

In short!



What's in it for the provider?

Source: Matschewsky, J., T. Sakao, S. Khanagha and S. W. Elfving (2016). "What's in it for the Provider? The Case of a Telecom Vendor's Value Capturing from the Transition to Product-Service Systems." *Procedia CIRP* 47: 6-11.

Since the 1990s, Product-Service Systems (PSS) have been heralded as one of the most effective instruments for shifting society towards a resource-efficient economy. Offering PSS, the company does not only sell physical products, but combines products and services in a way that creates greater value for the customer. They are also said to bring both environmental and economic benefits.

So how come PSS, with all its potential benefits, have not been implemented in industry to a greater degree? Previous research in PSS has been focused on the value created for the customer, while Matschewsky, Sakao, Khanagha and Elfving directed their attention to the value, both monetary and other, created for the provider of such integrated offerings. In short, they wanted to find out "what's in it for the provider?" To gain deeper insights, they used a case company.

The company in question was Ericsson, a large company developing complex telecommunication infrastructure equipment. While it used to focus on the sale of physical products, services are becoming an increasingly important part of their portfolio. One of the company's PSS offerings is called Ericsson Device Connection Platform, which is a cloud service that enables Ericsson's customers, i.e. mobile network operators, to offer connectivity management to their own customers, which in this case mainly consist of enterprises. For the customer, this gives new revenue streams and makes the process of connecting mobile devices simpler and cheaper.

To find out what the value created for Ericsson was, the researchers conducted interviews. This led to identifying five value categories: *Information, Ownership and Control, Environment, Relations, and Market Opportunities*. Information was the one mentioned most often. Gathering data from the operation of the offering, to be used to create better solutions for the customers, is very valuable for the company. *Ownership and Control* refers to how, with PSS, the product and service are still owned by Ericsson, which makes it possible to reduce leaking of technical information and also to continuously update and upgrade the offering. In the category *Environment*, there is the benefit of a prolonged lifetime for the offering and ensuring its optimal utilization. Offering highly integrated solutions creates a stronger bond between provider and customer, leading to new learning and co-creation opportunities in the *Relations* category. The interviewees also expressed that the integrated nature of PSS allowed them to venture into new fields of business, as "it opens the possibilities to find new customers"; this is categorised as *Market Opportunities*.

On the other hand, the existing literature had identified *Information, Environment, Customer Relations, Infrastructure, and Time to Market*. How well does this match the findings of this study? Three of five, *Information, Environment* and *(Customer) Relations*, are the same. *Infrastructure* and *Time to Market* only are mentioned in the literature, which is an indication that the existing literature is not as relevant to the case as previously thought. *Ownership and Control* and *Market Opportunities* are only mentioned in the case study, and it seems that these should get more focus in future research.

So, what's in it for the provider? According to these findings, there is quite a lot to gain.