



Transformation of media sector towards service business

iarigai Helsinki 2015, September 8th

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Current state in the media sector

- Major changes due to technological change and digitalisation
 - Media convergence (from 'silos' to networks)
 - Demassification of media (from mass audiences to niches)
 - Changing media use habits (experiences in participatory contexts)
 - Global competition (new competitors outside old industry borders)
 - Volatility of advertising markets (ad expenditure to new players)

- Old business models are expiring
 - Dualistic revenue structure from (one) product(s) becoming obsolete
 - Power of advertising is weakening

- *Thesis: technological development present an opportunity to adopt a new value creation perspective, and develop products and services that support this transition*

Traditional view on media

Media refers to technologies (print, radio, television, sound recording etc.) through which the content created for groups of consumers is moved and organized. Firms [...] act as packagers of materials that utilize those technologies.'

(Küng, Picard, & Towse, 2008, p. 7)

Media is fundamentally service

- Employees are a core resource
(Arrese Reca, 2006; Picard, 2011; Redmond, 2006)
- People choose media for the service they render
(Lacy & Simon, 1993; Rolland, 2003)
- Media as “experience goods”
(Calder & Malthouse, 2004; Nelson, 1970; Picard, 2002)
- Media as “public goods” or “cultural products”
(Küng, 2007; Picard, 1989)

What is service business? Services vs service

- **Services** i.e. intangible goods, produced by the firm and distributed to consumers; *manufactured output*
- Theoretical lens: **servitization** (competitive strategy of adding services to products; Vandermerwe & Rada, 1988)

- **Service** i.e. the process of using competencies for the benefit of another party; *a worldview or mind-set*
- Theoretical lens: **value co-creation** (service-dominant (S-D) logic; Vargo & Lusch, 2004, 2008)

- *Thesis: Traditional media adapting to both perspectives*



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Research Method

- Qualitative: Multiple case study research
 - New research area; existing theories failing to explain the research question (Eisenhardt & Graebner, 2007)
 - Examine phenomena that evolve and change in real-life contexts (Yin, 2003)
 - Understand the complexity of phenomena in-depth (Yin, 2009)
 - Research questions crystallize during research process (Rowley, 2002)
 - Abductive research process (Dubois & Gadde, 2002)
- Sample
 - 50 focused semi-structured face-to-face interviews
 - Top management from Finland, Norway, and Denmark
 - Snowballing sampling method (Arksey & Knight, 1999)

What does the transformation towards service business mean in the context of media?

Key findings



Critical success factors (selected)

Key empirical findings

Clearly defined service strategy

(Fischer et al. 2010; Wise & Baumgartner, 1999)

- Lack of clear strategies inhibiting the ability to sense and seize opportunities
- Decision-making intuition-driven rather than data-driven

Organizational arrangements, resource allocation

(Gebauer et al. 2005)

- Establishment of separate service business units for B2C and B2B customers
- Commercialization of strong content brands and online/offline media communities
- Sales practices fundamentally product-centered

Recognizing financial potential/benefits in services

(Fundin et al. 2012; Mathieu, 2001)

- Product revenues still bring majority of turnover
- Inability to recognize the financial potential in services hinders the transition

Seeing services as value-adding, not add-ons

(Fischer et al., 2010; Oliva & Kallenberg, 2003)

- Resources to a large extent put on product development
- Services in many cases offered as add-ons to increase product sales

Establishment of a service culture

(Gebauer et al. 2005; Prahalad & Ramaswamy, 2004)

- New management practices that support service innovation
- Fostering pilot-trial mentalities, recruitment of new skills, bringing otherwise disconnected people together, 'service journalism', etc.

Service innovation in business networks

(Kowalkowski, 2011; Matthyssens & Vanderbempt, 2008)

- Media firms beginning to cooperate within and outside the traditional media sector
- Close cooperative relationships with partners and selected advertisers
- Holding on to silo-based knowledge; has not yet rendered capabilities obsolete

Knowledge and skills core resource

(Vargo & Lusch, 2004, 2008)

- Media rely on the creative and talented workforce more than ever
- Media professionals increasingly seen as "assembly line workers"

Better understanding of dynamic customer needs

(Vargo & Lusch, 2004, 2008)

- Increases in tools and methods for service development and sales of audiences
- Fully capitalizing the constantly changing needs of smaller segments challenging

Managerial implications

1. Media can no longer regard themselves as value distributors: seeing media as service instead of a product
2. Shifting focus from technology and cost-efficient creation/delivery of content to service innovation within ecosystems
3. Development of strong brands with strong value propositions people can relate to, around which the services can be built
4. Seeing employees and customers as key sources for innovation, empowered in value co-creation
5. Primacy on becoming better at creating phenomenal media experiences, instead of cost-cutting and profit maximization
6. Accepting that shift to service(s) is a long and heavy organizational process that needs to be properly managed: it is very difficult to depart from old habits



Thank you

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<http://www.vtt.fi/inf/pdf/science/2015/S79.pdf>