

## **360° Servitization as Strategy for Business Growth**

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### **Abstract**

*Servitization is type a business model innovation where companies extend their product offers through related services. A 360° Servitization is when the manufacturing company uses a base, intermediary and advance service portfolio together with their product portfolio to co-create a unique value proposition to each customer. This research aims to understand how an organization ventures to grow the business through a 360° Servitization. Underpinning the Resource Advantage Theory, a single-case study is conducted in order to achieve the aim of the paper. Data was collected from semi-structured interviews, company reports and the website. A participatory approach with the company CEO strengthened the research findings. A deductive content analysis was conducted and findings were reported. This study identifies the importance of a unique product service bundle for each existing and potential customer to co-create value to enhance business growth. The research further identifies the importance of all service types such as base services, intermediary services and advance services when creating a unique product service bundle. The Product-*

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*Service-Customer Matrix developed in this study is an import tool for business to business manufacturing organizations in the 21st century to co-create value with the customer. This matrix is a useful tool for managers in business to business manufacturing companies to amplify business growth opportunities. Due to limitations inherent in a qualitative case study approach it is not possible to generalize the findings beyond the case company. Moreover, researches in different manufacturing companies are required to improve the generalizability.*

### **Keywords**

Business Growth, Business Model, Product-Service, Servitization

### **Introduction**

Over the last decade, there has been a significant advancement in manufacturing strategy (Baur & Wee, 2015). Manufacturing is entering a new era whereby it will impact the pattern of production standards globally (Baur & Wee, 2015). Among prominent swings such as re-shoring, use of internet of things, robotization and sustainable manufacturing, servitization of manufacturing has been identified as one of the major strategies to stay competitive in the current decade (Brennan et al., 2015). The importance of a more in-depth understanding of markets, value chain and value creation as well as customer needs have given prominence to servitization of manufacturing (Cohen, Agrawal, & Agrawal, 2006; Brennan et al., 2015). The systematic trend in service additions by manufacturing companies to stay competitive and improve the business performance is explained as servitization (Vandermerwe & Rada, 1988). Kowalkowski, Kindstrom, Alejandro, Brege and Biggemann's (2012) reference to it as a manufacturer service infusion, Raddats and Kowalkowski's (2014) claim of it being a manufacturer service strategy, and Davies's (2004) idea of it being an integrated solution, are all wide references to this same transformation by manufacturing firms.

Manufacturers are rapidly moving from a product dominant view towards a service oriented view of manufacturing (Martin & Horne, 1992; Mont, 2002; Brax 2005; Neely 2008; Cohen et al., 2006; Kohtamaki, Hakala, Partanen, Parida, & Wincent, 2015). Countries of the European Union highly depend on services to add gross value and provide

employment (Bikfalvi, Lay, Maloca, & Waser, 2012). There is a similar pattern in Asia as well as in Sri Lanka (Asian Development Bank, 2014; Central Bank of Sri Lanka, 2014). There is a global trend in manufacturing companies in America, Europe, and Asia to incorporate service elements in their product offerings (Cohen et al., 2006; Visnjic, Neely, & Wiengarten, 2012). The Aberdeen Group, GM, IBM, Rolls-Royce Aerospace, BP, Shell, Laugh, Boeing, Xerox are some good examples which show success through servitization (Wise & Baumgartner, 1999; Cohen et al., 2006; Neely, 2008).

Many Authors have studied the impact of servitization on the profitability of organizations (Neely, 2008; Neely, Benedetinni, & Visnjic, 2011; Visnjic et al., 2012; Kastalli & Van Looy, 2013; Li, Lin, Chen, & Ma, 2015; Maheepala, Warnakulasooriya, & Weerakoon Banda, 2016). Several authors have highlighted the importance of servitization for business growth (Wise & Baumgartner, 1999; Jacob & Ulaga, 2008) and identified a positive association between servitization and business growth (Kohtamaki, Partanen, Parida, & Wincent, 2013). As per Sawhney, Balasubramanian, and Krishnan (2004), while a few manufacturing firms have achieved a successful growth with service infusion, the majority had fail to do so. A systematic approach to create service led growth can help managers of product companies to improve the odds of success (Sawhney et al., 2004). The research problem in this study is therefore to understand how business growth could be generated through a servitization strategy. This paper desires to address this void in the existing literature while focusing on the following Research Question (RQ):

**RQ1:** How can servitization enhance business growth?

A servitized organization offering goes beyond traditional manufacturing companies, to enhance the value offering to the customer. Scholars have identified different types of service categories that manufacturers are offering. The base services, intermediate services and advanced services have become a common typology to refer to these types of services offered by manufacturers (Baines & Lightfoot, 2013). However, literature is silent about the contribution of these types of services that enhance the growth of businesses.

**RQ2:** What type of services offered by manufactures affect the business growth?

The objective of this research is to develop a framework which can be utilized to enhance the business growth of manufacturing organizations in concurrence with the 21st century challenges. This research underpins the Resource Advantage Theory, which relies on the comparative advantage of resources to enhance Business Performance (Hunt & Morgan, 1997; Hunt, 1997; Hunt, 2012). Servitized offering in this study is considered as a competitive resource bundle of product and services offered by the organization which creates a differentiated value to the customer.

### **Literature Review**

Literature review in this study focuses several sections. It starts with the introduction to the Resource Advantage Theory and then logically explains other related aspects such as servitization and business performance, business growth, types of services and servitization practices in the chemical industry.

The Resource Advantage Theory explains the importance of market segments, heterogeneous firm resources, comparative advantages/disadvantages in resources, and marketplace positions of competitive advantage/disadvantage for superior/inferior financial performance (Hunt & Morgan, 1997). When organizations have a comparative advantage in resources, they will achieve marketplace positions of competitive advantage. Marketplace positions of competitive advantage then result in superior performance (Hunt, 1997). Further, it emphasizes the importance of organizational effort to transform basic resources into core competencies, which become the foundation of superior competitive positions in specific market segments to achieve higher performance. This study focuses on explaining 360° servitization as an organization effort to combine product and services uniquely to specific customer segments for higher business growth.

### ***Servitization and Business Performance***

There are a number of studies that have focused on servitization and related topics. Business performance related studies in servitization can be broadly

divided into two areas. Studies which examine competitive advantage differentiation through servitization, and studies which focus on profitability, business growth and firm value through servitization (Maheepala, Warnakulasooriya, & Weerakoon Banda, 2015; Maheepala et al., 2016).

Services addition in manufacturing to differentiate the product offer is important and is caused by declining product margins due to the fact that achieving product differentiation is frequently in a stage of maturity (Gebauer, 2008). Servitized manufacturers have the ability to offer customized unique solutions to their customers with combinations of products and services (Hobday, 2005). In the forthcoming year's the market leaders will be those who offer integrated solutions to their customers (Hobday, 2005). A global trend prevails where manufacturers around the world seek competitive advantage through service infusion approaches that are based on diverse service strategies and offerings (Raddats & Kowalkowski, 2014). It is supported by the extant literature to the effect that servitized manufacturers have competitive advantage over traditional manufacturers and are often more sustainable in maintaining that (Oliva & Kallenberg, 2003). Literature further suggests that services together with products lead to a different competitive positioning (Gebauer, 2008). In some industries, servitization is used as a differentiation tool, to extend their product's life cycle (Vandermerwe & Rada, 1988). The literature supports the statement that the most promising internal growth strategy for manufacturing in the 21st century can be by adopting servitization (Brennan et al., 2015).

Servitization and profitability has been a major research area in the recent past. Scholars opine that manufacturer's services are more profitable than product sales. They elucidated that manufacturers should develop profitable service business to minimize the risk of eroding margins from product sales (Wise & Baumgartner, 1999). Nevertheless, Neely (2008) found that the servitized firms generate lower profit than pure manufacturing firms. Later, Neely et al. (2011) explained if the firm that had servitized had no significant relationship to profitability. Visnjic et al. (2012) explicated that service breadth negatively affect profitability while service depth has a positive impact on profitability. Kastalli and Van Looy

(2013) reported an overall positive effect of servitization on profitability. Furthermore, they summarized that low levels of servicing result in a steep increase in profitability while the increasing of service activities results in a temporary decrease in profitability but it re-emerges once positive relationship, economies of scale and learning effects are achieved. Apart from a few initial studies, the majority of findings show a positive relationship between the servitization and profitability (Kohtamaki et al., 2013; Li et al., 2015; Maheepala, Warnakulasooriya, & Weerakoon Banda, 2017a).

### ***Servitization and Business Growth***

Business growth opportunities become motivating factors for a manufacturing firm to add services (Visnjic et al., 2012). Manufacturing companies add services to achieve financial growth (Brax, 2005; Gebauer, Ren, Valtakoski, & Reynoso, 2012). The higher growth rate of the service sector comparative to that of the manufacturing sector creates an opportunity for the larger market size for manufacturers who provide solutions (Wise & Baumgartner, 1999). Also, providing industrial services offer more stable revenue than products due to their lack of sensitivity to an external economic crisis than a product only would do (Oliva & Kallenberg, 2003; Kohtamaki et al., 2013). In recent years, industrial manufacturers around the world have deployed growing efforts in developing services in addition to their traditional core product business in order to secure long-term growth (Jacob & Ulaga, 2008). Companies move into service dominance since that would open opportunities for continuous growth. This provides access to broadened opportunities in comparison to that of a pure manufacturer. Kohtamaki et al. (2013) found a positive non-linear correlation of the service offer and the sales growth. They asserted the importance of industrial service offering in order to co-create customer experiences. Additional studies are necessary to understand how service offerings in manufacturing companies would lead to business growth. Therefore, this research aims to bridge the above mentioned gap prevalent in existing literature.

### ***Types of Services Offered by Manufacturers***

Manufacturer's service offerings were identified even before the concept of servitization. Hill (1977) identified distinctions between services affecting

goods and services affecting persons and subdivided these into permanent and temporary services. Common types of services found in the literature, as well as the research and development services, product maintenance services, installation services, training services, procurement services, warehousing and transportation services, consultancy services, retailing services and financial services (Maheepala et al., 2015).

Many have categorized the services offered differently. Manufacturer built operate owner services as well as operating the product for customers are such examples. As claimed by Baines and Lightfoot (2013), base services, intermediary services and advanced services are widely accepted terminology to broadly categorize the different types of services. Table 1 elucidates the terminology and examples from the original authors.

**Table 1: Types of Services offered by a Manufacturer**

<b>Type</b>	<b>Defined by</b>	<b>Organizational stretch</b>	<b>Examples of services offered</b>
Base services	An outcome focused on product provision	Based on an execution of production competence (i.e. we know how to build it)	Product/equipment provision, spare part provision, warranty
Intermediate services	An outcome focused on maintenance of product condition	Based on exploitation of production competences to also maintain the condition of products (i.e. because we know how to build it we know how to repair it)	Scheduled maintenance, technical help-desk, repair, overhaul, delivery to site, operator training, condition monitoring, in-field service
Advanced services	An outcome focused on capability delivered through performance of the product	Based on translation of production competences to also manage the products performance (i.e. because we know how to build it we know how to keep it operational)	Customer support agreement, risk and reward sharing contract, revenue through-use contact

*Source:* Baines and Lightfoot, 2013

In addition, Baines, Lightfoot, Smart, and Fletcher (2013) clarified characteristics of the service offerings and revenue payment models of base, intermediate and advanced services which is depicted in Table 2.

**Table 2: Clarified Characteristics of the Service Offering**

Type	Principle on which cluster is defined	Relative characteristics of cluster		
		Range of service activities	Extent of risk	Revenue payment
Base services	Focus on product provision	Narrow: activities centered on and around production competences	Low: easily delivered for an enterprise with manufacturing competences	Point: largely on completion of contract
Intermediate services	Focus on condition maintenance	Broadening: based on the exploitation of production competences to assure state and condition of equipment	Medium: increased expose to the consequences of equipment faults	Periodic: some upfront and/or on completion. Maybe with interim payments
Advanced services	Focus on outcome assurance	Extended: stretching the manufacturing enterprise to take on activities that are usually internal to the customer	High: financial penalties incurred almost immediately if equipment fails to perform as specified	Linear: pay-through-use with period adjustments in rate

*Source:* Baines, Lightfoot, Smart and Fletcher, 2013

It is important to understand the rationale behind the categorization, base services are narrow activities which focus on product provision, whereas intermediate services focus on stretched services that are based on existing production competences/customer maintenance services. Stretched activities that are usually internal to the customer. Provision of base services, intermediate services and advanced services determine the servitization extent of the organization (Maheepala, Warnakulasooriya, & Weerakoon Banda, 2017b). It is essential to understand the type of services which contribute towards the growth of business as they are not addressed in existing literature.



### ***Servitization in the Chemical Industry***

The chemical industry is an important sector in global manufacturing. Other manufacturing sectors use products made by the chemical industry and it therefore has a strong B2B focus (Buschak & Lay, 2014). As per the study, 52 per cent of global requirements of chemical products are manufactured in Asia whereas Europe manufactures 23 per cent. Traditionally, chemical suppliers have focused on efficient manufacturing, economy of scales and continuous product development, while they earn money by selling higher volumes of chemicals. Inefficient use by customers will increase the sales of chemicals. As reported by Stoughton and Votta (2003), this trend was challenged and chemical management services were introduced due to environmental pressure and competitive reasons. Offering product service combinations provides an opportunity to improve profits, contribute to environment and people (Maheepala et al., 2017a). This research focuses on an innovative textile chemical company in Switzerland, HeiQ Materials AG, which has significantly grown over the last five years to become a medium-sized player in the textile chemical industry.

### **Methodology**

This research adopts the post positivism philosophy and the deductive approach while employing the case study strategy (Saunders, Lewis, & Thornhill, 2011). A single case study approach has been used in order to achieve the objectives of the study. Case studies are suitable to study complex phenomena which involve multiple variables (Yin, 2009). A case study strategy is well suited and is instrumental in understanding research problems which have not been intensely investigated previously (Eisenhardt 1989; Yin, 2009). The data was collected using semi-structured interviews by a team of five members in the HeiQ management team, including the president of global brand force and director of sales. Each interview spanned between 60-90 minutes. In addition, the company reports and company websites were utilized for triangulation in order to enhance the validity of the conclusions. While the CEO of the company is part of the research group, his participatory approach strengthened the findings. Deductive content analysis is employed in order to analyse the data; and it is appropriate when the aim is to test a previous theory in a different context (Elo & Kyngas, 2008). This study underpins the Resource Advantage Theory and the researchers believe on higher organizational growth with

specific product service bundles as a theoretical context. The focus of the current research is to develop a model which can explain how this growth can be obtained. Since the structure of the analysis is operationalized on the basis of previous knowledge, deductive content analysis is well-suited to be employed in this study.

Deductive content analysis was employed following the method explained by Elo and Kyngas (2008). Key themes were first identified based on the literature and data was then collected using interviews, company reports and websites, which were then coded. Categorization matrices were developed based on the key themes identified in the literature known as customer segment, product offering, service offering and the type of services. Finally, data was developed according to the findings of the study, which is displayed in the Table 4.

### *Case Study*

In a case study design, special sampling techniques are not required to be applied (Yin, 2009). Due to the limited number of cases which can practically be studied, it is reasonable to select cases from extreme situations (Eisenhardt, 1989). HeiQ Materials AG (HeiQ), a global textile chemical manufacturing company which has grown 30 per cent Compound Annual Growth Rate (CAGR) in sales each year over the last five years has been selected for this case study. The company headquarters is based in Switzerland and it operates globally through distribution partners. The company has evolved with 360° service offering to their customers and was identified as one of the 30 fastest growing companies in Switzerland in 2016. HeiQ is using product innovation, differentiation at point of sales and service offering to create value and overcome the cost based competition. This case study focuses on the product service offering instead of the pure product offering, in order to determine how that can contribute to business growth.

HeiQ was founded in 2005 as a spin-off of the Swiss Federal Institute of Technology, Zurich (ETH), and has grown from strength to strength during the last decade. HeiQ expanded its manufacturing footprint to Australia in 2014 through a joint venture with Cytomatrix. An acquisition in the US added two manufacturing locations in North Carolina and Georgia. HeiQ

has a subsidiary in Hong Kong to cater to the demand of East Asia. HeiQ has significantly grown over the last five years with organic growth, acquisitions, joint ventures and partnerships and has become the market challenger in the European textile finishing chemical industry.

HeiQ has earned its reputation in the market as a reliable and innovative manufacturing company that provides high quality technologies to leading brands around the world. HeiQ develops and manufactures innovative products and provides integrated support throughout the textile value chain. HeiQ's services include R&D services, testing services, regulatory compliance services, consumer focused innovation and marketing support to the brands and other customized services to their customers (HeiQ, 2017). The company philosophy is to be close to the customer by providing a customized product service bundle to each customer. The company has been recognized as one of the top ten McKinsey ETH Venture Start-ups in Switzerland over the past two decades ([www.heiq.com](http://www.heiq.com)). This research attempts to understand how the 360° service offering contributes to its business growth. The initial categorization matrix was developed based on the product offering, service offering and market segment of HeiQ. It was then developed into Table 4 in order to identify the uniqueness of the combinations of each offering.

Table 3 shows the product/technology offering of HeiQ, manifesting that the company has an advanced product portfolio wherein the company believes in boundless academic research networks and internal development specialists to invent disruptive new technologies that meet consumer needs and outperform the market as delineated in HeiQ ([www.heiq.com](http://www.heiq.com)). The company infuses the product/technology with several services to make them more valuable to the customer. The company from a particular point of view regards this activity as a 360° service offering.

The 360° service offering of the HeiQ is depicted in Figure 1. The researcher herein analyses how the company creates unique product service bundles in order to ensure a seamless flow in the growth of the business while retaining the existing and new customers without losing them to the competitors.

**Table 3: Product/ Technology Offering of HeiQ**

<b>Product/Technology Portfolio</b>	<b>Function of the Technology/ Product</b>
HeiQ Smart Temp	Adaptive cooling and thermoregulation
HeiQ Eco Dry	Durable water repellency
HeiQ Fresh Tech	Long lasting odor control
HeiQ Glide	Friction reduction of the material
HeiQ Sun Block	UV protection
HeiQ Real Silk	Provide silk + silky touch to the material
HeiQ Bug Guard	Durable mosquito and insect protection
HeiQ Dye Fast	Reduce cycle time in polyester dyeing
HeiQ Cool Bleach	Advanced bleaching technology for cotton

Source: www.heiq.com.

**Figure 1: 360° Service Offering of the HeiQ**



Source: www.heiq.com

The company service portfolio features a combination of base services (technical support, trouble shooting, legal compliance services), intermediary services (customer training, mill recommendations, Environmental Health Safety-EHS and sustainability support) and advanced services which are usually internal to the customer (testing customers product, marketing support, ingredient branding, finance services).

Table 4 summarizes the findings of the case study which explains the specific product service bundles created by the organization uniquely to

each customer. The company directly deals with brands, instead of textile mills. The brand has the highest decision-making power in the apparel value-chain. HeiQ works closely with brands in order to differentiate the product from their competitors, selling more products at a higher margin, creating a win win proposition for the brand. The company's great promise for their client reflects the statement of their mentor "engaging with you along the entire value chain, we are the ideal partner to help you innovate, differentiate your products and capture the added value at the point of sale" ([www.heiq.com](http://www.heiq.com)). In addition, the company also works with textile manufacturers who are their immediate customer and the apparel manufacturers who are their intermediate customers. Each customer has been identified and uniquely served with specific product service bundles, to achieve retention and internal account growth.

As defined on Table 4, the company creates value to the customer through the combination of products and services. They use base, intermediary, and advanced services together with portfolio of products/ technologies in order to create unique resource bundles to enhance business performance. HeiQ global structure enables them to serve each customer together with their global distribution partners. The company has been providing a combination of base services, intermediate services and advanced services according to the need of the customer. Even though these concepts were discussed conceptually in servitization literature, there was an empirical gap which is bridged through this study. This case study contributes to the knowledge in servitization and business strategy while empirically providing managerial insights to grow the businesses in the current decade of the 21st century. The details herein are discussed in the next section and avenues for further research are explained in the concluding section.

**Table 4: Unique Product Service Offering of HeiQ**

<b>Customer</b>	<b>Product Offering</b>	<b>Service Offering</b>	<b>Type of services</b>
Brand 1	Advanced cooling, thermoregulation technology	Research and Development, Product testing, testing services, marketing support	Intermediary and advanced services
Brand 2	Long- lasting odor control technology	Technical support, EHS & Sustainability services, Ingredient branding	Base, intermediary and advanced services
Brand 3	Dynamic cooling technology and moisture control technology	Technical support, Mill recommendations, Rapid supply through distribution network, Ingredient branding, Testing services, Marketing support	Base, intermediary and advanced services
Brand 4	Odor control and dynamic cooling technology	Ingredient branding, Testing services, Product development services	Intermediary and advanced services
Brand 5	Durable water repellence	Research and Development, Product testing	Intermediary services
Textile Manufacturer 1	Advanced cooling, thermoregulation technology	Technical support, Trouble shooting, Training, Rapid supply through distribution network	Base and intermediary services
Textile Manufacturer 2	Reduce cycle time in polyester dyeing	Technical support, Trouble shooting, Training	Base and intermediary services
Apparel Manufacturer 1	Provide silk + silky touch to the material	Research and Development, Product testing, product validation, compliance	Base and intermediary services
Apparel Manufacturer 2	Advanced cooling, thermoregulation technology	Training, product testing	Intermediary services

*Source:* Constructed by Authors

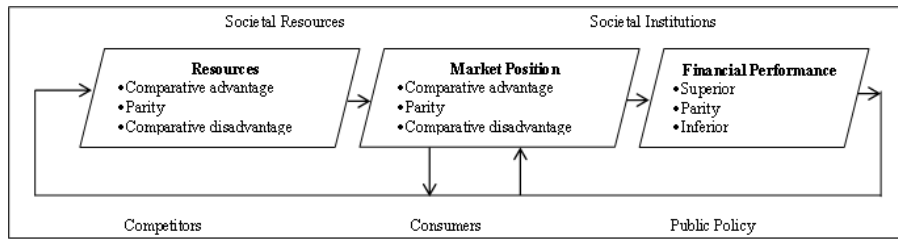
## **Discussion**

In contrast to the traditional textile chemical manufacturer, it is clear that HeiQ has evolved with a service based business model to its clients together with a strong product/technology offering to create value. HeiQ co-creates

value together with their clients through their business offerings. Chief Scientific Officer of HeiQ stated that brand partners exceed the expectations of their customers. The HeiQ's tag line (consumers buy innovation stories, HeiQ creates it together with you) also emphasizes their innovation orientation focus on customer satisfaction. The company offers a strong product portfolio and a 360° service offering to their customers, while uniquely combining the offering to the existing customers and new customers to co-create value.

According to the Resource Advantage Theory depicted in Figure 2, when organizations have a comparative advantage in resources, they will achieve marketplace positions of competitive advantage. Marketplace positions of competitive advantage then results in superior financial performance (Hunt & Morgan, 1997). Servitization is a conscious and explicit strategy with services becoming a main differentiating factor in a totally integrated products and service offering of manufacturing companies (Baines, Lightfoot, Benedettini, & Kay, 2009). Adding service components to the physical products lead to strategic benefits due to the decreased imitability. This is because value adding industrial services can enable manufacturing companies to achieve product differentiation by customizing product-service offers to their customer's specific needs (Parida, Sjodin, Wincent, & Kohtamaki, 2014). As per Table 2, the HeiQ strategy is to build a unique product service combination to each of their main customers to grow the business in the long term. Hence, this model is not possible, if the company is product focused. Therefore, pure manufacturers in the chemical industry cannot compete with such offerings, thereby reducing competition in the market place. As an example, marketing support and ingredient branding services of HeiQ needs to leverage on the added value from HeiQ chemicals in the final products and therefore provide with tools to draw a line between commodity applications and HeiQ functionalized high-tech product at the market place and encourage the customers to use HeiQ chemicals in their products (HeiQ, 2017). As per their marketing partner testimonials, in two years the technology has generated new additional sales for the categories of 198 Million USD ([www.heiq.com](http://www.heiq.com)). Thus it is evident that value co-creation between the servitized manufacturer and the customer has resulted in a significant business growth which is not possible for pure manufacturers.

**Figure 2: A Schematic of R-A theory**



Source: Hunt and Morgan, 1997

Retaining the existing customers, growing the sales with existing customers and attracting new customers are important when continuously growing the business. Carefully on boarding customers and co-creating value with the customer is important for business growth in the 21st century. Recently, HeiQ has added several leading brands in their client portfolio. As per the Vice President of brand force at HeiQ, they carefully choose their brand partners before initiating a cooperative research project to ensure that the joint effort will create the highest value possible for both parties ([www.heiq.com](http://www.heiq.com)). The business growth of HeiQ is derived from how the company co-creates value with their customer through a combination of product service offerings. As per the HeiQ marketing support and ingredient branding services documented, the objective of the service offering to customers are concentrating on business growth. Martin and Horne (1992) explained that the major strategic hurdles faced by the firms which shift from product-based to product-service based are rethinking the customer as co-producer and management of new service development process. HeiQ have clearly overcome these challenges at the inception wherein the product and service development processes mutually strengthens the company offerings to uniquely serve customers. Thus, HeiQ proposes a comprehensive portfolio of ingredient branded marketing tools supporting clients in the most effective manner, while tailoring to their needs ([www.heiq.com](http://www.heiq.com)).

As per the findings in Table 4, it is evident that advanced services are mainly used by brands. In fact, all three types of services are used by brands. Their immediate customers who are textile manufacturers have used base and intermediary services. It is not possible to identify which type of services are driving the growth mainly due to the fact that the customers are

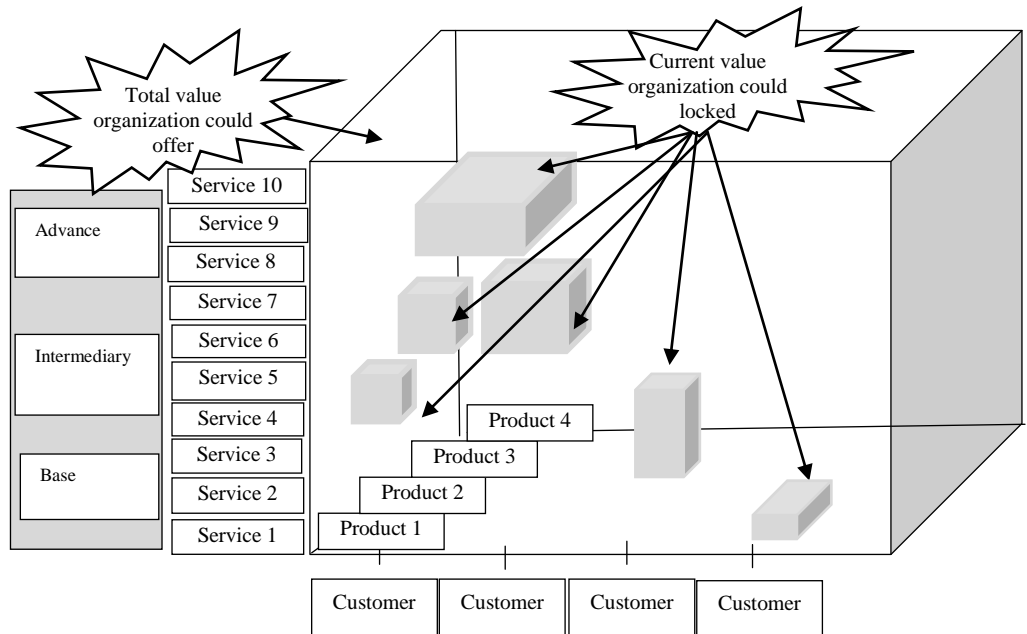


using a mix of base, intermediary and advanced services. Due to this reason, it is imperative to understand the importance of all the three types of services to co-create value.

Based on the findings in Table 4, this research derives a product service customer matrix as shown in Figure 3. This matrix becomes more useful for business to business manufacturing companies in the current decade, to identify the current offerings and plan future offerings than traditional product market matrices. This matrix helps to map the existing and potential customers and identify the value that can be co-created for future business growth. The matrix helps to identify the current gaps and potential product service bundles that the organization can develop to grow a business. Such identification helps organizations to align organizational resources and build relevant competencies and craft future strategies accordingly. According to the Resource Advantage Theory, such organizations achieve superior financial performance.

The research further highlights the importance of base, intermediary and advance services to augment the growth of the business. It is evident that the unique product service combinations that HeiQ offers to their main customers have become the core competencies of the organization. This combination consists of advanced product/ technologies with services such as ingredient branding which generate comparative advantage in each customer segment. Superior business growth is achieved as a result of such comparative advantage of the market position.

**Figure 3: Product Service Customer Matrix**



*Source:* Constructed by Authors

**Conclusion**

A 360° servitization is where the manufacturing company uses a base, intermediary and advance service portfolio together with their product portfolio to co-create a unique value proposition to each customer. Based on a single case study, this study identifies how business to business manufacturing grows the business with product service offerings to the customer. The introduction of service dominant logic (Vargo & Lusch, 2004) and the related paradigm shift of relationship marketing – service was viewed as the fundamental basis of exchange in every business (Aitken, Ballantyne, Osborne, & Williams, 2006; Vargo & Lusch, 2008). In such context, this research contributes to the product service customer matrix, which any manufacturing organization can use to understand the amount of value an organization could generate and the current value an organization could lock with their customers. Organizations could use this matrix to identify the potential value bundles and develop strategies accordingly. This matrix is more suitable for business to business manufacturing organizations in the 21st century, to co-create value with the customer and improve

business performance. Based on Resource Advantage Theory this research contributes to the knowledge in servitization and business growth. Further, this research identifies the importance of all service types such as base services, intermediary services and advance services when creating a unique product service bundle to grow the business with existing and potential customers. This matrix can be used by managers in business to business manufacturing companies, to map the existing customers and potential customers and identify growth potential in their business. Findings of this study are based on a single case study and hence further research on different manufacturing companies are suggested in order to improve its generalizability.

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