communication. First four subjects are the same as in table 2, but the fifth subject of internal communication systematically came up in the interviews and was thus added here. There are overlapping findings under some subjects, because they belong to both groups. The challenges mentioned in the interviews are presented in table 5.

Table 5. Servitization challenges mentioned in the interviews

Service culture	Service development	Internal re-organization	Value creation		Internal communication
After-sales process unclear for sales people	Pricing of some services is too high	Incentives do not support service sales	Service delivery process is poor	Process weakness	After sales process unclear for sales people
Regional offices lack service information	Services have not been completely ready before launch	Sales do small small tasks for customers	Sales cycle is long	Customer base for services is smaller	Service development ambiguity or poor execution
Incentives does not support service sales	Too little (or late) sales engagement to service development	Service contact persons unclear	Small customers calculate the benefits thoroughly/do not see the benefits	Long answer time to customer questions	Customer feedback process is unclear
Lack of transparency in internal processes	Service development ambiguity or poor execution	Not tracking service sales	Previously free services are hard to sell	Sales people are afraid of losing their faces	Lack of transparency in internal processes
Marketing is not supporting service sales	Some services are missing material with valuable information	Salesperson cannot affect the price of some services	Multiple stakeholders in customer organization	Third-party problems in services	Service contact persons unclear
No service sales tracking	Hard to find the service material	Service owner is slow to respond	Monthly fee is not good for many customers	Invoicing process	Hard to find the service material
Unrealistic expectations	Feedback is not used in development	Too little time to get to know the services	Customer do not have time to view the contracts or get to know the service	Should be easier to find service information while selling	Not enough knowhow about the services and benefits
Unclear service organization	Lack of customer centricity	Rigid systems - hard to develop small services	Customers are afraid of long commitment time	Failure in communication with outsourcing partners	Reclamation process is unclear
sales doesn't understand how price is formed	Customers do not see the real benefit	Service owners blame sales people for not selling the services	Lack of customer centricity	Sales people are accustomed with small margins - hard to see the benefits in larger margins	Service owner is slow to respond
re-learning for sales people	Contract process is rigid	Salesperson cannot sell services by his own	Not enough knowhow of the service and benefits	Too few services for big customers	Using wrong arguments or do not know arguments
Sales underrated	Fear of selling due to high price	Hard to give new ideas	Product centricity	No reliable value proposition	Hard to remember service information if not selling them
preferring to sell products because it's faster and easier,	There is not a service for every need	Service owners are not documenting the reclamations	Focusing on price in negotiations	Customer's stakeholders are professionals and can question the knowledge of the seller	Unclear service organization
Specialized or long at the same job sales people have hard time adjusting to service sales	Hard to scale solutions among big customers	Service owner is unwilling to own the service	Senior customer don't see the benefits, not ready for services	Salesperson cannot sell services by his own	Sales does not understand how price is formed
Hard to give new ideas	Services are too fine for customers	Poor sharing of responsibilities	Customers do not see the real benefit	Reaching the right contact person	Re-learning for sales people
Insufficient service trainings	Customer base for services is smaller		Contract process is rigid	Small customers don't have the resources to buy some services	Too little communication
Whole service process unclear	Sales people should be able to comment on new services		Services hard to sell due insufficient knowledge	Customers want to think before writing a contract	Sales people do not know what customers have bought if they didn't not buy directly from salesperson
After sales service development process unclear	Poor scalability of new services		Salesperson cannot affect the price of some services	Customer's do not know how to activate the service	Should be easier to find service information while selling
Internal service marketing could be more realistic	Service is not tangible - better productization		Too little time to get to know the services	Complex services harder to sell	Sales people should be able to comment on new services
Changes are not well informed	Rigid systems - hard to develop small services		Slow answer to feedback	Competitors give services for free	Failure in communication with outsourcing partners
Service ideas not identified	Too few services for big customers		Fear of selling due to high price	No room for price customization	Service owners blame sales people for not selling the services
	Not reliable value propositions		Service ordering process does not work	Customer do not buy because of additional costs	Sales people do not believe in the service
	Low quality service material		Using wrong arguments or do not know arguments	Sales people are not mapping needs	Insufficient service trainings
	Sales people do not believe in the service		Hard to remember service information if not selling them	Value proposition in unclear	Whole service process unclear
	Too much product integration		Service process immature	Industry is not service oriented	After sales service development process unclear
	More product-service integration		Customer purchase outsourcing	Selling services to unprofitable customers	Internal service marketing could be more realistic
	Some services are hard to sell		Hard to scale solutions among big customers	Sales does not trust the processes	Changes are not well informed
	Too many services - hard to keep on track		Customer knows what services should cost,	Customers are afraid of change	Communication challenges
			Process weakness	Services are hard to deliver to some customers	Service ideas not identified
				Main customer segment is highly competed	Service sales process unclear
					Regional offices lack service information

Service culture

Lack of transparency in internal processes was one of the most mentioned challenge among respondents concerning service culture creation. Over half of participants raised this issue in some form or another. Most ambiguous were the activities done after sales. Eight salespersons said it was unclear for them, what happens when the service is sold. One participant reported, that he did not know how the service delivery is scheduled and carried out, and the process is even more ambiguous with new services. Service development was also among the least understood process among sales people. Also, the process of selling a service was unclear to one participant.

The second biggest challenge concerning service culture by number of respondents was lack of incentives. Seven participants brought up the issue, that salesforce is not sufficiently incentivized to sell services and the sales targets are not aligned with the strategy of increasing service sales. One salesperson felt, that the salesforce's effort to increase service sales was not appreciated and one sales manager as well as two other respondents stressed that the expectations for service sales are too high. This was felt to decrease motivation to offer services. Even though the expectations were high, two participants said that service sales were not tracked, and the service organization was unaware of the success or failure of some services. The issue about incentives was elaborated by one account manager in the following way:

“It would be nice to get at least that handshake for a job well done. If you successfully sell a service from which the company can get a big compensation, you get that handshake, but it won't show in your annual sales goals. ... If you ask me, I would say that people do what is measured.”

Two respondents wondered why marketing did not support service sales by promoting the company's service offerings. They felt that this factor gave a controversial signal, since marketing was promoting products, but sales was encouraged to sell products. Some participants saw problems in internal marketing. One interviewee stressed that it should be more realistic about service benefits, while other felt that changes in service features were not well informed. A salesperson working in a branch office said, that sometimes the

information does not reach regional offices. Also, a sales manager was skeptical whether salespersons knew how the prices for services are formed.

The possibility to provide new service ideas was seen as a problem by two respondents. They felt, that the ideas they offered were not accepted and it was unclear what happened to ideas after they have been given. The other said that it was hard to provide new ideas because of rigid ideation system.

One sales manager noted that sales people might prefer to sell products over services, because they are faster and easier to sell, and highly specialized or experienced sales people could have hard time in transitioning to service sales. These notions were repeated by two other respondents. One of them stressed, that a big challenge for service transition is the re-learning necessity for some sales people.

Service development

Service development was seen as a big issue in adapting to service sales. Respondents felt that service features, benefits, prices or the development process itself formed a barrier to service transition. By far, the most mentioned challenge was the pricing of some services, which was mentioned by almost all of the participants. Some sales people were fearing to lose their faces when they offered some services because of their price. The reason was mainly, that customers could have gotten a similar solution for a fraction of the price with only a little extra work. These services were often viewed as too fine and more customization options were wished in order to individualize the solution to their customers. It was also stated, that customers cannot see the benefits in such solutions and sales people might not believe in them. An account manager presented these issues as follows:

“Too many times we make it (the service) so fine and so perfectly thought through, that they (customers) could say that they don’t need it. They need much simpler. It is hard to scale such service we would like to offer.”

Another frequent issue was that services were launched too early. What was said to be missing, were some materials, comprehensive trainings and contract- as well as offer templates. Five respondents said, that some services are missing material with valuable information. Most were happy with the quality of material, though one participant reported it was poor. As well, five sales people had hard time finding the service material and some of them said the issue was worse in a sales situation.

As noted under service culture, service development process was ambiguous to many. Eight respondents, including two sales managers, said that sales people were engaged too late or too little to service development. The ambiguity of service organization was presented in a following way by a sales manager:

“The service organization is kind of a mystical sphere functioning in their own bin, doing great things.”

Four participants also stressed, that customer feedback was used too little in the process and as well four interviewees said service development lacked customer-centricity. They elaborated, that there is a conflict between the value proposition and the perceived benefits, too few pilots were conducted, and customers were engaged too late in the development. One account manager even said, that the value proposition of a specific service is not reliable.

A salesperson with bigger customer accounts said, that solutions are harder to scale among big customers and more customization is needed. The notion was supported by another account manager with large customers, stating that especially complex services are not easily scalable and the customer base for services is smaller compared to products. One participant called for more services for big customers. There was some controversy whether the company was developing too or not enough product-integrated services. One salesperson saw, that they should choose a trajectory of less product-integration, while another wanted service more tightly linked to their products.

There were multiple other service development-related concerns brought up by individual respondents. The service development was called too rigid to develop small and easy

services fast to answer customer needs. One participant said, that some services are hard to sell, probably implying their price and complexity. An account manager stressed, that there were too many services and it was hard to remember details from all of them.

Internal re-organization

Re-organization related challenges were far fewer compared to other issues. This was probably because the servitization process had not brought much organizational rearrangements. The main changes were the renaming of the service organization to 'Marketing & Services', assigning a dedicated service design manager and a service commercialization team and a small team of service sales people. The latter two were more recent changes and the last change has not yet completely taken place. Still, at least the renaming of the organization got one salesperson wondering, whether they are even supposed to sell products anymore.

These changes had also brought up confusion, who is responsible for different service-related processes. Five respondents reported they had problems finding the right contact persons. Moreover, one service demanded asking for an offer from the service owner, because sales people could not provide offers for customers. That made the sales process rigid and the sales people as mediator between the customer and the service owner. Two SME sales people reported that service owners were slow to respond to their queries. Multiple sales people of bigger customer accounts also pointed out, that they have to do small things that could be either done in online channels or by responsible personnel. These tasks included taking care of reclamations and service contracts, sending reports for customers as well as trying to ensure timely service delivery. One salesperson brought up the subject in a following way:

“Typically, the contact person is asked to do the small things for free. If it’s a fast thing, it is normally hard for the salesperson (to refuse) ... and we don’t bother to invoice anything for it.”

One participant felt that service owners were blaming sales for not being able to sell enough services, even though, in his opinion, the whole organization bears the responsibility for service sales. Another account manager said, that sales people usually need a specialist such as a service owner to help them in service sales. This was because sales people do not possess enough knowledge of the service. There was one notion, that service responsibilities were shared without asking the litigant, creating a situation where service owners might be unwilling to own the service.

Value creation

Most challenges were reported to occur during value creation. This is logical, since the biggest changes concern the customer expectations and requirements as well as sales people's roles during the sales process. Service delivery was said to be the source of most problems. Eighteen respondents mentioned challenges related to the delivery process. The delivery of service components was said to be slow and unscheduled, which affected the perceived customer value and made sales people afraid of losing their faces. They said that they were unaware, when the service components would be delivered. One participant reported communication problems with the subcontractor conducting the service delivery.

Two respondents called the whole service process immature. This related to the fluency of ordering the service and making a service contract as well as poor delivery. Some saw it outdated, that services had to be ordered by contacting a salesperson or customer service and contracts had to be made through email or face-to-face. One salesperson summed the problems with delivery and ordering the following way:

“Somehow, I would hope that the whole ordering and delivery process would be ensured, and everything after the offer would be looked after so that it would really work. It will easily create a barrier for the salesperson, if the process becomes too complicated, that you just don't do it as well as you could and would not offer (the service).”

One challenge was that customers did not have time to read the contracts and getting their signature took a long time. Moreover, customers had no time to try to comprehend the

services themselves, but they needed support. Without proactive selling, the customer would just forget about the subject.

Another factor that lengthened the sales cycle was the number of stakeholders that needed to be contacted to communicate the service value. Respondents reported, that especially when dealing with big customers, they had to communicate the benefits and introduce the service to its user, the buyer and sometimes even to a senior executive. It was not always clear, who were the right persons to contact and how to reach them. Big customers had usually outsourced their procurement, which created obstacles in getting to the end-user. However, some sales people viewed this as a good thing, since the outsourcing partner was not as price-sensitive. Furthermore, especially complex services took long time to sell inside the customer's organization. Some salespersons also noted, that senior decision-makers did not see the service benefits as often as younger ones, and they were not as service-oriented. They were said to have a 'do it yourself' -attitude and since services were seen as mainly add-ons, they preferred to conduct the value-adding activities themselves.

Six respondents pointed out, that asking money for services that were previously free was not easy and could harm the customer relationship. Customers were said to expect some services for free, and they viewed that packaging some activities as service offerings would only mean making previously free things chargeable. To make things worse, competitors were offering similar services for free. Some participants would have wanted to customize the price for some customers. Four salespersons said, that many customers were not pleased with monthly payments and would have preferred a single transaction. Furthermore, they were unwilling to commit themselves to long service contracts.

Small customers were said to calculate the service benefits thoroughly and they did not appreciate the value adding factor of the services. Some services were seen as too expensive for them. Furthermore, the largest customer segment, road transportation, was said to be highly price-sensitive and competed, which decreased service margins. Three respondents told, that sales people were focusing too much on the price in negotiations, which would naturally make selling services harder to such price-sensitive customers. Lack of knowhow about different services and their benefits was said to be one barrier in communicating the customer value. This was for example due to too little service education. Especially more

recent and complex services were felt as hard to comprehend or their features hard to remember. Two sales people would have wanted more time to get to know the service before its launch.

Some respondents reported, that the potential customer base for some services is very small, and they forgot the service details because they could not offer the service frequently. Furthermore, products were said to be the main offerings, while services were only offered afterwards. One participant noted, that sales people are accustomed to products' small margins and it is hard for them to see customers paying higher margins as they do in services. They were reported sometimes using wrong arguments or not knowing the arguments altogether. The notion was supported by two other account managers, who said that it should be easier to find service information in sales situation. Furthermore, complex services were said to be harder to sell, especially if the value proposition is unclear. One respondent stated, that customers should be profitable at a first place before they are offered any services, and this was not sufficiently thought through.

One highly experienced salesperson pointed out, that customer's stakeholders are often professionals who already know a lot about the products related to the service. They can question the salesperson's knowhow, and thus he must possess technical knowhow of the solution provided. The industry was said to be product-oriented, which decreased customer pull. Customers were not used to value-adding services, because they are new to the industry.

Customers' feedback was said to be answered too slowly as well as their questions, which affected their satisfaction and could end up creating more work for sales people. Furthermore, sales people did not trust certain service processes, leading to preconception of their poor functionality.

Internal communication

Internal communication was seen as a challenge in the literature as well, but the issue was overrepresented in the interviews. Many challenges written earlier in this chapter are derived from lack of communication between internal functions. For example, the ambiguity of development process and organization as well as lack of service knowhow are actually

originated from communication issues. Other communication challenges include the notion, that sales people are unaware how their customers' feedback and reclamations are being handled. Nine respondents saw that as a problem.

Salesperson background and customer features

Although most of challenges were acknowledged both by account managers with SME customers and those with bigger customers, there were some differences. Sales people that had larger customer accounts reported such challenges as lack of support from marketing, monthly fee not accepted by customers and sales function having to do small tasks for customers. They were also concerned about the scalability of services and customer outsourcing its procurement as well as the complexity of customer's organization. These challenges were not reported by those respondents, who were responsible for SME customers.

Account managers working with SME customers were worried that some services are missing material with valuable information and customers do not have time to view the contracts or get to know the service. Other challenges they felt were product centricity in sales, service owner responding slowly to their queries, too little time to get to know the services and finding service information during sales situation. They also reported that small customers do not have resources to buy some services. There were also other individual notions, but they are not likely to relate to customer size.

Customer segment was not seen as enabling factor to servitization challenges, although road transportation was said to be highly competed and price sensitive industry, which decreased margins. Salesperson's tenure did not either seem to affect their perceived challenges. However, only those that had been working in the case company ten or less years did notify challenges that sales people themselves were responsible, such as product or price-centricity in sales negotiations. Neither did previous work in service sector have any effect in challenges mentioned.

6.2 Capabilities and characteristics needed in transitioning from product to service sales

Respondents shared their opinions about the capabilities and characteristics useful in service sales when asking about things that are especially important in service sales and the differences between product and service sales. Also, the question, whether it is important to map the needs of the customer prior of contacting and how it is done, produced answers about the capabilities that are important in that phase of the sales process. The rest of capabilities and characteristics mentioned in the interviews were collected after asking more defined questions that were not planned prior to the interview and were individual for each interviewee. The findings about capabilities and characteristics can be found in table 6.

Table 6. Beneficial capabilities and characteristics mentioned in the interviews

Capabilities & Characteristics of service sales people		
Understanding customer's processes, business and industry	Tracking customer needs continuously	Share right amount of information / Do not confuse the client
Iterating the sales process, offering the service many times	Technical background	Orientation to new things
Engaging the customer to the value creation	Making the offering comprehensible	Data knowledge
Know who to connect / Finding the right contact	Spending social time with customer	Networking skills
Problem recognition / Finding sales triggers	Identification of profitable customers	Customer understanding
Trusting the offering / Believing in what one's selling	Cross-functional cooperation	Proactive sales approach
Communicating the benefits	Close connection to customer	Guiding customers to right channels to save time
Self-orientation in finding information and asking for help	Proactivity	Personal chemistry
Creating solutions / Problem-solving skills / Consulting skills	Customer relationship management	Good communication skills
Capability to concretize benefits	Experience in complex products	Changing communication style by customer
Understanding the price structure	Diverse work experience	Important to be human
Courage to offer a service	Plant an idea of the service to customer's mind and follow up	Service knowhow

Most capabilities related to the sales process. Respondents highlighted the capability to recognize customer's problems and find triggers that would indicate a suitable time to offer a service. It was important to be able to quickly identify these triggers when talking to customers but also understand the factors that increased the probability of success prior to the sales event. For example, from investigating customer data. Multiple account managers said, that problem-solving skills were essential in finding solutions to those problems. One participant underscored the skill to provide an overall solution and another described sales

people as consultants solving customers' problems. One account manager showed understanding of the fundamental purpose of value-added services in the following way:

“I see myself as a kind of solution seller. I like problem-solving. If a customer has a problem, I like to get it solved. These services help me to do it.”

Four salespersons found it important to communicate the benefits clearly to customers and to be able to concretize the benefit by connecting it to customer's business. Customers might become overwhelmed in front of excessive information. Thus, the service should be made comprehensible and the salesperson should dose the amount of information during the sales meeting. Sales people were also supposed to stand behind the benefits and believe in what they are offering. Otherwise, it would be hard to convince the customer. Moreover, sales people should know the service as well as its benefits and how its price is structured.

Enduring a long sales cycle and offering a service multiple times was seen as an important factor in service sales. One salesperson explained how the service sales process usually goes:

“When visiting a customer, I usually mention that we have these kinds of (services). I'm not usually pushy in sales situations, but I like to plant an idea to customer's head. Next time, I remind them about the subject. In between, there could emerge this kind of a story and they have had time to think that it (service) would have been a good thing. Then we would just close the deal.”

Tracking customer needs continuously helped the sales people identify the sales opportunities. Furthermore, sales people should involve the customer in value creation. Respondents acknowledged the challenges derived from having to contact many stakeholders in customer's organization. Networking skill was mentioned by seven account managers as an important feature. It was said to create word of mouth inside customer's company and even enabled some customer stakeholders to sell the service further inside the organization. Thus, it was also important to know who to connect and find the right contact persons. One account manager mentioned the importance of spending time with customer also outside work hours, although he also pointed out that it was essential to understand if the customer is worth the time spent. Another respondent underscored the need to maintain

close connection to customers. Proactivity was seen important by two other respondents as well.

Maybe the most frequently mentioned skill was the understanding of customer's processes, business and industry. Related to this, it was said that sales people should really use effort to understand their customers. Furthermore, customer relationship management was seen very important. One salesperson said, it was important to be present and support and act as mediator between the company and the customer. However, one respondent said that sales people should be able to guide customers to right channels to save time, probably pointing at online channels. Personal chemistry between the customer and the seller and communication skills were said to play a role in sales process. One respondent reported, that is was important to be human in conversations with the customer, while another said communication style should be changed according to each customer.

Self-orientation in finding service information and having a low threshold in asking questions were mentioned to help service understanding. Generally, cross-functional cooperation was said to be important. In addition to cooperation skills, the orientation to try new things is helpful in service sales as well as courage to offer services. Also, curiosity was underscored by two respondents. Other more general capability that was mentioned was data knowledge. Also, diverse work experience and experience in complex products were said to help in adapting service orientation. One account manager underscored the importance of technical background in providing customers with overall solutions.

Salesperson background and customer features

Capabilities and characteristics mentioned only by respondents working with SME customers were individual observations and would probably apply also among bigger customers. However, the notion that it is important to guide customers to right channels to save time could possibly only be relevant with small customers. In the interviews of respondents with larger customers, spending time with customer and having a close connection with customers were seen important. They also were the ones, that saw customer involvement in value creation and benefit concretization essential abilities.

Only respondents that had work experience in service sector mentioned believing in what one is selling as well as its benefits as a key trait. There were three interviewees that made this notion. Other notions made only by those previously working in service sector were individual observations. Two participants, that were working with road transportation segment saw the ability to concretize service benefits as essential, while others did not mention this trait. Those that saw mentioned networking, customer relationship management and standing behind the benefits important have had a tenure for less than ten years at the case company, whereas those that mentioned value creation jointly with customer had a tenure of more than 25 years.

6.3 Factors and actions supporting sales people's transition to service sales

Interviewees were asked which factors would increase their readiness to sell services. The answers provided shed a light on what kind of support sales people would appreciate in transitioning to service sales. Furthermore, respondents were keen in describing how things should be, which gave a good picture about the supportive factors they would like to see. They were also asked more defined questions related to things they previously said about these factors. The interview findings about the supportive factors are presented in table 7. Afterwards, an online survey was sent to those who participated in the interviews. In the survey, they were asked to evaluate the importance of the supportive factors and actions mentioned in the interviews. The following paragraphs will go through the findings in the interviews, after which the survey findings will be discussed.

Table 7. Supportive actions & factors mentioned in the interviews

Supportive actions & factors			
Service introductions	Technical skills training	Dedicated personnel evaluating why service sales did not work	Better material
Engaging sales earlier in the development process	Guiding customers to right channels	More services that are not integrated to products	SME's should have technical sales unit that sells products
Giving more information about service delivery to customers	More managerial push for service sales	Better communication	Moving reclamation process out from sales people's hands
Services on mobile phone	Service delivery enhancements	Better reclamation process	Information when services should be sold - triggers
Service trainings	Service sales workshops	More comprehensive online services	More benefit calculators
Giving credit & highlighting service sales	Right price	More customer references	Better managing of contractors
Increasing customer centricity in development	More time to get to know services	Segmentation by customer size & importance	Segmenting services
More material to be handed out to customers	Engaging sales managers in development earlier	More possibilities for customization	More cooperation
Better productization of services	More flexibility for large customers	Making sales trust the processes	Letting go of unprofitable services
Service oriented incentives	Easier to do contracts	Making processes easier	Systematic meeting with sales managers and service owners
Moving routine orders online	Better service e-material	Focusing on certain services	Manager support
More small service making customer's life easier	Faster channel for ideas	Easier to find information about services	Service sales path documentation
Reports about pending services	Outside-In learning		

Interview

The respondents were somewhat unanimous that more information is needed from the services themselves or from the development process. They wanted more introductions about services either in team meetings, online meetings or in separate service events. One participant did also find one-on-one service meetings useful. Many would have wanted more information on service contact persons. The introductions should be conducted primarily by service owners and they should be service-specific. It was important that sales people have a possibility to ask questions. Concerning service communication, two respondents saw a regular service update report useful, that would describe all the services that are pending and in development.

Sales people and sales managers would like to see more service trainings. As separation to service introductions, trainings would be more interactive and longer. Respondents wanted to learn more about service benefits but also from the sales process itself. Moreover, trainings about technical skills and customer's business were mentioned. Trainings could be either lecture-based events or workshops, where participants could find solutions to service sales problems together with a help of service owners. The participants should be either a development and a sales team or different sales teams. The latter would serve as a forum to

share service sales experiences. A sales manager wanted more systematic meetings between service owners and sales managers.

The need for service trainings was elaborated in a following way by an account manager:

“Knowhow is missing. I think more trainings are needed, because it is the alpha and omega (of service sales) that you need, if the customer is undecided, to explain why they should take it (service). If some facts are missing about which benefits it brings to the customers, it makes it really hard to sell.”

Sales people and their managers also wanted more responsibility in developing services. They felt that their experiences and opinions about what kind of services their customers would appreciate, or which customers should be engaged in development, were not asked early enough. Furthermore, they wanted to be able to comment and give feedback about services during the development process. For example, brainstorming sessions with service development were suggested to fill this gap. Increasing customer centricity was mentioned by four respondents. Sales people felt, that customer needs were not sufficiently understood, and services should be better targeted to certain customer segments. The earlier involvement of sales and customers to the development process was seen as solution to this. One sales manager suggested, that only sales managers need to be involved in service development at an early phase.

Suggestion about service delivery enhancements were plentiful. Five account managers mentioned, that customers need to have more information about service delivery schedule. Some of them suggested an application to track the delivery. This would save time from account manager, when they do not have to find that information for their customers. Multiple respondents said, that they did not even know how to get to that information. Thus, a salesperson tool for easily tracking the delivery of service components was suggested as well as the possibility of deciding the time of their delivery. This was seen to help sales to maintain trust in the process, which would in turn contribute to willingness of offering the service. Furthermore, better communication with the subcontractors taking care of service component delivery was mentioned. Many issues with the delivery was put on

subcontractors' account. The need for a system to track service component delivery was brought up by an account manager in the following way:

“You don't have that without asking from the person, for example the service owner, that where this is going. You don't know without asking from a person X. If I could give a general point, that concerning services we have thought a lot about how things look for the customer, but the inner processes are not that clear ... for example, if a customer calls, you should be able to go to Google Drive and see that the order has been received by the subcontractor. You know, just like when you order online, you would see the delivery process when it arrives in the post office. Currently, we don't have anything like that. If customer calls, we are like “all right, I'll look into it” ... and it (service component) can be anywhere and we don't know it.”

Related to saving sales people's time, they saw it useful to move the ordering of simple services online. One salesperson suggested incentivizing customers to move to these online channels. Also moving many service processes to mobile phone was suggested. For example, sales people would create a mobile app for ordering the product, tracking its delivery and service related information. Other processes sales people wanted to be made simpler were contracting, service ideation and reclamation. They mentioned that customers procrastinate signing a contract and the salesperson need to act as the middle man receiving the contract by email and forwarding it to credit control. According to respondents, that process should be moved online as well. Service ideation process was said to be rigid and poorly understood. They wanted to make the channel to gather service ideas faster and easier. Answering to reclamations was felt too slow and they wanted that to be made quicker. Also, a sales manager said, that sales people should not have to be a part of that process at all.

The respondents wanted more recognition from successful service sales. They suggested service-oriented incentives, bringing up success stories and other rewards that would motivate them to sell more services. Also, a service sales competition as well as a service sales week was suggested. Both should be service-specific and managerial initiative would be appreciated. However, it was also mentioned that numerical or monetary service sales targets could lead to offering services also to those that does not really need them, which could decrease customer satisfaction. One respondent mentioned, that service sales should

be more focused to certain services at a time and by customer segment. Service owners and sales managers should decide, which services are most relevant for certain segments thus directing sales people's focus on those services. Similar logic was described by a sales manager, who would like to receive information about which services should be offered and when to individual customers, based on customer data.

Many participants wanted more service material. Four respondents would appreciate more material that can be handed out or shown to customers. These included one pagers as well as e-material that can be shown during sales occasions. Although, majority of respondents were happy with the quality of service material, there were some who thought that the quality did not meet requirements. High-quality material was said to increase confidence in the service. Also, customer references were seen as valuable factors to create trust. Some sales people had hard time finding service material and they wanted to change that. The material should be easy to find even in the middle of a sales situation. One tool that two sales managers found useful was a benefit or a cost-saving calculator for services. That would make it easier for sales people to justify their sales arguments.

Some respondents felt, that services were too intangible and better productization was needed. In their opinion, customers would appreciate solutions that are simpler and easier to comprehend. Furthermore, some services were said to be too 'fine' and to contain components not appreciated by customers. Also, price was seen as a limiting factor for many customers. Many wanted small services that would help customers to conduct their everyday tasks. For example, more comprehensive online services were suggested. A few respondents would have liked more flexibility in designing services for big customers and also more customization possibilities was asked. Even though it was mentioned that services should be better integrated to company's products, one respondent wanted more services that are not linked to products. He said it would move the sales people's focus more firmly to selling services. It was mentioned, that the company should let go off unprofitable services, which only created tension between service owners and sales people because they were not being sold sufficiently.

There were also other individual suggestions. They included creating more cooperation between the development and the sales function, documenting the service sales path and

using dedicated salespersons in sales occasions to monitor success-factors and pitfalls. Furthermore, it was suggested that sales teams would use outside-in learning to improve their service sales skills. They could for example visit another company that sells services for sharing practices.

Salesperson background and customer features

Some differences were detected between suggestions from sales people with larger customer and those with SME customers. For example, the former was clearly more willing to delegate responsibilities to clients in order to save time. They were the ones, who suggested giving more information about service delivery to clients, while SME account managers wanted that information to themselves. Furthermore, they wanted to move processes and service information to mobile devices and online.

Other variables did not offer such clear differences, although only people with experience in working in service sector asked for workshops related to service sales. Those respondents also have had a tenure of two years or shorter. However, the idea of workshops was mentioned by other respondents as well and they could have appreciated training about the sales process as much. Customer segment-related differences between the respondents did not aspire differing answers concerning supportive factors or actions.

Online survey

The survey included 39 factors and actions based on those mentioned above. It was divided in seven sections from which all had four to seven supportive factors. The reason to divide the survey was that it would be easier for respondents to comprehend and evaluate just a few factors at a time. Table 8 shows the result the perceived importance of those factors in a scale of one to four.

Table 8. Survey results - Perceived importance of supportive factors and actions

Subject	Supportive factor / action	Perceived importance
Service development	Engaging salesforce earlier in the service development	3.6
	Customer surveys to understand customer needs	3.6
	Information about new services sooner	3.5
	Cross-functional service development teams	3.6
Service offering	Increasing the number of services	2.8
	Decreasing the number of services services	2
	Adding lighter services to the portfolio (e.g. reporting tools)	3.2
	Adding non-product-integrated services to the portfolio	3.2
	Integrating service more tightly to products	2.9
Guidance	Common KPI targets for sales, development and service owners	2.8
	Service-oriented incentives	2.8
	More service sales guidance from the manager	2.4
	Sharing and highlighting success stories	3.3
	Service-specific sales competitions	2.7
	Sharing service sales experiences in small groups	3
Tools	Benefit calculators to services	3.4
	Possibility to track service component delivery	3.6
	Possibility to schedule service component delivery	3.7
	More customer references	3.4
	Services behind one application	3.3
	Possibility to order services online	3.5
	Possibility to make service contracts online	3.7
Material	Clearly separating internal sales supportive material and customer material	3.6
	Documenting internal service processes (transparency)	3.2
	Documenting service sales process	3
	Better quality paper service material	2.6
	Better quality electronic service material	3.6
	More and clearer material about service sales arguments	3.7
Education	Service sales-related company visits in companies that sell services	2.7
	Service sales-related workshops for sales teams	2.7
	Service sales-related workshops for sales teams, service development and service owners	3.2
	Regular trainings about the technical features of services	3.2
	Regular trainings about service sales	3
	Regular meetings with service owners	2.9
Internal processes	Quicker response to service reclamations	3.8
	Easier way to find service information (features, contact persons etc.)	3.8
	Incentivizing customers to use online channels	3.4
	Prioritizing services by customer segment	2.8
	Promoting services externally through marketing activities	3.2

Quick responses to reclamations and an easier way to find service information were the most important factors at average of 3.8 points. With 3.7 points, they were followed by the

possibility to schedule service component delivery and make service contracts online. More and clearer material about service sales arguments also got the same result. Respondents did not want to decrease the number of services, since the option only got an average of 2 points. Increasing the number was not popular either, and it only received 2.8 points. The second least important factor was the management support in service sales at 2.4 points. Thus, it can be expected that managers currently give enough support for sales people. Better quality paper service material only got 2.6 points and was the third least popular option, while e-material got 3.6 points.

Service development-related factors were reported as most important on average, since their average result was 3.6. Tools were the second most popular category, and they got 3.5 points on average. Internal processes and Material sections also got over 3 points, 3.4 and 3.3 respectively. Other sections got a little under 3 points on average, and the least popular was service offering at 2.8 points. Different sales teams saw the importance of these subjects somewhat similarly. The respondents with big customers gave on average 2.6 points to factors related to guidance, while SME sales people gave 3.1 points. In other sections the difference was always inside 0.2 points. When guidance section got the least points from the big customer sales people, SME salespersons gave least points to service offering-related factors. The former group gave most points to factors concerning tools, and the latter to service development.

The respondents with large customers evaluated easier way of finding service information as most important, and it got 3.9 points. The possibility to make service contracts online got most points from SME sales people. Both gave least points to decreasing the number of service offerings. The biggest difference between the groups was found in their answers to sales competitions. SME sales people gave 3.3 points to that factor, while large customer salespersons only gave 2.2 points. Other such big differences were not found, although for example small groups to share service sales experiences got on average 0.6 points more from SME sales people. Also, large customer sales people felt adding small services to the portfolio more important.

7 DISCUSSION

The interviews and the survey provided valuable insights to the salesperson point of view of servitization. This chapter pursues to explain these findings with the help of previous literature as well as shed light to those blind corners where literature have not yet reached. The undiscovered territory in this case is the salesperson perspective to servitization challenges and how they would see them answered. To build a frame to this chapter, it is useful to remind oneself with the research questions:

1. What are the main challenges that servitization imposes to the sales function?
 - a. How do these challenges manifest at the salesperson level?

2. How can the service organization support the sales function in overcoming the servitization challenges?
 - a. What capabilities and characteristics are required from individual salesperson to manage servitization challenges?

The chapter is divided in four parts according to previously mentioned main categories of servitization challenges: Service culture, service development, value creation and internal communication. Internal re-organization was dropped from the list because the case company have not yet conducted any major re-organization efforts. Thus, there were not many major issues related to re-organization. The factors that concerned re-organization are discussed under other subjects, that included similar issues. Table 9 presents the proposed interdependencies between the found challenges, capabilities and characteristics as well as supportive actions.

Table 9. Interdependencies between challenges, supportive actions and salesperson capabilities and characteristics

	Challenges	Supportive actions and factors	Capabilities and Characteristics
Service culture	<ul style="list-style-type: none"> • Lack of transparency of service processes • Lack of trust to service processes • Contradictory corporate actions • Lack of service-oriented incentives • Immature service portfolio 	<ul style="list-style-type: none"> • Increasing internal communication • Creating common service-oriented incentives • Creating a separate service sales unit • Creating a separate service delivery infrastructure • Sharing and highlighting service sales stories 	<ul style="list-style-type: none"> • Service orientation • Curiosity / Openness • Teamwork orientation • Long-term outlook
Service development	<ul style="list-style-type: none"> • Not customer-oriented service offering • Not enough possibilities to affect the service development • Immature service process • Lack of essential service material 	<ul style="list-style-type: none"> • Cross-functional service development teams and service champions • Customer workshops, surveys and market research • Adding lighter services to portfolio • Engaging sales to development already in the ideation stage • Securing the existence of essential service material 	<ul style="list-style-type: none"> • Service knowhow • Technical knowledge • Service orientation • Customer understanding • Teamwork orientation • Intrinsic motivation
Value creation	<ul style="list-style-type: none"> • Unreliable service component delivery process • Long sales cycle • Multiple internal and external stakeholders • Changes in offering pricing • Complexity of service offering • Balance between standardization and customization • Lack of service orientation among customers • Rigid supportive processes and lack of material 	<ul style="list-style-type: none"> • Adding lighter services to portfolio • Modularization of service offerings • Service delivery tracking and other sales tools • Sharing service sales experiences in small groups • Customer references • Service ordering and contracts online • Service introductions, trainings & workshops 	<ul style="list-style-type: none"> • Customer understanding • Long-term outlook • Networking skills • Service knowledge • Problem-solving skills • Nurturance • Customer service orientation • Service orientation • Communication skills • Learning orientation • Teamwork orientation
Internal communication	<ul style="list-style-type: none"> • Process and organization ambiguity / Lack of transparency of service processes • Lack of service understanding • Poor cross-functional interaction 	<ul style="list-style-type: none"> • Engaging sales to service development • Sharing service information and material • Documenting service processes • Service introductions, trainings & workshops • Encouraging cross-functional cooperation • Creating a separate, profit and loss responsible service unit 	<ul style="list-style-type: none"> • Teamwork orientation • Proactivity • Networking skills

The proposed challenges, actions and personal traits are aggregations from the interview, survey and literature findings, and not only a repetition of factors mentioned by participants. However, the final propositions are not taken too far from the answers of sales people to maintain a salesperson perspective to the subject. They are further elaborated below.

7.1 Service culture

The opinions whether the service culture is visible in the case company were two-fold. Others felt that it already shows clearly, while there were some that did not see it at all. A majority had a view, that the culture is changing slowly but the business is still heavily product-centric. Even though the company clearly communicates their importance internally, many felt that management did not sufficiently encourage the transition and external marketing was not in line with internal service emphasis. The former notion was also evident in sales targets that did not account services. Furthermore, there were respondents saying that the service culture is superimposed, since previously many of the same services were given for free. Also, the service culture had been adapted more outside sales function.

Sales people did see the potential in services in increasing the margin. Products were said to be highly competed and the industry is characterized of small margins. One participant was proud that her company was a trailblazer in a product-centric industry. However, there were respondents that did not understand some of company's service offerings as services. The services were so tightly linked to company's product sales, that many times they saw those merely as an easier way to buy the product. According to Ulaga and Reinartz (2011, 15), that is among the targets of product life cycle services, since they facilitate the customer's access to the supplier's products. Therefore, the notion could indicate lack of service orientation among those respondents.

Service culture was chosen as one of the main challenges of servitization process among the sales people, because the respondents were clearly divided to those that did not see the emergence of the culture, and those that were already largely service-oriented. That implies, that the service culture in the case company was not widely spread, but more at the level of subjective mindset towards services for some people. Earlier literature acknowledges the importance of creating a service culture in overcoming servitization challenges, for example in the studies by Gebauer et al. (2005, 17) and Kindström et al. (2014, 105).

Based on the interviews and a subjective evaluation of respondents' answers, the main challenges related to service culture are the following:

- *Lack of transparency of service processes*
- *Lack of trust to service processes*
- *Contradictory corporate actions*
- *Lack of service-oriented incentives*
- *Immature service portfolio*

According to the interviews, the sales people felt somewhat detached from service processes and the rest of service organization. They did not want more responsibility, but information about changes, developments and organization structure. This decreased trust to these processes, and especially the mistakes and delays in service delivery hurt sales people's interest in offering the service. Even though services should have been emphasized, the marketing function was promoting company's products and sales incentives were product-oriented. Finally, the company's services were closely linked to products, which did not steer sales people away from product-centric selling. This immaturity of service portfolio was not presented in the literature, but was stressed by interviewees.

These findings indicate that the challenges sales people experience had many similarities with service culture-related challenges found in the literature. However, the respondents did not mention any specific signs of employee resistance. This could be due to the subjective nature of the interviews, which did not enable a completely objective view over the participants' attitude towards services. Neither were there any signs of respondents being afraid of change or their lack of understanding of strategy. Some of the challenges they mentioned can be, to some extent, accountable to the integrated product- and service organization, a factor found by Gebauer et al. (2010b, 252). These include the lack of service-oriented incentives, immature service portfolio and contradictory corporate actions. Furthermore, the lack of management service-orientation as a service culture challenge was found both in the literature and the interviews.

Kindström et al. (2014, 105) point out, that the tension between the new service-oriented and old product-oriented culture is a persistent challenge, especially among companies that integrate products and services. Literature offers such actions as internal marketing and creating a separate service organization as ways to encourage the transition to service culture. Internal marketing was related for example to CEO's annual service-focused

statements and corporate newsletters. Also, making management aware of the potential benefits of services helps sufficient allocation of resources to service business. They should set service-oriented incentives to make the prioritization of services tangible. (Gebauer et al. 2005, 17; Kindström et al. 2014, 105) The managerial service-orientation was especially important, since in literature it was found to increase employee service-orientation (Gebauer et al. 2010b, 252) Moreover, Kindström et al. (2009, 192) emphasize the importance of making services visible for customers used to products.

This study offered similar findings about which actions and factors would support the sales people in overcoming the service culture-related challenges. Since the detailed findings were discussed in the previous chapter, the aggregated supportive actions and factors are as follows:

- *Increasing internal communication*
- *Creating common service-oriented incentives across functions*
- *Creating a separate service sales unit*
- *Creating a separate service delivery infrastructure*
- *Sharing and highlighting service sales stories*

Service information should be communicated to the salesperson level by managers and the rest of service organization by frequent introductions, trainings and newsletters. Also, cross-functional cooperation and interaction need to be encouraged in order to avoid largening the gap between the sales function and the rest of service organization. Common service-oriented incentives would help to steer the organization to the same direction and avoiding contradictory message about the sales emphasis. Separate service sales unit would be ideal to test less product-integrated services and emphasize services without the tension between product- and service-cultures. Creating a service component delivery infrastructure separate to product delivery would increase fluency of the process, thus creating trust towards the process and increase willingness to offer services. Finally, highlighting and sharing service sales stories and practices would encourage sales people to sell services and keep services on everyone's minds. The last proposition was not found in the literature but was underscored by multiple account managers.

Service orientation was strongly associated with service culture in the literature. Employee service orientation concerns the degree to which they understand the benefits of the service business (Gebauer et al. 2010b, 240). The interviews gave a clear picture that this capability of understanding the abstract value of services is important in transitioning from product to service sales. Furthermore, curiosity was mentioned as a beneficial trait of service sales people, since it encourages them to find new solutions and decreases resistance to culture change. Curiosity was not presented in the literature but can be linked to openness proposed by Ulaga et al. (2014, 119), since it refers to seeking out and engaging new ideas.

As cross-functional cooperation and interaction is essential in creating a service culture, also teamwork orientation is a valuable trait. As Barr et al. (2005, 82-83) noted, “Lone Wolves” might prove obstacles to effective teamwork and hinder the establishment of a service culture. Long-term orientation is a trait mentioned by Kindström et al. (2014, 105) to support service culture. They argue, that since service relationship selling does not create immediate returns, it is important to be able to see past the short-term gains. This was supported by the notion in the interviews, that service sales cycle is long and the capability to endure the whole process is important. Thus, the capabilities and characteristics needed to transition from product- to service culture include:

- *Service orientation*
- *Curiosity / Openness*
- *Teamwork orientation*
- *Long-term outlook*

7.2 Service development

The importance of creating a fluent and inclusive service development process is seen highly important by both the literature and the sales people of the case company. Gebauer et al. (2005, 17) emphasized the importance of creating a market-oriented and clear development process. Kindström et al. (2009, 168; 2014, 102) did call for a flexible process that was separated from product development. Galbraith (2002, 199) highlighted the importance of customer centricity in the process. The interviewees had similar observations and opinions regarding most of the findings from literature, which indicate that challenges and solutions

of sales people concerning service development are not very different compared to those that the whole organization faces.

The respondents found that many services had been developed to over-exceed customer expectations, which led to them having a too high price. Furthermore, some services were said to have too narrow customer base, since they had been created to answer very specific need irrelevant for most customers. These problems originated from poor customer understanding and lack of customer involvement. Another pitfall was failing to engage the sales function in the development process early enough and keep them informed of progressions and changes. Finally, services were launched without securing the functionality of the supportive processes and essential material, such as offer templates and contracts. This factor was highlighted in the interviews but was not found in the literature. Thus, the main challenges that the sales people face concerning service development are the following:

- *Not customer-oriented service offering*
- *Not enough possibilities to affect the service development*
- *Immature service processes*
- *Lack of essential service material*

The importance of engaging the sales people to the development process was discussed by Kindström et al. (2014, 100; 2015, 12). They emphasized, that it would lead to more customer centricity, since the sales people are firmly connected to customers and understand their wishes maybe better than anyone. Moreover, this study indicates that it would increase sales people's willingness to offer such services they were co-creating. Customer orientation was said to lead to more relevant services both by literature and respondents. In addition to sales people engagement, lead customer workshops, market research and customer surveys were actions to increase customer understanding. (Gebauer et al. 2005, 18, 22) Kindström et al. (2009, 161) acknowledged the problems in service delivery process and Zhang et al. (2017, 220) proposed a better management of subcontractors.

The frequency of notions related to service development challenges in the interviews imply that solving the challenges would bear a great benefit to the organization. The supportive

actions and factors that help sales people to manage the service development challenges include:

- Cross-functional service development teams and service champions
- Customer workshops, surveys and market research
- Adding lighter services to portfolio
- Engaging sales to development already in the ideation stage
- Subcontractor management
- Securing the existence of essential service material

Respondents found the cross-functional service development teams important in supporting their engagement to the development process. Furthermore, they can help the development team to find the right lead customers to take part in workshops as well as help the ideation of new relevant services in interpreting the customer needs. Furthermore, Kindström et al. (2009, 101) suggests, that service champions can support service culture by nurturing new services from ideation stage to launch. They can also proactively keep the relevant salespersons engaged in the development process. Since subcontractors might not be as engaged in offering excellent customer experience, they should be educated about the value proposition offered to customers and demanded to act accordingly. To secure their compliance, the subcontractor relationship should be actively managed. Finally, the essential service material should be created prior to service launch.

There are many similar capabilities and characteristics needed from sales people in service development as in the creation of the service culture. Service orientation would ensure the understanding of the abstract value of a service offering, which is a prerequisite for service development. Teamwork orientation would be needed in cross-functional development teams. The customers of a company in manufacturing or in other product-centric industry would also have highly technical processes. Understanding these processes and having sufficient technical knowledge would help the service development team to find solutions and communicate with customers. Technical knowledge was not highlighted in the literature but was seen as an important factor by sales people that had been selling technology-intensive solutions. Also, knowing the company's other services would aid in understanding how the new solution can complement other offerings. It can also be argued, that it takes

intrinsic motivation to take part in development processes in addition to one's daily sales tasks. The capabilities and characteristics needed from sales people are:

- *Service knowhow*
- *Technical knowledge*
- *Service orientation*
- *Customer understanding*
- *Teamwork orientation*
- *Intrinsic motivation*

7.3 Value creation

From these four subjects, value creation is the most related to customer interaction, and thus the sales people's role is the biggest here. Value creation is also the most customer-centric in a sense that it is customer who decides the value of the company's offering, which also makes the value creation process highly volatile to external factors. The current literature has acknowledged that customer requirements and expectations are increasing, which create challenges in fulfilling customer needs (Kindström et al. 2015, 3). Also, the logic of value creation is changing, since customers need to be seen as co-creators of value and not only passive beneficiaries (Ulaga et al. 2014, 122).

The challenges are also generated from the nature of service offerings. Servitization tend to demand large investments from the company and service sales is especially human resource-intensive (Gebauer et al. 2005, 14, Oliva et al. 2001, 897). Complex services can be hard to comprehend both by customers and the sales people and long sales cycles as well as large number of stakeholders during the sales process make selling services demanding (Kindström et al. 2014, 103; Ulaga et al 2014, 118). The interviews revealed also challenges in sales process duration, number of stakeholders and the time resource intensity of service sales. However, salespersons counter also more specific challenges during the value creation process, and thus all the main challenges include:

- *Unreliable service component delivery process*
- *Long sales cycle*

- *Multiple internal and external stakeholders*
- *Changes in offering pricing*
- *Complexity of service offering*
- *Balance between standardization and customization*
- *Lack of service orientation among customers*
- *Rigid supportive processes and lack of material*

Service delivery problems were related also to service culture and development. During the value creation, a poor delivery process will adversely affect customer satisfaction. It could discourage the customer to continue the contract with the vendor and make the salesperson think twice of offering the service next time. The problem originates both from poor subcontractor management and lack of internal communication. Kindström et al. (2009, 161) made a similar notion that was found during interviews, that the communication is especially poor between the sales and the service delivery functions. Long sales cycles are the outcome of many factors, such as service complexity, number of stakeholders, value creation logic and value proposition resembling the customer's value-in-use. The number of stakeholders is larger when interacting with big companies.

The initial phase of servitization might mean going through a process from free activities to adding a fee to those same activities and starting to understand them as value-adding services. This could create resistance among current customers and potential customers could still be getting the same service for free from competitors. Furthermore, sales people found it hard to communicate the benefits of more complex and less product-integrated services, and it was even harder for customers with 'do it yourself' attitude to see the benefits. Also, slow and outdated process of ordering simple services and making a service contract is demanding too much sales people's attention, which should be allocated to selling. Finally, it is challenging to strike a balance between standardization and customization of services, since sales people appreciate the possibility to customize the services to their customers, especially if they are large. However, service development prefers to produce standardized services.

Service delivery reliability can be answered by enhancing its transparency. Tools to help sales people schedule the component delivery and customer to track the delivery as well as

better management of subcontractors would answer to this need. Interviewees reported, that they did not know the schedule of the delivery nor could they find that information easily. When sales people could not provide customers with this information when asked, it created tension between the salesperson and the customer. Moreover, the salesperson needed to use unnecessary time to find this information. Even more time can be saved by moving the ordering and the contract process online. Many services still need a salesperson to go through the contract, but with less complex ones the order can be placed online to save time. Moving the contract online would not remove the problem of customer procrastination, but rather relief the salesperson from the task of forwarding the contract to company's credit control. It is still important to actively encourage the customer to go read through the contract.

The service sales process will have many stakeholders and their number can only be limited by knowing the right contact persons in the beginning. There are many commercial tools to identify the decision-makers and specialists inside customer's organization that would speed up the process. Service trainings would in turn aid sales people in finding the right internal service sales stakeholders, but also in understanding and communicating the benefits and service features. Benefit communication can further be supported by service benefit calculators and comprehensive service material such as customer references. Small groups for sharing service sales experiences will help sales people to endure long sales cycles, since they will make them understand the process better.

The challenge of balancing between standardization and customization can be managed by standardizing the service components but customizing the overall solution, as advocated by Matsson (1973, 108-109) and Page et al. (1983, 91). It would make possible for large company account managers to customize the solution and SME account managers to effectively scale the service to be suitable for multiple customers to save time. Similarly, light services making customer's administrative tasks easier, are highly scalable and can increase customer's service orientation as they are easy to start with. Small group service sales sharing sessions and plentiful customer references were not mentioned by the literature, but they were seen as helpful in understanding the service sales process and concretizing the benefits by interviewees.

The supportive actions to manage value creation challenges are following:

- Adding lighter services to portfolio
- Modularization of service offerings
- Service delivery tracking and other sales tools
- Sharing service sales experiences in small groups
- Customer references
- Service ordering and contracts online
- Service introductions, trainings & workshops

Uлага et al. (2014, 113, 117) noted that service training might be ineffective, when there is strong resistance against servitization and suggest rethinking the selection of service sales people. Thus, it could be more effective to offer such trainings only to those that have the capabilities and characteristics demanded for service sales. The capabilities and characteristics found to have an important role in successful service transition include:

- *Customer understanding*
- *Long-term outlook*
- *Networking skills*
- *Service knowledge*
- *Problem-solving skills*
- *Nurturance*
- *Customer service orientation*
- *Service orientation*
- *Communication skills*
- *Learning orientation*
- *Teamwork orientation*

Customer understanding would help the salesperson to identify the need, and together with service knowledge it can aid him in connecting the need with a service and demonstrating the solution's value to the customer. Problem-solving skills will also be valuable in finding the solution and connecting to multiple stakeholders as well as seeing through the long sales cycle to concretize the benefits. A salesperson with good networking and communication skills is able to manage the dense network of internal and external stakeholders and clearly

communicate the service features to ease comprehension. Communication skill was not mentioned by the literature, but the respondents saw it useful in explaining the service benefits. Teamwork orientation will especially help involving the right internal stakeholders in the process and cooperating with them to create customer value. Service orientation has been mentioned multiple times before and it is also an essential trait in value creation, since it enhances the salesperson's trust in service benefits.

Learning orientation encourages the salesperson to be self-imposed in finding information and continuously improving own skills. Customer service orientation and nurturance is needed in relationship selling, which importance in service sales for emphasized by Kindström et al. (2015, 4). They also help to create trust between the customer and the sales people and maintain long customer relationship, which is the target of service sales. That would also relieve the fear of commitment that customers might experience in making long service contracts.

7.4 Internal communication

The communication inside the company and in the service organization rose as a major topic during the interviews. Gebauer et al. (2005, 24) and Grönroos (1990, 7-8) identify the importance of internal marketing during servitization, but its role has been underrepresented in servitization-related literature compared to findings of this study. The biggest problems related to internal communication relate to process and organization ambiguity from the perspective of sales people, which refer to the transparency issue discussed concerning service culture. Another issue is the lack of service knowhow, which is partly due to insufficient communication but also because of salesperson's lack of initiative in finding information. The third big challenge identified was the broad gap between sales and other service organization. The largest challenges concerning internal communication are:

- *Process and organization ambiguity / Lack of transparency of service processes*
- *Lack of service understanding*
- *Poor cross-functional interaction*

One issue related to internal re-organization was not mentioned during the interviews, but it could have an effect to communication issues above. The case company had not separated the personnel working with services into an own service organization as proposed by Gebauer et al. (2005, 20), Kindström et al. (2014, 99), Oliva et al. (2003, 166-167) and Ulaga et al. (2014, 11). Since creating a separate profit and loss responsible service unit has a firm backing by literature, it can be argued to be an action that should be applied by companies going through a servitization process. Gebauer et al. (2010b, 252) saw problems in an integrated product- and service organization as discussed earlier in the service culture section. The separated service organization can be expected to have more aligned mission and sales people with more service understanding, which would further lead to increased transparency and cooperation.

When service processes, such as development, feedback and reclamation handling as well as delivery, are unclear to sales people, they may feel that their role is merely reactive, which will decrease their willingness to take initiative and increase resistance to changes. By creating easier ways to affect service development by encouraging them to give ideas and using their customer expertise, they would have incentives to sell services they have themselves been developing. However, as suggested by Ulaga et al. (2014, 113), not everyone should be involved in service processes because it requires service sales related traits, such as intrinsic motivation, to continuously commit to activities outside sales tasks. These sales people should be actively educated about service processes and features in order to increase their service understanding by sharing service information and material as well as conducting service trainings.

Increased interaction between service designers, service owners, marketing and sales would also close the communication gap and increase the fluency of cross-functional cooperation. Documenting the processes related to services would help to increase service understanding also for those not closely concerned by services. While this factor was not found in the literature, the unclarity of service processes among respondents highlight its importance. The actions supporting internal communication are the following:

- *Engaging sales to service development*
- *Sharing service information and material*

- *Documenting service processes*
- *Service introductions, trainings & workshops*
- *Encouraging cross-functional cooperation*
- *Creating a separate, profit and loss responsible service unit*

Most of the capabilities and characteristics that help sales people tackle servitization challenges have been already discussed earlier in this chapter. They do not largely differ related to internal communication issues, but only the most essential are mentioned here:

- Teamwork orientation
- Proactivity
- Networking skills

The case company's sales people that did not experience challenges in finding information or did not feel that they are left uninformed about services, were proactive in searching for information they needed. It could also be observed from their answers that they tended to communicate more with service owners, which indicate better networking skills. Furthermore, a common beneficial trait for service sales people, teamwork orientation, is related to propensity to participate more in group projects and thus summon more information and communicate frequently with other personnel inside service organization.

8 CONCLUSIONS

This study was inspired by the scarcity of research done about the servitization effects at the salesperson level and how to manage them. The findings reveal factors not found in current literature, and it was possible to bring depth to the subject by providing more detailed view about how sales people experience the service transition. Kindström and Kowalkowski (2014, 105) remind that servitization does not equate the fundamental shift towards service-dominant logic in exchange, which is proposed by Vargo and Lusch (2006, 3) and relate more to cultural changes. However, servitization in product-centric companies is initialized by this same cultural shift, due to increased customer requirements, difficulties in differentiating with products and decreased product margins.

The challenges faced by sales people during servitization relate to service culture and -development, value creation and internal communication. Creating a culture of appreciating the abstract nature of services and seeing them as a valuable part of company's offering and not just as add-ons can prove difficult if sales people do not trust or understand service processes, organization send controversial message by prioritizing products and the service offering is not developing past the first phase of product-centric services. In sales people's perspective, transitioning to service sales is difficult when service development does not produce customer-oriented services, supportive processes are rigid and immature, and the sales material is poor. Service development is lacking customer-centricity also when the sales force is not involved.

The logic of value creation has changed towards co-creating the value with customers. Sales people experience this challenging, since it demands interacting with multiple customer stakeholders and lengthens the sales cycle. Furthermore, the complexity of service offering makes the benefits and features hard to comprehend both by the customer and the salesperson. In product-centric industries, many customers may still lack service orientation and they might be expecting simpler services for free. New value creation logic and complex services have made even more important than before to practice cross-functional cooperation, which in the absence of a separate service organization could lead to tension with the product organization.

Service organization has multiple ways to help sales people to overcome these challenges and bridge the gap between the sales function and other service functions. Engaging sales people in cooperation with other functions would increase the customer understanding across the whole organization. Sales people tend to have challenges in comprehending the whole service portfolio and communicating service benefits, for which service trainings, comprehensive material and sales tools can offer a solution. Furthermore, service-oriented incentives as well as highlighting service sales success stories would encourage sales people to offer more services. Active internal communication about services and related processes will aid in establishing service culture and increasing service orientation.

Selling services demand different skill set compared to product sales and many characteristics rewarded before are not as useful in current relationship- and value-based selling. As service organization should be separated from product-organization, it should have its own sales force composed of people with suitable traits. This will enhance cooperation inside the organization and secure efficient use of resources, since product-oriented sales people are likely to commit less to service processes and trainings. Skills and traits that help the salesperson adapt to changed logic of value creation, comprehend complex offerings, work closely with multiple internal stakeholders and be motivated to conduct activities outside of their everyday sales tasks will help the salesperson to transition to service sales.

8.1 Managerial implications

This study offers a framework to understand the challenges that sales people encounter, when a product-centric company starts including services in its portfolio as well as which managerial actions would help them manage these challenges. Moreover, a list of capabilities and characteristics is provided that help to evaluate a salesperson's potential to successfully transition from selling products to selling services as well. The purpose is not to suggest that certain sales people cannot learn skills that are beneficial in service sales, but rather help to use resources effectively and rethink the service sales people selection.

It should be noted, that the challenges mentioned in this study are not strictly originated from infusing service offerings to a company's portfolio, but also from the emergence of a service-

dominant logic which is first and foremost an external phenomenon to the company. Thus, many of these challenges would emerge with or without servitization of a company and they need to be acknowledged even if there are no intentions to build an extensive service portfolio. In fact, the organizational-level challenges are worse when the share of service sales from revenue is small. Moreover, since the changes in the market environment will make the differentiation with products more difficult and decrease product margins, servitization activities can be recommended to maintain competitiveness.

Sales people's attitude towards servitization might present a barrier to the success of the service offerings, which make it important to understand the sales people perspective of the transition. The sales people cannot be expected to seamlessly transform to service sales without managing their expectations and experiences. Managers of a service organization should familiarize themselves with the challenges identified in this study and apply the activities suggested to successfully lead the sales people through the transition process. They are also advised to use the identified characteristics and capabilities to evaluate the salesperson's fit to service sales and encourage these traits thorough the sales function. Managers need to be aware that there might emerge additional challenges which require different supportive acts and competences, and the findings of this study are not an exhaustive list of challenges, supportive factors and beneficial traits concerning servitization process.

8.2 Theoretical contributions

Previous literature describing the effects of servitization on the sales function was limited in establishing a salesperson point of view of the phenomenon, largely because too few account managers had been interviewed. The findings have been compiled from observations and experiences of sales managers as well as other managers in the service organization. In this study, twenty-three account managers were interviewed, which contributes to the existing literature by providing an approach from the salesperson perspective.

Another gap in previous research over the subject has been the lack of emphasis on the sales function. Majority of the literature that describes the servitization challenges and ways to overcome them is not focused specifically on the sales function. That is why there have been

a limited number of findings related to sales force. By focusing solely on the sales people, this study has been able to discover new challenges, supportive factors and capabilities related to servitization and validate the existence of those already discovered in the context of energy industry. The changing logic of sales has been discussed in various studies, where the service-dominant logic has been the cause. However, this study emphasizes the effect of an internal process of servitization to sales, which is far less frequently discussed.

Finally, this study has pursued to connect the supportive actions, capabilities and challenges to each other under four main categories: service culture, service development, value creation and internal communication. Previous studies have connected actions or capabilities to challenges but have not proposed linkages between all of them. Treating them as interconnected factors offers a possibility to answer to servitization challenges directly by supportive actions but also by encouraging the skills related to overcoming certain challenge.

8.3 Research limitations and suggestions for further research

The limitations of this study are related to its scalability to other industries and the fundamental problems in the research method. Even though the number of interviews was sufficient to establish a comprehensive understanding of the effects of servitization to the sales function, it can only be generalized to companies present in the energy industry. This is because the product offering of such companies is very much different compared to traditional manufacturing companies. However, the majority of the findings of this study were supported by other studies that were focused on manufacturing companies in different industries. Thus, the findings can be expected to apply to some extent to other product-centric industries as well.

The second limitation is the subjective nature of interviews as the method of data collection. The answers given by interviewees are affected by their prior experiences, characteristics and social environment. Their opinions are not objective descriptions of the truth, since they are subject to their subjective viewpoint. It can also be suspected, that the gap that has been formed between the sales function and the rest of service organization has already affected to their attitudes towards servitization. Moreover, it is probable that some respondents were not willing to share their frustrations towards the transition, probably because they did not

want their managers to know their opinions. This was despite the anonymity of the interviews was clearly communicated. Nevertheless, one of the targets of the study was to establish a salesperson view over the phenomenon of servitization and elaboration of subjective experiences was also encouraged.

The effects of servitization on the sales function have had relatively little attention in the literature and there are various approaches that can be used in the future studies to shed more light on the subject. It would be interesting to continue this study by using quantitative methods to test whether the supportive actions are correlated with increased service revenue, which can be used as a measure for success in sales people's transition to service sales. Since correlation does not equate causality, a regression analysis should be used to validate the findings. Same logic can be applied to testing the benefits of identified personal traits in service sales. The reliability of the latter option would be harder to prove, if identifying whether the salesperson really possesses these traits would still rely on subjective observations of the researcher.

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APPENDICES

Appendix 1. Template for interviews

1. When have you started at the case company?
 - a. What kind of career development have you had?
2. Have you done sales in another company?
 - a. What have you sold?
3. What kind of customers do you have now?
4. Which services do you sell?
5. Do the following factors matter in service sales:
 - a. Contact person in the customer organization?
 - b. Customer size or segment?
6. How well do you know the current service offerings of the case company?
7. What are the biggest barriers to offer a service to a customer?
8. What are the biggest reasons why a customer would not want to buy a service?
 - a. Which arguments do they use when they refuse to buy a service?
9. Are the service processes clear?
 - a. What works especially well/poorly?
10. Do you think it is important to map the needs of the customer prior to contacting?
 - a. How do you do it?
11. What factors are especially important in service sales?
12. What kind of services should the case company have?
13. How do you experience service sales compared to product sales?
14. Is the service culture visible? How?
15. What would you evaluate as your readiness to sell services?
16. Which factors would increase this readiness?

Appendix 2. Online survey

Service development

*Required

1. Scale: 1 = Not beneficial at all, 4 = Very beneficial *

Mark only one oval per row.

	1	2	3	4	I don't know
Engaging salesforce earlier in the service development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Customer surveys to understand customer needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information about new services sooner	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cross-functional service development teams	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

2. Something else, what?

Service offering

Concerning service sales, evaluate how beneficial the following factors would be in your work

3. Scale: 1 = Not beneficial at all, 4 = Very beneficial *

Mark only one oval per row.

	1	2	3	4	I don't know
Increasing the number of services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Decreasing the number of services services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Adding lighter services to the portfolio (e.g. reporting tools)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Adding non-product-integrated services to the portfolio	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Integrating service more tightly to products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4. Something else, what?

Guidance

Concerning service sales, evaluate how beneficial the following factors would be in your work

5. Scale: 1 = Not beneficial at all, 4 = Very beneficial *

Mark only one oval per row.

	1	2	3	4	I don't know
Common KPI targets for sales, development and service owners	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Service-oriented incentives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
More service sales guidance from the manager	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sharing and highlighting success stories	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Service-specific sales competitions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sharing service sales experiences in small groups	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

6. Something else, what?

Tools

Concerning service sales, evaluate how beneficial the following factors would be in your work

7. Scale: 1 = Not beneficial at all, 4 = Very beneficial *

Mark only one oval per row.

	1	2	3	4	I don't know
Benefit calculators to services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Possibility to track service component delivery	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Possibility to schedule service component delivery	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
More customer references	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Services behind one application	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Possibility to order services online	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Possibility to make service contracts online	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

8. Something else, what?

Material

Concerning service sales, evaluate how beneficial the following factors would be in your work

9. Scale: 1 = Not beneficial at all, 4 = Very beneficial *

Mark only one oval per row.

	1	2	3	4	I don't know
Clearly separating internal sales supportive material and customer material	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Documenting internal service processes (transparency)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Documenting service sales process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Better quality paper service material	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Better quality electronic service material	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
More and clearer material about service sales arguments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

10. Something else, what?

Education

Concerning service sales, evaluate how beneficial the following factors would be in your work

11. Scale: 1 = Not beneficial at all, 4 = Very beneficial *

Mark only one oval per row.

	1	2	3	4	I don't know
Service sales-related company visits in companies that sell services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Service sales-related workshops for sales teams	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Service sales-related workshops for sales teams, service development and service owners	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regular trainings about the technical features of services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regular trainings about service sales	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regular meetings with service owners	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

12. Something else, what?

Internal processes

Concerning service sales, evaluate how beneficial the following factors would be in your work

13. Scale: 1 = Not beneficial at all, 4 = Very beneficial *

Mark only one oval per row.

	1	2	3	4	I don't know
Quicker response to service reclamations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Easier way to find service information (features, contact persons etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Incentivizing customers to use online channels	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Prioritizing services by customer segment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Promoting services externally through marketing activities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

14. Something else, what?

Appendix 3. Observations from the interviews related to research questions

Challenges		Supportive actions & factors	Capabilities & Characteristic
Pricing of some services	Sales people afraid losing their faces	Service introductions	Problem recognition / Finding sales triggers
Service delivery process	Don't know what customers have bought if they didn't buy directly from salesperson	Engaging sales earlier in the development process	Networking skills
Services have not been completely ready before launch	Third-party problems in services	Giving more information about service delivery to customers	Understanding customer's processes, business and industry
After sales process unclear for sales people	Invoicing process	Services on mobile phone	Creating solutions / Problem-solving skills / Consulting skills
Too little (or late) sales engagement to service development	Should be easier to find service information while selling	Service trainings	Iterating the sales process, offering the service many times
service development ambiguity or poor execution	Sales people should be able to comment on new services	Giving credit & highlighting service sales	Know who to connect / Finding the right contact
Customer feedback process unclear	Sales underrated	Increasing customer centricity in development	Communicating the benefits
Incentives doesn't support service sales	preferring to sell products because it's faster and easier,	More material to be handed out to customers	Self-orientation in finding information and asking for help

slow sales process	failure in communication with outsourcing partners	Better productization of services	Trusting the offering / Believing in what one's selling
Small customers calculate the benefits thoroughly/don't see the benefits	poor scalability of new services	Service oriented incentives	Customer relationship management
Fee to services that were previously free	service is not tangible - better productization	Moving routine orders online	Engaging the customer to the value creation
Lack of transparency in internal processes	sales people are accustomed in small margins - hard to see the benefits in larger margins	More small service making customer's life easier	Capability to concretize benefits
sales tasked with small things	rigid systems - hard to develop small services	Reports about pending services	Proactivity
Some services are missing material with valuable information	Specialized or long at the same job sales people have hard time adjusting to service sales	Technical skills training	Customer understanding
Service contact persons unclear	service owners blame sales people for not selling the services	Guiding customers to right channels	Service knowhow
Hard to find the service material	Too few services for big customers	More managerial push for service sales	Understanding the price structure
Multiple stakeholders in customer organization	No reliable value proposition	Service delivery enhancements	Tracking customer needs continuously
monthly fee not good for many customers	customer's stakeholders are professionals and can question the knowledge of the seller	Service sales workshops	Technical background
feedback usage in development	Salesperson can't sell services by his own	Right price	Making the offering comprehensible
Customer don't have time to view the contracts or get to know the service	Reaching the right contact person	More time to get to know services	Spending social time with customer
Customer commitment time	Small customers don't have the resources to buy some services	Engaging sales managers in development earlier	Identification of profitable customers
Lack of customer centricity	Hard to give new ideas	More flexibility for large customers	Cross-functional cooperation
Not enough knowhow of the service and benefits	Low quality service material	Easier to do contracts	Close connection to customer
Reclamation process unclear	Customers want to think	Better service e-material	Experience in complex products
Product centricity	Customer's don't know how to activate the service	Faster channel for ideas	Diverse work experience

Focusing on price in negotiations	Sales people do not believe in the service	Dedicated personnel evaluating why service sales did not work	Plant an idea of the service to customer's mind and follow up
Senior customer don't see the benefits, not ready for services	complex services harder to sell	More services that are not integrated to products	Share right amount of information / Do not confuse the client
customers don't see the real benefit	competitors give services for free	Better communication	Orientation to new things
contract process is rigid	service owners not documenting the reclamations	Better reclamation process	Data knowledge
Marketing not supporting service sales	no room for price customization	More comprehensive online services	Proactive sales approach
not tracking service sales	Customer won't buy because of additional costs	More customer references	Guiding customers to right channels to save time
VAT-refund service hard to sell due insufficient knowledge	Not mapping needs	Segmentation by customer size & importance	Personal chemistry
Salesperson can't affect the price of Oma Asema	Insufficient service trainings	More possibilities for customization	Good communication skills
Service owner slow to respond	Whole service process unclear	Making sales trust the processes	Changing communication style by customer
Too little time to get to know the services	Value proposition in unclear	Making processes easier	Important to be human
Slow answer to feedback	Too much product integration	Focusing on certain services	Courage to offer a service
Fear of selling due to high price	Service owner unwilling to own the service	Easier to find information about services	
Service ordering process doesn't work	After sales service development process unclear	Better material	
Using wrong arguments, don't know arguments	Poor sharing of responsibilities	SME's should have technical sales unit that sells products	
Hard to remember service information if not selling them	More product-service integration	Moving reclamation process out from sales people's hands	
Service process immature	Industry is not service oriented	Information when services should be sold - triggers	
Unrealistic expectations	Selling services to unprofitable customers	More benefit calculators	
Customer purchase outsourcing	Internal service marketing could be more realistic	Better managing of contractors	
Unclear service organization	changes not well informed,	Segmenting services	

No services for every need	Sales doesn't trust the processes	More cooperation	
sales doesn't understand how price is formed	Customer fear of change	Letting go of unprofitable services	
re-learning for sales people	Communication challenges	Systematic meeting with sales managers and service owners	
hard to scale solutions among big customers	Some services are hard to sell	Manager support	
services too fine for customers	Services hard to deliver to some customers	Service sales path documentation	
customer knows what services should cost,	Service ideas not identified	Outside-In learning	
too little communication	Main segment highly competed		
process weakness	Service sales process unclear		
customer base for services is smaller	Too many services - hard to keep on track		
Long answer time to customer questions	Regional offices lack information		