

Content available at: <https://www.ipinnovative.com/open-access-journals>

Journal of Management Research and Analysis

Journal homepage: <https://www.jmra.in/>

## Original Research Article

# Digital servitization: An effective tool of attracting customers in modern business world

Vanshika Parate<sup>1</sup>, Bhumika V Hiremath<sup>1</sup>, R. K. Tailor<sup>2,\*</sup>

<sup>1</sup>Dept. of Commerce, Manipal University Jaipur, Jaipur, Rajasthan, India

<sup>2</sup>Dept. of Business Administration, Manipal University Jaipur, Jaipur, Rajasthan, India



### ARTICLE INFO

#### Article history:

Received 19-10-2022

Accepted 13-11-2022

Available online 09-12-2022

#### Keywords:

Digital Servitization

Servitization

Transformation

### ABSTRACT

Digital technology is present within each stage of process and are present at all the stages as well. There are two types of models in digital servitization. These two are continuous and discontinuous processes. The continuous model helps to develop the existing business model of the company and enhances it for better understanding. Discontinuous model makes a whole new business model for the company and scraps out the old model. The company has to change its whole business model when they adopt discontinuous model for itself. This model is more time consuming and more costly than the other.

This is an Open Access (OA) journal, and articles are distributed under the terms of the [Creative Commons Attribution-NonCommercial-ShareAlike 4.0 License](https://creativecommons.org/licenses/by-nc-sa/4.0/), which allows others to remix, tweak, and build upon the work non-commercially, as long as appropriate credit is given and the new creations are licensed under the identical terms.

For reprints contact: [reprint@ipinnovative.com](mailto:reprint@ipinnovative.com)

## 1. Introduction

From the last few decades, manufactures have started to use servitization to add customer services like customised services provided to the consumers to their recent product offering. Now-a-days, several manufacturing companies are taking the servitization path. When the manufacturing company takes the path of servitization it gets the opportunity to increase their company valuation and also establish market reputation and secure a long-term growth opportunity. The company will also get competitive advantage in its industry.

In today's time, manufacturing companies are going towards making smart products, services and solutions. Because of digital servitization, many new opportunities are being created for companies which can help them to grow more. Due to this, many have to shift their business models to also get the new coming opportunities. But, before digital servitization, companies were able to reach only few people and mainly just near them, and,

after digital servitization companies are able to reach a greater number of people and are to cater many people. Companies are shifting from isolated supervising to optimising, monitor and then going towards self-governing systems with very innovative functionalities centred on artificial intelligence.<sup>1</sup> For companies to move to digital servitization has become far from easy. The technologies involved digital servitization are very complex and the staff of the company have to be trained for it and these technologies create more complexities in transforming the business model of the company.

## 2. What is Sigital Servitization?

Digital servitization is the process of utilising the digital tools to transform processes where a company shifts its business model from product-based business model to service-based business model and changes its logic.

This is done so as to create value through services. By transforming to service-based business model, its nature is working closer with the customers and making requirements for it.<sup>2-4</sup> There would be closer interactions with the

\* Corresponding author.

E-mail address: [drkrtailor@gmail.com](mailto:drkrtailor@gmail.com) (R. K. Tailor).

customers and it will help to form connections at various levels in the organisation. The company would then acquire better understanding of the its customers and will make get to know what the customers wants and then make such things and do the necessary changes in favour of the customers, so that the customers would prefer the company over it rivals.

The difference between digitization and digitalization is that digitalisation means making the one-dimensional data into digital data and digitalization means to use the current technology and exploit it to provide income generating opportunities for the company and for creating value. For any company to flourish, it has to effectively manage its digitalization.

Digital servitization is the process of shifting from manufacturing of providing standard products and services to very smart solutions.

### 3. What Changes Are Observed When Business Model is Changes?

When the business model of the company is changed and in this case from a pre-existing manufacturing model to the new digital servitization model, the company sees that it is creating more value and it has started the process of value creation. From producing standard products to producing smart solutions. The company will create a lot of value as it is satisfying the customer requirements and needs and wants. This also helps company have closer relations with the customers. This helps them to get more and more ideas of what kind of things the customers require. The processes of getting to know customer requirements and needs and wants get very simple and easy and less time consuming from the previous model. This model helps to make these processes hassle free as the companies are working very close with the customers. This model will also change the delivery system of the company. It will transform the close ended delivery system to an open-ended delivery system.

This system will create more value so the delivery system of the company will also create value. This will help more in customer satisfaction. Customers would then switch from rivals to the company is providing value-based delivery system. In open value delivery system, there is internal and external delivery system. So, the internal system requires digital resources to function and certain platforms that support the whole internal system in the organisation and will have to make it centralised for the whole organisation. And, this will also help in co-ordination and integration of activities in the whole organisation. This will help for better control in the company. This will make the processes to be performed faster and in a better way. By combining both digitalisation and servitization the company is able to get more value and better services. By this companies can provide customised services to the customers and the operational efficiency also increases.

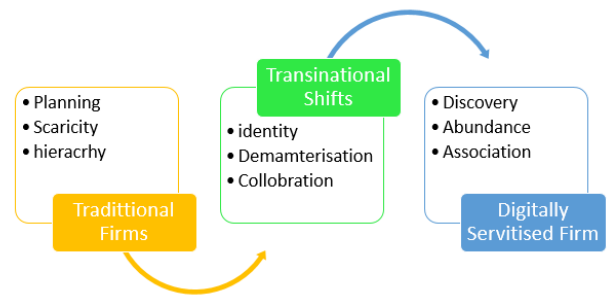


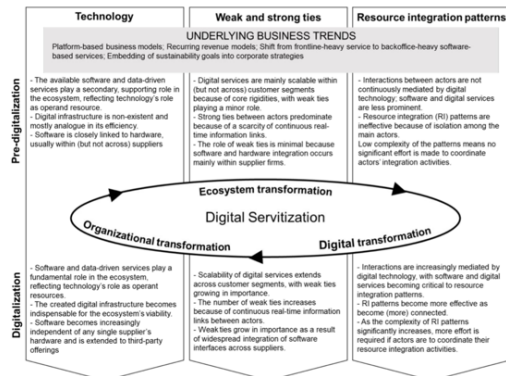
Fig. 1: Process of transformation

The Figure 1 depicts the process of transformation of traditional and siloed firm to digital servitized firm. In the traditional model of the company, there are three things that is planning, scarcity and hierarchy. In planning, companies do their regular discussions about how to go about things and what products and services the firm can offer to its customers. The planning process involved the traditional idea making and involves a lot of running costs which the company has to bear. This process is also very time consuming and it takes a long time for the whole organisation to implement those ideas and processes. This delays a lot of manufacturing and service offering to the public. And from this the company is transforming to the discovery while it is implementing digital servitization.

The company discovers new things and new knowledge about the market which it did not have before. The identity of the firm changes, as the company decides to focus on digital data and its outputs. The digital data then transforms those data into results and findings. The digital data is mould into various forms and specific outputs are derived from it. Due to digitalisation, companies are able to extract a lot of data from the inputs which helps them to get the better understanding of the market. By this, companies are able to discover new data. In traditional model of firm, it focused on storing scarce resources and holding them for a long time. The companies get into the habit of having huge inventory and also get into the practice of paying more costs for the storage of inventory. By this, many of the companies have a lot of debts and processes requiring these inventories are also not in coordination, so that's why the inventory is being stored more in the company. By dematerialization the firm gets an abundance. Information will not appear as scarce. Managers found that there should be a change of mindset; instead of ownership and protection, considerable raw and unfiltered information encouraged involvement along with reliable stakeholders within the system.

This perception drove an essential shift from shortage to that of abundance. Like many other different companies, incumbents are historically prepared in silos that replicate a reactive mentality primarily based totally on hierarchy and authority. Our findings display that to support, facilitate,

and act on records-associated opportunities. The company additionally relied on the agree with amassed in the course of preceding collaborations with its clients to be allowed to acquire real-time and ancient records; this does agree with, and the company's reputation, turned into vital for a success transformation. In a few cases, the company knew more about its clients and very less about their own organisation.



Source: [https://www.researchgate.net/publication/357573234\\_Digital\\_Servitization\\_How\\_Data-Driven\\_Services\\_Drive\\_Transformation](https://www.researchgate.net/publication/357573234_Digital_Servitization_How_Data-Driven_Services_Drive_Transformation)

**Fig. 2:** Change of process to digital servitization

It is clear from the above figure that the company first does an organisational transformation then it goes to ecosystem transformation and then after it converts in the digital transformation. These are the three steps involved when the company transforms from the traditional model to digital servitization. In this process, lot of changes happened in the working environment of the company. The company will go to the platform-based business models and shift from heavy front office service to back office heavy software-based service. The sustainability goals are also achieved while doing this transformation and then setting in the digital transformation. During these three steps, to change the business model the technology gets changed, there would be formation of strong and weak ties and there would be resource integration patterns. The technology before digitalization has a pre-established software where everyone had that software and there was no uniqueness. Digital infrastructure also didn't exist and the software was just linked to hardware and usually within few people. After digitalization the software was data-driven and this technology becomes a reflection as the organisation's resource. The software is used by many and it makes the systems more centralised. The weak and strong ties before digitalization was that the customer base of the companies used to be small and not that large. The strong ties were that the companies were able to enable the scarce resources and would use it very resourcefully and very efficiently. After digitalization, the companies are able to reach a larger audience and is able to create more and more customers each day. The weak ties increases as everything is focused on the software and the systems and not the people. The resource integration patterns before digitalization were that the digital services were less prominent. Resource

integration was less as there was isolation between the people who used to manage it. There was low complexity of the patterns which meant that there were very less efforts taken to coordinate integration of activities of the people. After digitalization the interactions have increased and it helps in more resource integration patterns. The resource integration becomes more effective as the people and all the activities get connected because of the software and the systems.

#### 4. Conclusion

Digital servitization has proved to be a very efficient way for the company to reach out to its people and also cater to their needs and demands. This has helped the company to generate more revenue and also is able to cater to a very larger audience than before. All the companies should transform to digital servitization as it would help them to stay ahead in their relative industry and gain competitive advantage over others in their industry. This will also help the people get what they want and the customer satisfaction will also increase.

#### 5. Source of Funding

None.

#### 6. Conflict of Interest

None.

#### References

- Taylor RK. Management Information System. RBSA Publishers; 2009. p. 434. Available from: <https://www.amazon.in/Information-Technology-Management-Taylor-R/dp/8176114731>.
- Taylor RK, Sharma N. Information Technology A Tool of Managing HR. *Inspira J Modern Manag Entrepreneurship*. 2015;5(1):111–6.
- Kowalkowski C, Sklyar A, Tronvoll B, Sörhammar D. Digital Servitization: How Data-Driven Services Drive Transformation. *Servitization; Manufacturing Focused Work*. 2022;55:1258–67.
- Kowalkowski C, Sklyar A, Tronvoll B, Sörhammar D. Digital Servitization: How Data-Driven Services Drive Transformation. *Servitization; manufacturing focused work*. 2022;55:1258–67. Available from: [https://www.researchgate.net/publication/357573234\\_Digital\\_Servitization\\_How\\_Data-Driven\\_Services\\_Drive\\_Transformation](https://www.researchgate.net/publication/357573234_Digital_Servitization_How_Data-Driven_Services_Drive_Transformation).

#### Author biography

**Vanshika Parate**, Student

**Bhumika V Hiremath**, Student

**R. K. Tailor**, Associate Professor

**Cite this article:** Parate V, Hiremath BV, Tailor RK. Digital servitization: An effective tool of attracting customers in modern business world. *J Manag Res Anal* 2022;9(4):207-209.