In a nutshell: The dark side of providing industrial product-service systems

Scientific articles contain valuable management implications, but are usually not very easy to digest. We summarize the core results so that you can use the latest research findings for your company.

Original

[... We] conceptually elaborated on crucial industrial product-service systems (IPS2) aspects that increase customers’ risk perception. We identify four aspects that cause customers to perceive high risks in buying IPS2: customer need uncertainty, the challenges of evaluating IPS2 performance, triggered change processes by IPS2 implementation as well as induced long-term relationships. [...]”

Suppliers’ selling processes have to be adapted according to customers’ buying behavior in terms of IPS2. Mitigation strategies aiming to reduce customers’ perceived risk have to be adopted by IPS2 suppliers. First, IPS2 suppliers should emphasize the functionality and quality of their IPS2 offerings as well as their own capabilities and trustworthiness within their selling processes. Aiming at both the usage of customer references has been found to be a fruitful approach to signal these kinds of suppliers’ and offerings’ characteristics by conveying experiences of former customers. Thus, suppliers should utilize reference marketing practices within their selling processes in order to counter customers’ need uncertainty and their concerns on engaging in a close relationship by signalling attributes customers cannot evaluate otherwise.

Second, IPS2 suppliers should be aware of the fact that customers might fear upcoming changes that are triggered by IPS2 implementations. Thus, suppliers should try to overcome resistance to these changes by applying change management strategies within selling processes. Thereby change management strategies should be designed aiming to engage resistant employees on the customer side to actively participate in IPS2 provision. Because resistance is not seen to be inherently bad. Instead suppliers should make resistance on the customer side a subject of discussion and use it as feedback to even improve upcoming changes and in turn the offered IPS2. Encouraged “what-if” dialogues enable both customers as well as suppliers to explore better IPS2 alternatives that could be offered and to identify customer requirements and the actions that are needed to fulfil them accurately.

Key statement

In their article, the authors demonstrate that while previous research into industrial product-service systems (IPS2) – understood as bundles of product and service components – has only considered the positives, IPS2 are not without their potential pitfalls for customers and suppliers. The authors come to the following conclusions:

1. Customers feel there is a greater risk of them making the wrong decision when purchasing IPS2 than when purchasing stand-alone products or services.

2. The reasons for this perceived risk are that customers a) are unable to articulate their requirements fully, b) are not in a position to judge the solution on offer completely, c) are overwhelmed by the change processes involved with implementation, or d) do not wish to make a long-term commitment to a supplier.

3. Suppliers have to take the risks customers perceive seriously and try to allay these fears during the sales process. Two effective methods of doing this are:

- **Reference marketing:** Suppliers can use reference projects to give customers the opportunity to evaluate complex IPS2 before they decide to make a purchase. Customers can get an idea of the quality and functionality of the service and judge for themselves how competent and trustworthy the supplier is.

- **Turning resistance to your advantage:** Suppliers should seize upon any misgivings the customer may have and actively make resistance on the customer’s side a subject of discussion. Customer feedback can then be used to improve the change process involved with implementation of the IPS2.
Source: