



Understanding the service infusion process as a business model reconfiguration



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ABSTRACT

This study conceptualizes *service infusion* as a *business model reconfiguration* by using a *process* perspective. Service infusion is therefore understood as a process affecting the business model dimensions of transaction content, structure, and governance. The service-related reconfiguration of the business model is explained by underlying *knowledge conversion mechanisms*, which provide insights into the development of reconfiguration capacities as important enablers for business model change. Furthermore, this study introduces the concept of *service defusion* as an important counterpart to service infusion. Both concepts together are found to fully capture firms' strategic options with respect to their service offering components (transaction content), their engagement with, and disengagement from, important business partners (transaction structure), and also their interactions with these important business partners (transaction governance). The conceptually derived understanding of the service infusion process and mechanisms are exemplified via a multi-actor longitudinal illustrative case study. A conceptual grounding for understanding service infusion processes for further theory and concept development is provided, and managers gain an understanding of how to effectively manage the processes underlying service-related business model reconfigurations.

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1. Introduction

Services are becoming increasingly important for firms competing in industrial markets (Ostrom et al., 2010; Ulaga & Reinartz, 2011). Firms that traditionally produced goods are driven to reinvent themselves to stay competitive by developing their business models through services (Mathieu, 2001a,b). This is due to a need to counter ever-quicker commoditization that threatens their product offerings and erodes their market position (Baines, Lightfoot, Benedettini, & Kay, 2009; Kowalkowski, Kindström, Alejandro, Brege, & Biggemann, 2012; Ostrom et al., 2010; Shankar, Berry, & Dotzel, 2009). Such *service infusion* as a new business model option for manufacturers is argued to increase the value of their offerings (Baines et al., 2009; Frambach, Wels-Lips, & Gündlach, 1997; Vandermerwe & Rada, 1988). It thereby provides ways in which manufacturing firms can sustain their market position, increase their competitiveness and allow them to access promising new revenue streams (Baines et al., 2009; Gebauer & Friedli, 2005; Johnson, Christensen, & Kagermann, 2008; Mathieu, 2001a,b; Oliva & Kallenberg, 2003). Several recent studies indicate the positive effects

of service infusion strategies on firm performance, but they also caution that this is not an automatic effect (Eggert, Hogueve, Ulaga, & Muenkhoff, 2011, 2014; Fang, Palmatier, & Steenkamp, 2008; Homburg, Fassnacht, & Guenther, 2003; Neely, 2008). Business environments are constantly changing and thus achieving competitiveness may require manufacturers to continuously adjust their offering composition, for example by reducing certain services while introducing new ones, or refocusing on the product-based components of their offering. Thus, manufacturing companies need to be able to increase but also to *reduce the service content of their offering*, i.e. they may engage in *service defusion* (Ivens, Henneberg, & Forkmann, 2014). From this perspective, service infusion and defusion allow manufacturers to react to changing business environments or to seize market opportunities through changing the service components of their business models (Anderson & Narus, 1995; Kindström, 2010; Kowalkowski et al., 2012).

Research into service infusion has focused on providing manufacturers with guidance as to different strategies that they can adopt to venture into service provision (e.g. Gebauer, 2008; Gebauer, Edvardsson, Gustafsson, & Witell, 2010; Löfberg, Witell, & Gustafsson, 2010; Raddats & Easingwood, 2010). The literature focuses on aspects of organizational culture, structure, and the capabilities and resources that are necessary for service infusion (e.g. Bjurklo, Edvardsson, & Gebauer, 2009; Homburg et al., 2003; Neu & Brown, 2005; Ulaga & Reinartz, 2011) as well as the network context of service infusion

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