Special Session Proposal for the 2018 ISBM Academic Conference

B2B SERVICES AND CUSTOMER SOLUTIONS

Chair: Stefan Worm & Mehdi Nezami

1) B2B Service Innovation and Shareholder Value: A Contingency Perspective

Mehdi Nezami, Stefan Worm, Robert Palmatier

In the face of growing competition, many B2B manufacturing firms transition toward offering services in addition to their tangible offerings. However, it is unclear when introducing services is beneficial for B2B firms. We investigate under which conditions service innovation on B2B manufacturer's firm value using an event-study method. The results show that, on average, service innovation has a positive effect on firm value. However, we find that the impact of service innovation is contingent on the type of the service, as well as on firm- and industry-level factors. Process delegation services have the largest positive impact. Moreover, at initial stages of service transition, the firm value impact of new service introduction is negative. It is only beyond a critical stage that the effect becomes increasingly positive. The results also show that the firm value impact of new service introduction is more favorable for manufacturers operating in small markets.

2) Is It a 'Cloudy' Future? The Impact of Transitioning to SaaS for Software Vendors

Yuanyuan Chen, Anandhi Bharadwaj, Sundar Bharadwaj

We study the impacts of software vendors changing from software-as-a-product based strategy to software-as-a-service (SaaS) based strategy by evaluating a secondary dataset pertaining to 574 software vendors in the period of 2003-2016. Five important measures of organizational performance– revenues growth, cash flow volatility, Tobin's q ratio, return on asset (ROA), and operating margin, are examined. We further study how complementary capabilities (e.g., marketing, operational, and service capabilities) enable successful transition to SaaS. The results reveal that vendors transiting to SaaS initially experience a dip in the financial performance -- lower overall sales growth, higher cash flow volatility, and lower ROA and operating margin. However, as firms accumulate greater experience with SaaS, the initial trends reverse with firms displaying higher growth in sales and lower cash flow volatility. Marketing capability is found to augment SaaS migration to positively impact revenue growth, ROA, and operating margin and help reducing cash flow volatility. Service capability is found to be influential in moderating the impact of SaaS on revenue growth, Tobin's q ratio and ROA, while operational capability is only prominent on the relationship between SaaS and revenue growth. Furthermore, we find the time varying effect of SaaS on firm performance. Firms launched SaaS before 2008 experienced greater drop in financial performance. But for firms launched SaaS in 2009-2016, they learned from the experience of others and were more effective in managing the initial impacts of SaaS. Our findings provide quantifiable managerial guidelines for software vendors.

3) Business Solutions as Signals

Zimmer, Marcus, Salonen, Anna, von Wangenheim, Florian

Many manufacturing firms today claim to be solution providers. By means of highly customized and integrated, product-service offerings, these firms address complex business problems of customers in a holistic way. However, the extent to which manufacturers derive financial returns from these investments remains debatable. But despite the dubious profitability, we are not witnessing any large-scale transition away from the solution business. We assume that irrespective of the direct revenues generated by the solution business, manufacturers benefit strategically from the positive spillover effects of solutions on the firm's underlying product business through a signaling mechanism. This assumption has been tested in a scenario-based, within-subjects, cross-industries online experiment. The results show that a market positioning as a solution seller has a highly significant and positive effect on the customer's purchase intention in cases where the customer is only considering the purchase of a single, product-based component. Moreover, the signaling effect of solution business is even stronger if the seller can boost the credibility of the signal through evoking upon prior reference projects.

4) Unleashing the Revenue and Profit Potential of Free Services in B2B:

Conceptual Foundations and Managerial Insights

Mekhail Mustak, Wolfgang Ulaga, Marcella Grohmann

In many B2B markets, suppliers leverage resources and skills to provide services for customers without generating revenues or gaining direct benefits in return. Such free services are omnipresent in B2B, i.e. free certifications and documentation, inventory holding, material calculations, or product prototyping, among many others. By giving away such services for free, while enduring costs for providing them, suppliers miss out on opportunities for unleashing revenue and profit potential. Extant literature on the nature, different types of free services, and ways of how firms can address this challenging issue is only sparse. In this study, based on depth interviews, we provide a robust definition of free services and develop a typology of such services grounded in managerial insights. Our data shows that free services mainly differ on two dimensions: economic and emotional. By combining these two dimensions, we derive four categories of free services that display very different degrees of potential for turning them into revenues and profits. Finally, we provide recommendations for how firms can master the free-to-fee transition in each category and outline an agenda for future research in this promising area.