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Digitalisation and service business model innovation in media

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Abstract

The traditional business of newspaper and magazine media is stagnating largely because of digitalisation, increasingly challenging business environment, and the resulting commoditization of mass media products. Creating new value to customers and partners with services is an increasing phenomenon in the media sector to enable growth and differentiation. Adapting to service-thinking however necessitates some fundamental changes in managerial mind-sets, strategies, and practices. It also requires for business model innovation. This study offers the service-logic business model framework to explore and explain the transformations taking place when media business is geared towards service(s).

Keywords: business model; business transformation; media management; servitization; service management

1. Introduction

Technological development and digitalisation challenge the business environment of media, gradually making the old business models that monetize media products and audiences obsolete (Küng, 2007). In the western world, traditional mass media products are experiencing commoditization; they are increasingly standardized, lack differentiation, and are being sold on the basis of price and discounts to sustain the reach of target marketable consumers. As many other industries, traditional media have two possibilities in this kind of environment: either disrupt, or be disrupted. In this study, we refer to traditional mass media as having a business model based on *selling and distributing media products (e.g. newspaper and magazine copies) and advertisement space* and as being designed to attract *mass audiences*.

Mediamorphosis would suggest media are able to adapt and change, mediacide the death of media as we know it (Lehman-Wilzig and Cohen-Avigdor, 2004). To endorse the former approach, technological advances and digitalisation are to be seen as enablers for creating new value to customers – a gateway to business model innovation.

Digitalisation enables the delivery of new value-added services. Accordingly, growth strategies in media firms are increasingly aligned towards services (Picard, 2005; Rolland, 2003). Services not only enable the creation of new value, but also enable media firms to seek for higher profit margins and stability of income (Gebauer and Friedli, 2005; Malleret, 2006); differentiation from competitors (Baines et al., 2007; Kowalkowski, Witell and Gustafsson, 2013); increased revenues from selling more products (Suarez and Cusumano, 2009); and sustainability (Baines et al., 2007; Neely, 2008).

Adapting to service-thinking however demands for some fundamental changes in managerial mind-sets. Entering service business necessitates that the focus is shifted from the producer and manufactured output, to the user and the use-value of products and services (Kim and Mauborgne, 1999; Matthyssens and Vandenbempt, 2008). It means that media firms can no longer consider their customers as passive recipients of goods (i.e., audiences for professionally produced mass media content with focus on media exposure), but rather as active participants in the value creation process that takes place between individuals and institutions (i.e., co-creators of value in communities build around media brands with focus on media experiences). This means a firm does not create value *for* the customer, but *with* the customer (Prahalad and Ramaswamy, 2004). Traditionally media companies have been referred to as producers of media products and services that are purchased by others (Albarran, 2002; Picard, 2002). This study suggests otherwise. Media companies use their specialized competencies so that they benefit others: media *is* service (see also Vargo and Lusch, 2004, 2008; Viljakainen and Toivonen, 2014).

To explore and explain the transformations taking place in the strategies, practices, organizational cultures, and mind-sets in the media sector, this study uses servitization (Vandermerwe and Rada, 1988) and service-dominant (S-D) logic (Vargo and Lusch, 2004) as theoretical frameworks. Servitization is seen as a business model innovation (Neely, 2008), and refers to the adoption of a new competitive strategy where services are added to the total offering in the expectations of greater financial returns and improved competitiveness (Baines et al., 2007; Gebauer and Friedli, 2005). S-D logic is a managerial mind-set, a worldview, which considers service (i.e. the act of using competencies and skills for the benefit of others) as the main focus in economic activity. It sees manufactured output (i.e. goods and services) only as vehicles to deliver service. (Vargo and Lusch, 2004, 2008) To take an analogy, individuals do not buy media products (goods and services) for the actual medium or technology itself (i.e. the actual printed copy or online media platform), but for the service it renders – it satisfies specific needs and provides experiences (cf. Arrese Reca, 2006; Gummesson, 1995).

While technology and digitalisation play a key role in presenting new business opportunities for media, the key source of competitiveness is in the phenomenological experiences and benefits that the new product-service offering provides for the users, taking account their specific contexts in which the use takes place (Vargo, 2008). As customer needs become more demanding due to ever increasing amount of choices, no company is able to deliver a service alone; the delivery of complex services necessitates the use of resources from business networks (Frow et al., 2014; Cusumano and Gawer, 2001). It means media management gradually departs from the gathering, creation, delivering, packaging, and storing of information products in value chains (Picard, 2002), into managing the integration of resources, offering, platforms, partners, and payment mechanisms to offer and maintain a 'flow of service' in value networks (Lusch and Vargo, 2008). The role of *platform leaders*, who enable the industry to innovate in better ways, influence future designs and take responsibility of managing the needed networks becomes increasingly important (Cusumano and Gawer, 2001). It also means the ability to see services increasingly as value-adding to media products, rather than add-ons (Gebauer, Fleisch and Friedli, 2005; Oliva and Kallenberg, 2003). The movement is from the creation and delivery of product-focused services (e.g., special advertising solutions that monetize reach/exposure) towards the orchestration of use-oriented services (e.g., premium content archives that monetize the access for a specified time period), and result-oriented services (e.g., outsourcing services that monetize the achievement of pre-defined service outcomes) (cf. Gaiardelli et al., 2014).

To consider these transformations taking place in the media sector, the business model becomes a useful concept. Technology is an enabler for digitalisation, which is an enabler for business model innovation. Not only can a business model be used as a blueprint to describe how organizations function (i.e. as a static model), it can also be used as a tool to address change that concern entire industries (i.e. as a transformational model) (cf. Demil and Lecocq, 2010). The latter approach is the starting point in this study. We propose two groups of research questions to guide our work:

(1) *What kinds of changes are going on in the business models of the traditional media sector?*
(2) *How do these changes contribute to the understanding of business model innovation from a traditional manufacturing logic to a service-logic both in the business model framework itself and in a specific industrial context?*

From now on, we have structured the paper as follows. In the second section, we briefly summarise the literature on issues related to managing the transformation towards service business. In the third section we analyse service business models, and present the main differences between the traditional manufacturing-based business model and service-based business model. The context and methodology of our empirical study will be presented in the fourth section and the results in the fifth section. We end up our paper with the concluding discussion.

2. Literature of managing the transformation towards service business

Technological change and digitalisation have led to increased global competition and to the commoditization of product markets. Firms with decreasing product margins and lesser ability to differentiate themselves from competitors increasingly turn to services (Matthyssens and Vandenbempt, 2008; Oliva and Kallenberg, 2003; Reinartz and Ulaga, 2008). In the Western markets the share of the service sector from overall production and employment today is over 60 %; in the U.S. over 80 %, the U.K. 75 %, and Finland 70 % (Toivonen, 2015). Managing the shift to services however necessitates a new strategic direction and the development of service-based business models, because the transformation is a challenging process and extremely bound to the firm's specific context (Kindström, 2010). Resources and capabilities that underpin service innovation differ to a great extent from those related to traditional manufacturing (Spring and Araujo, 2013; Ulaga and Reinartz, 2011). Hence, servitization is less common for smaller firms (Neely, 2008) largely because SMEs have limited resources to internalize knowledge and keep up with the rapid pace of technological change, both of which are essential for service business model innovation. Service business model innovation involves the leveraging of resources from business networks. (Kowalkowski, Witell and Gustaffson, 2013)

The success in servitization usually mandates the establishment of a clear service strategy, because not only does it enable firms to grasp new service innovation opportunities, but also to execute appropriate organizational arrangements (Gebauer, Fleisch and Friedli, 2005) and recognize the financial potential and benefits in service business (Mathieu, 2001; Oliva and Kallenberg, 2003). The selection of a service strategy – particularly when it comes to SMEs – is fundamentally influenced by the external factor in which the firm operates: (1) the extent to which the product-service offering delivers competitive advantage to sustain profitability and margins; (2) the number of customers and the specificity of customer needs; (3) the internal organizational elements (such as prevailing corporate culture, human resources practices and reward systems, and organizational structures); and (4) the power and position of the firm in the ecosystem (Gebauer, Paiola and Edvardsson, 2010).

Establishing a long term goal and view on how to succeed in service business (i.e. a business strategy) and a map of how to reach that goal (i.e. a business model) (see also Osterwalder and Pigneur, 2005), should follow the question of why is the shift being made. Literature proposes four general motives for organizations to enter service business – financial, changing customer needs, competitiveness, and issues related sustainability (Baines et al., 2009; Neely, 2008; Oliva and Kallenberg, 2003; Raddats and Easingwood, 2010). These motives or drivers with appropriate references are presented in more detail in Table 1.

Regardless of the various drivers and perceived benefits from servitization, literature also suggests that successfully entering into service business is a great challenge. This is particularly the case in the early stages of servitization when firms still find it difficult to redesign the principles that underpin traditional manufacturing (Baines et al., 2009; Gebauer and Fleisch, 2007; Grönroos, 2007). Servitization is a fundamental change, because it requires the alteration of the strategy, business models, the offering, capabilities, business processes, mind-sets, and corporate cultures (see e.g., Gaiardelli et al., 2014; Neely, 2007, 2008; Oliva and Kallenberg, 2003). Taking an example, sales people may resist services because they come with lower price-tags compared to products, and customers may find it hard to buy results rather than product ownership (Neely, 2008). This is particularly a challenge to the media sector, where the dominant logic has been on the production and monetization of 'stars'; i.e., mass media products that are able to draw large marketable audiences (Arrese Reca, 2006; Küng, 2007). Hence, a shift to service business requires changes both at the seller and the buyer sides (Kowalkowski, 2011). Take the sales of advertising space and airtime as an example: both media and marketers have locked-in to the common audience information systems – the official currencies that measure the reach and impact of each media product.

A common motive for businesses to enter service business is the expectations of higher returns (Gebauer and Friedli, 2005) – this is also a key motive for traditional media that have reached maturity and in many cases decline (Picard, 2002). Services are added to the media portfolios to increase the contact with the customer in the hopes of increased customer loyalty (Picard, 2005). There is however a downside for these widespread drivers, also known as the service paradox. Service paradox refers to a phenomenon where firms with high hopes for increased returns invest a great deal of resources in service business, but may actually find it difficult especially in the early years to make sufficient profits or higher returns due to increased costs (Gebauer, Fleisch and Friedli, 2005; Reinartz and Ulaga, 2008). Neely (2008) was able to demonstrate in his study that more servitized firms may in fact be more inclined to declare bankruptcy and be less profitable than pure manufacturing firms. He offers two explanations for this: (1) moving from products to services increases diversification, risks and investment needs; and (2) firms with financial difficulties enter into service business in the hopes of a better future, which makes their effort more likely to fail.

Because of the abovementioned motives and challenges, the issue of how to redesign the business model so that it functions as a tool for the focal company to depict managerial opportunities (Nenonen and Storbacka, 2010; Zott and Amit, 2010) and make the necessary changes (Demil and Lecocq, 2010) becomes topical. The following chapter discusses these issues.

2.1 Summary of the literature on service-based business models

Innovating the business model towards services increases complexity. This is particularly the case when the value proposition and the offering are extended into more comprehensive service solutions where the opportunities for business model innovation are greater. (Visnjic and Neely, 2013) Generally, this means moving from product-oriented services (i.e. services that support the functioning of the product that are priced individually), towards use-oriented services (i.e. services that support customers' processes that are priced based on product use), and result-oriented services (i.e. services that support customers' business that

Table 1: Literature review on the key drivers behind servitization

	Business model	Baines et al. (2007)	Brown, Gustafsson and Witell (2009)	Cohen, Agrawal and Agrawal (2006)	Gebauer, 2008	Gebauer and Fleisch (2007)	Gebauer and Friedli (2005)	Kowalkowski, Witell and Gustafsson (2013)	Levitt (1976)	Malleret (2006)	Neely (2008)	Oliva and Kallenberg (2003)	Palmatier, Gopalakrishna and Houston (2006)	Reinartz and Ulaga (2008)	Sawhney, Balasubramanian and Krishnan (2004)	Suarez and Cusumano (2009)	Wise and Baumgartner (1999)
Economic motives	Stagnating product sales				×												
	New source of growth as business matures				×							×			×		×
	Pursuit of higher product/profit margins		×		×		×										×
	New business model and revenue source										×						×
	More resilience against economic cycles			×		×				×		×					
	Steadier flows of revenue		×	×			×										×
	New revenue over lifetime of use																×
	Sizeable opportunities in service markets				×												
Customer needs	Customers' increased demands for services							×									
	Customization and higher quality offerings							×				×					
	Customers outsourcing non-core activities				×						×	×		×			
	Customers reducing supplier base							×									
Competitive motives	Differentiation from competitors	×					×	×				×					
	Facilitation of product sales															×	
	Reduced need to compete based on cost										×						
	Stronger relationships with customers	×						×					×				
	Increased customer loyalty	×							×	×							
	Competitor lock-out								×								
	Improved company image									×							
Sustainability	Reduced consumption and environmental impact of products	×									×						
	Job creation	×															

are priced based on achieved service outcomes) (see e.g., Gaiardelli et al., 2014; Toivonen, 2015). For example, consider *Kone Corporation* whose revenue already in the 1970s was divided somewhat equally between product sales (i.e. elevators and escalators) and product-oriented service sales (i.e. maintenance and modernization of the machines). Today, Kone's value proposition is concerned with 'people flow' and the strategy increasingly tapping on opportunities provided by digitalisation. Kone pursues more comprehensive service solutions in cooperation with a greater number of ecosystem partners to optimize the use of elevators and enhance the service experience relying heavily on IoT (Internet of Things) technologies; smart components, cloud platforms, data and data analytics, to name a few.

When the scope of the service provision is broadened, the relationship with the customer builds tighter enabling growing revenues but also increases complexity and risks (Visnjic and Neely, 2013). Hence, effectively implementing a new strategic direction necessitates strong managerial motivation and organizational arrangements that support the shift (Gebauer, Fleisch and Friedli, 2005). The shift to customer-centric solutions is first and foremost an internal organizational challenge, and as such demands for the development of new service-based business models (Kindström, 2010). The business model concept is a useful tool because not only does it present an understanding of how the business works and what is the firm's position in the market (Osterwalder and Pigneur, 2005), but also the way in which business is transformed (Demil and Lecocq, 2010). Transforming a business towards services is an evolutionary rather than radical change (Oliva and Kallenberg, 2003; Vladimirova, 2012).

Following Teece (2010, p. 173), 'a business model articulates the logic and provides data and other evidence that demonstrates how a business creates and delivers value to customers. It also outlines the architecture of revenues, costs, and profits associated with the business enterprise delivering that value.' The value perspective is typical in studies on the business model concept (e.g. Afuah and Tucci, 2003; Chesbrough and Rosenbloom, 2002; Johnson, Christensen and Kagermann, 2008). It is increasingly recognized that customer value cannot be separated from business value; the former is a necessary precondition for the emergence of the latter. Taking Kone Corporation again as an example, better understanding of the customer journey has become the core element of their service business model innovation.

This study uses the service-logic business model framework (Viljakainen, Toivonen and Aikala, 2013; Viljakainen, 2015), to explore and explain the transformation taking place in the media sector. This framework uses Osterwalder and Pigneur's (Osterwalder, 2004; Osterwalder and Pigneur, 2005, 2009) business model canvas that is grounded to the traditional manufacturing perspective as the starting point, and integrates it with the perspective of S-D logic. S-D logic is a managerial worldview that highlights the role of customers in value creation. It suggests that institutions do not gain sustainable competitiveness when focusing on the delivery of output (goods and services), but when engaging themselves in value co-creation with customers and other stakeholders in ecosystems. Hence, whereas the business model canvas considers how firms create value (embedded in products) and deliver it though value chains, the service-logic business model discusses the process of co-creating value in ecosystems (Viljakainen, Toivonen and Aikala, 2013). In other words, the former focuses on how to create and deliver products and services to maximize profits, the latter on the process of how to use products and services as vehicles to create phenomenal experiences that lead to customer loyalty and increased financial returns.

Both the original and the new model recognise the four main components of a business model: the resources of a firm, value proposition, market characteristics and revenue model (cf. Seppänen and Mäkinen, 2007). In the service-logic model, the component of market characteristics (i.e. customer interface in Osterwalder's model) is replaced with value co-creation, and the resources of a firm (i.e. infrastructure in Osterwalder's model) with the resources of the ecosystem. This way the traditional value chain –thinking is replaced with a view according to which customers and various groups of partners are important actors in both value co-creation and resource integration from the ecosystem. Applying the two concepts increases the understanding of the transformation taking place in the media sector from a traditional manufacturing logic towards service-logic. (Viljakainen, Toivonen and Aikala, 2013) The key components of the two concepts and their interdependence are presented in Figure 1.

Value proposition crystallises the way in which a company aims to contribute to the value creation of the customer, and consequently to generate value and new resources for itself (Demil and Lecocq, 2010; Vargo and Lusch, 2011). In traditional product manufacturing a value proposition often acts as a proposal for a specific type of offering whereas in service-thinking the role of value proposition is to offer an opportunity for partners in the ecosystem to integrate resources in value co-creation (Frow et al., 2014). Hence, the value proposition in service-logic business model acts a mediator in the continuous interaction between ecosystem resources and value co-creation emphasizing that value is created *with* the customer, whereas Osterwalder's model relies on the value-chain thinking where firms create value *for* the customer (illustrated with arrows in Figure 1). Service solutions deliver desired outcomes

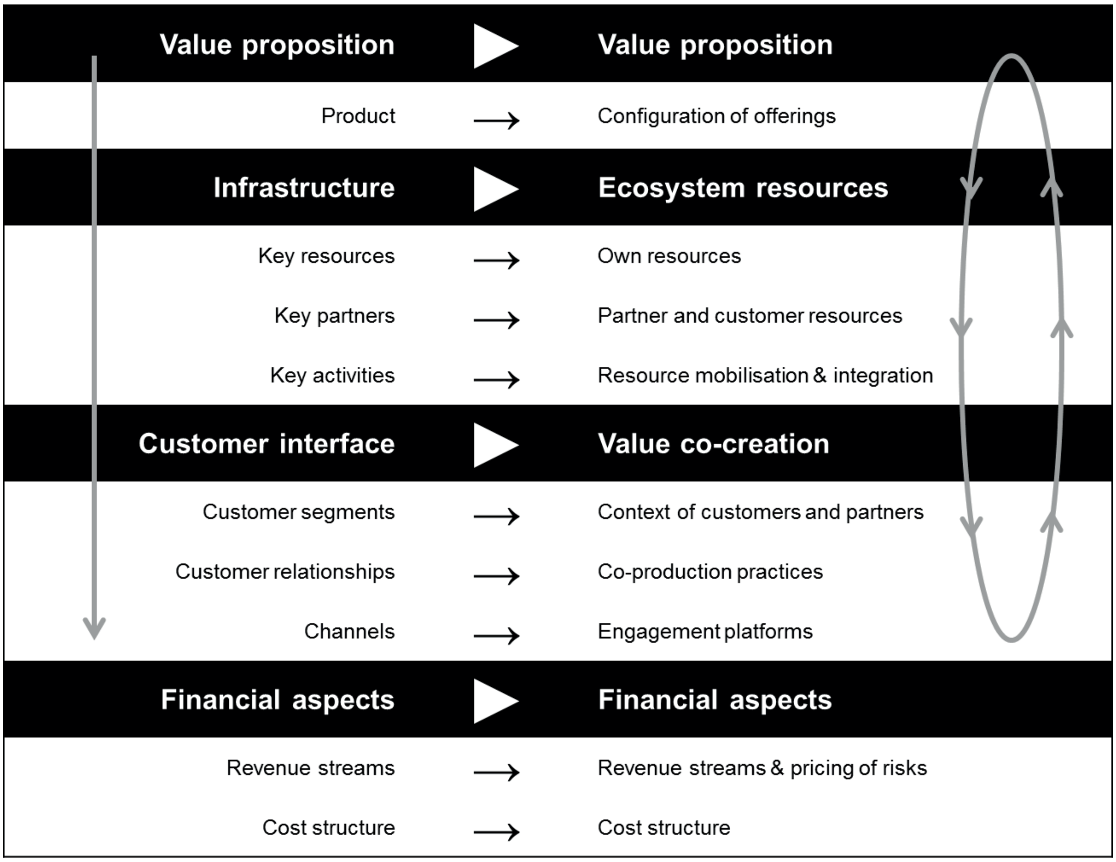

Figure 1: Transformation from a traditional manufacturing logic to S-D logic business model

for customers and often include products and services gathered from different vendors (Lightfoot and Gebauer, 2011). The configuration of offerings is therefore tightly linked to value proposition; a successful customer experience is planned by the service provider (Edvardsson, 1997; Ramaswamy, 2011).

Resources of a firm in the traditional manufacturing model consist of key internal resources, key partners, and key activities. However, when business is transformed to the offering of customer-centric solutions the locus of attention becomes resource integration from networks that cross traditional industry borders since no single organization is able to possess all the necessary resources to deliver complex services (Frow et al., 2014; Normann and Ramirez, 1993). This means that resources are mobilised and integrated from ecosystems in which service providers operate fostering innovation (Nenonen and Storbacka, 2010; Read et al., 2009). Ecosystem is a term that is used to describe the interdependence, adaptation and evolution of the different actors (customers, suppliers, competitors, partners, allies, regulators, etc.) in business networks. Ecosystem thinking shifts the focus away from product and services per se back to the value propositions; value must be created not only for the customer but for all actors who engage in resource integration (Frow et al., 2014). The service-logic business model therefore deviates from the traditional canvas by acknowledging that resources are more or less valuable depending on how they are being used; using of resources is separated from having resources (Vargo and Lusch, 2004).

Within market characteristics the canvas model looks at customer segments, customer relationships, and distribution channels, emphasizing a value-chain view. The service perspective focuses on the context of customers and partners, the engagement platforms, and co-production practices highlighting the active role of customers and stakeholders and the facilitation of this role. The context of customers and partners refers to the situational factors that determine the service-related experience (Lusch, Vargo and O'Brien, 2007). For the service provider this understanding enables customer segmentation based on the use value of service, rather than seeing customers as targets to whom value is sold. Engagement platforms describes the means (e.g. offering, websites, physical stores, online communities) that facilitate the co-creation of value by allowing on-going interactions among firms, their customers and network partners (Ramaswamy, 2011). Co-production practices refer to the actual service process, in which the customer relationship is active: customers engage themselves with the firms' production processes (Auh et al., 2007; Lengnick-Hall, Claycomb and Inks, 2000).

The financial issues in service-logic recommend the increasing of efficiency through effectiveness instead of making efficiency primary (Vargo, 2009). In other words, while the focus in traditional manufacturing perspective is on maximizing profits, the service-logic perspective emphasizes the provider's ability to learn: getting better at creating phenomenal customer experiences inevitably lead to greater financial returns (but not necessarily profits). Although a service perspective emphasizes the total financial benefit gained by different stakeholders in service delivery (Fielt, 2012), the service-logic business model concept looks at the business opportunities primarily from the focal company perspective.

3. Data and Methods

This study uses qualitative research, because it enables us to study the phenomena that is constantly changing and evolving in depth (Gephart, 2004). Given the research setting with the aim is to understand how things take place in real-world, a multiple case study research was carried out (Eisenhardt, 1989; Yin, 1994). A multiple case study research strategy enabled us to find patterns across the different organization to improve the validity and generalizability of our empirical findings (Kvale, 1996).

Overall, 50 people were interviewed from three Nordic countries: Finland, Denmark, and Norway. Each face-to-face interview lasted from 60 to 90 minutes. We applied a semi-structured interview method, where the interview themes were decided beforehand but respondents given a great deal of freedom in their responses (Bryman and Bell, 2011; Fontana and Frey, 2005). Also archival material and statistical data on the industry's general development were used from public sources. The majority of the interviewees were from top management and management positions, and the companies they came from were both international media conglomerates as well as small and medium sized enterprises. The sample consists of media firms, media buying organizations, media research organizations, as well as organizations representing the interests of different media. The media firms in this study are largely magazine publishers with media brands that reach large audiences operating both inside and outside their home markets.

The research process and data analysis followed an abductive research process with systematically going back and forth between theory and data. This is particularly suitable when the aim is to discover something new (Dubois and Gadde, 2002). A coding tool was not used, because the aim was to gain a holistic understanding of the phenomena taking place based on the interviewees' responses. The technique used in data analysis was a modification of a matrix format using constructs and occurrences to derive meanings from data (Huberman and Miles, 1994). This technique is applicable when the aim is to reduce and derive meanings from vast amount of data. Our analysis procedure followed the steps introduced by Bryman and Bell (2011) of handling interview transcribes four times using two separate researchers.

4. Research results

In the reporting of our findings, we apply the structure of our service-logic business model (Figure 1). The following sub-sections have been organised according to the four main components of this model; (1) the value proposition; (2) ecosystem resources; (3) value co-creation; and (4) the financial aspects. The analysis uses the framework to highlight the on-going changes in the media sector towards service thinking (cf. Demil and Lecocq, 2010). The overview of our empirical findings discussed in the following chapter is presented in Table 2.

4.1 Value proposition and configuration of offerings

Traditionally mass media products (goods and services) have presented the core unit of exchange for media, and their value has been determined by the journalistic authorities: media firms. The focus has been on maximizing product – and consequently audience – sales. The bigger the reach, the higher the product and advertising revenue. As business is transformed from product manufacturing to the offering of customer-centric solutions, our findings confirm that the focus is increasingly put on the value proposition. A value proposition has increasingly become the centre of attention because media firms must be able to provide new value to their customers by answering the specific customer needs and solving specific customer problems in smaller niche markets. The role of the value proposition is to communicate the opportunity for business partners and other stakeholders in the ecosystem to integrate resources and co-create value, rather than function as a proposal for a specific type of offering. For example, a magazine for women in their

Table 2: Summary of the empirical findings of this study

Value proposition	
Configuration of offering	• Emphasis of stronger value propositions in smaller niche markets • Simultaneous exploiting old business while exploring new business: – Reconfigure of current offering with product-oriented services – Extend current offering with use- and result-oriented services – Reconfigure service delivery with new partners
Ecosystem resources	
Own resources	• Media professionals key source of innovation and competitive advantage • Strong brands core resource in ecosystem transactions and revenue logic
Partner & customer resources	• Partnerships within and cross traditional media industry borders • Partners' products, services, channels, brands, and competencies tapped as resources
Resource mobilization & development	• From autonomy and silos to cooperative and coopetitive relationships • Breaking loose from traditional industry practices and proprietary knowledge • Changing corporate cultures towards openness and fostering of innovativeness
Value co-creation	
Context of customers & partners	• Emphasis on the value of media in context away from pure exposure and reach • Focus on how to concretize, measure, and monetize B2B and B2C service experience
Co-production practices	• Producers, customers, and partners actively shaping their experiences • Jointly creating the service through experimental development
Engagement platforms	• Empowerment and engagement of people in online communities and offline events • Different platforms create one story around a strong value proposition
Financial aspects	
Revenue streams	• Revenue gathered from a greater number of smaller service streams • Mark-up and fixed fees in product-oriented services • Monetization of usage, performance, or agreed outcome in use- and result-based services
Pricing of risks	• Complex services expose media firms and their partners to increased risks • Risks to be identified, measured, managed, and incorporated to offering price
Cost structure	• Declining product business driving towards cost-reductions and standardization • Cost structure depend on selected service strategy

thirties promising to solve the problems of women in their thirties, and a fashion magazine offering not only the latest trends but also means to buy the fashion items. Hence, media brands today increasingly promise to solve specific problems and provide benefits to the specific needs, rather than offer quality content created by journalistic authorities.

In declining legacy markets, media firms now face the challenge to innovate new business while making sure not to cannibalise the old business. Hence, to enhance the value proposition of their existing offerings which still brings the majority of turnover, media firms have three options: (1) to reconfigure the offering; (2) to extend the offering; and (3) to reconfigure value delivery. Reconfiguring the current offering refers to the efforts to increase its value for existing customers. For example, media firms providing special advertising solutions to marketers or solutions that facilitate the shopping of advertised products to consumers. Product-related services such as these seem very common in the media sector, and are gathered around the same old value proposition. The second option refers to extending the offering with a more comprehensive value proposition, where products and services are seen more as vehicles for service provision rather than the end output itself. For example, extending the time period for online media content and services access (such as content archives), increasing the scope of activities by offering offline events on special topics for consumers and partners (i.e. event production), or guaranteeing and monetizing service outcomes such as reaching advertising targets. Digitalisation enhances the opportunities for media to increasingly innovate these use- and result-oriented services. The third option refers to the reconfiguration of the value delivery system, and partnering with organizations that have specialized capabilities to cover own competency gaps. For example, a health magazine publisher partnering with a private health clinic for delivering a more comprehensive value proposition to readers. Consequently, expertise in the configuration of offerings is becoming more increasingly important, because customer satisfaction is pursued via multiple channels with multiple stakeholders.

4.2 Ecosystem resources

As the offered solutions in media business are becoming more comprehensive to enable the answering of new customer needs, products and services are integrated from different vendors to overcome the competency gaps of single media firms. At the same time the competencies of media professionals have become increasingly important. Knowledge and skills are the key competitive advantage for organizations in service-thinking; being empowered to value co-creation they are the main sources of innovation. However, are findings also found signs of some unfavourable developments. Because of competitive pressures and declining product markets, media professional are increasingly seen as replaceable workers that produce standardized products.

Our findings show, that resources necessary to deliver a service are increasingly mobilised and integrated from ecosystems in which media firms operate, where relationships are built long-term and emphasize collaboration and interaction rather than transactions. Not only are partners' products and services becoming potential resources, but also their channels, brands, and competencies. Hence, media are moving away from the tendency to operate autonomously in silos into new cooperative relationships that cross traditional media industry borders. It also means media firms are entering into paradoxical coopetitive relationships of simultaneously cooperating and competing with other media. These relationships are however quite hard to manage, since they require transparency and the sharing of information. The media markets are accustomed to operate in silos with proprietary knowledge, which is most visible in audience information systems and the way in which media advertising is bought and sold. These practices are necessary to be changed when entering service-thinking, which is not only a technological, but also a legal, economical, and political process affecting all the institutions that monetize them.

The findings of this study indicate that media firms' growth strategies are increasingly centred on brands, because they enable the exploiting of old legacy business while exploring new business opportunities. Brands and branding are departing from the focus on a single offering to the emphasis of value propositions in ecosystem transactions. Similar findings are also made in other studies (see e.g. Galbi, 2001). A strong media brand with a strong value proposition is increasingly the core resource for media firms, because it increases commitment among both consumers and business partners. Strong brands not only benefit the media firm enabling the monetization of new product-, use-, and outcome-related services, but also the customers who expects their specific needs to be satisfied. This seems to be a rather good development for media firms, since according to our interviews the significance of editorial content is diminishing among advertisers requiring new ways to acquire commitment.

Relevant to the adoption of service-thinking is also an observation of changing corporate cultures. It seems media firms are becoming more open and fostering transparency in communication and work practices, which are relevant when entering service business. Traditional R&D activities practiced behind closed doors are transferring into experimental development in service relationships, and the timespan of launching new products and services is becoming radically shorter. Media firms are aiming to fail faster, which is seen necessary to boost entrepreneurial spirit. According to our findings media companies are increasingly fostering innovation, such as rotating people across editorial rooms and co-developing ideas with users and advertisers.

4.3 Value co-creation

Our findings indicate there is a transfer from authoritarian journalist power to the appreciation of customer engagement in media business – people are empowered to become active in communities. For example, crowdsourcing (i.e. outsourcing part of the work to unknown people) and professional amateurs (e.g. bloggers) are becoming a norm in content creation. Within this transformation, the acknowledgement of the customers' context and the creation of phenomenal experiences that suit that context have come to the fore. This is a fundamental change when entering service thinking: focus is shifted from value-in-exchange (i.e. price per unit sold) to value-in-use (i.e. a good experience in the use context). A great example is audience information systems that increasingly focus on peoples' touchpoints to media and the role of different media in peoples' lives rather than sole exposure to media (vehicle). Hence, the concretization, measurement, and monetization of the service experience have become central in many ways both in B2C and B2B markets.

Adapting to service-thinking suggests that providers stop considering themselves as producers of value that is embedded in products (i.e. goods and services), but rather see customers and other stakeholders in business networks as co-creators of value. Hence, the emphasis on 'channels' through which value is delivered to customers in the traditional business model canvas is replaced with the idea that service providers create and maintain engagement platforms where producers, customers, and partners are active in shaping their experiences and co-produce the service. Good example of engagement platforms are the online and offline media communities (the latter referring to events) where people and professionals interact on topics related to the media brand's strong value proposition, generating a more intimate relationships between people and the brand. Hence, media firms not only create and manage the engagement platforms, but also develop various co-production practices (i.e. the processes in which the actual service is developed). The different platforms are vehicles through which the one story is build, emphasizing the different role of different media in individuals' lives. The aim of media producer is thus to promote an engaging overall experience across the array of media options, which continues well beyond the actual product purchase.

4.4 Financial aspects

The findings of this study indicate that the revenue in media firms is increasingly collected from services, rather than from a dualistic model of monetizing products and audiences. This is a typical feature in an ecosystems nature of markets. Media firms are aiming to provide attractive value propositions and service offerings to different customer segments despite the growing cost pressures due to declining product markets. Hence, revenue is gathered from a greater number of smaller streams.

Media firms' service offerings are becoming more comprehensive as they gradually move from product-oriented services priced with a mark-up or fixed fee (e.g., special advertising solutions, enriching and monetizing customer register data, on-demand printing, or selling batches of magazines for businesses), towards use- and result-oriented services that are priced based on product usage, performance, or jointly agreed service outcomes (e.g. using own website to drive traffic to another website, monetizing content archives, offering freemium services, brand licensing, building customer account for access to use all products and services, or taking over customers' marketing activities). Within this transformation media firms are taking over activities previously performed by the customer, and the relationships is shifted from transaction-based towards relationships-based.

As media firms begin to offer more comprehensive services, it not only changes the way in which products and services are priced, and the cost structure of the firm, but also increases the risks. This is particularly the case when firms partner with others to overcome their own resource shortages. Innovating the business model by extending the scope of existing offering or reconfiguring the value delivery system exposes media firms to new risks that must be properly measured and managed, as well as incorporated to the offering price. For example, partnering with a private health clinic for creating new value for health magazine subscribers increases the publisher's operational and financial risks that must be properly identified, communicated, managed, and priced.

5. Concluding discussion

Technological advances and digitalisation are enablers for business model innovation in the media sector; they provide the means to offer new value to customers. This is important due to expiring business models that focus solely on monetizing media products and audiences (Küng, 2007). Because of declining legacy business and the commoditization of product markets, media firms are increasingly turning to services to provide new growth, differentiation, and increased competitiveness (Picard, 2005; Rolland, 2003). Media firms seek to exploit the old product business that still brings the majority of turnover, while exploring new business opportunities in the service sector.

The business model framework is used in this study because not only does it help to explore and explain how a business works (i.e. used as a static model), but also how business is transformed (i.e. used as a transformational model) (Demil and Lecocq, 2010). This study focuses on the latter approach, using a service-logic business model framework (Viljakainen, Toivonen and Aikala, 2013; Viljakainen, 2015) to explain the transformations taking place not only in the business model itself, but also in the context of the media sector where business is increasingly geared towards service(s). The business model concept is used, because it facilitates the exploration how this sector is simultaneously adapting to a new managerial mind-set where service (singular) is considered as a process of using professional competencies for the benefit of others, and a new competitive strategy offering product-, use-, and result-oriented services (plural) in addition to material products. Two theoretical frameworks are used in this study: the former transformation is viewed through the lens of service-dominant logic (Vargo and Lusch, 2004), and the latter through servitization (Vandermerwe and Rada, 1988).

The findings on the transformations taking place in the media sector are reported in this study under the four generally accepted business model components: value proposition, the resources of a firm, market characteristics and revenue model (see e.g. Osterwalder and Pigneur, 2009; Seppänen and Mäkinen, 2007). The configuration of offering is tightly linked to the value proposition (Edvardsson, 1997; Ramaswamy, 2011). In the media sector this means that actual media offering is increasingly gathered and commercialized around strong brands with strong value propositions. A value proposition becomes the locus of attention, because it enables media firms and their partners to offer new value to new customers in smaller niche segments. With decreasingly legacy business, media firms aim at exploiting the traditional mass media product business while exploring new business opportunities with products-oriented services (e.g. special advertisement solutions or solutions that enable the purchase of advertised items), use-oriented services (e.g. cashing content archives or B2B and B2C event production), and result-oriented services (e.g. taking over activities previously performed by media agencies to offer increased marketing ROI).

Service-thinking emphasizes mobilization and integration of resources from the ecosystem rather than separating resources and activities of the service provider from partner resources (Frow et al., 2014; Lightfoot and Gebauer, 2011). The core of this thinking is that resources are to be seen as more or less valuable depending how they are used, instead of focusing on resource ownership (Vargo and Lusch, 2004). The findings of this study suggest that media firms' knowledge and competencies in value co-creation, as well as strong brands are increasingly seen as core organizational resources, and sources of innovation and differentiation. They are key in partnering within and across the traditional media sector. Building cooperative and coopetitive relationships enable media firms to tap on resources that media firms lack themselves, especially when it comes to more complex use- and result-oriented services. Building new partnerships however necessitates breaking down the silo-based business, changing corporate cultures and openness, as well as breaking away from traditional industry practices and processes with increasing information transparency. As value is increasingly co-created in media business, the focus is shifted from production of output and value-in-exchange (i.e. the price per media exposure) into the role of media in creating good experiences and value-in-use (i.e. the value of service in the customer's use context) (Vargo and Lusch, 2004). The role of the media firm, then, is to build and manage the engagement platforms where value co-creation takes place. Online communities and offline events are good examples of engagement platforms where customers not only experience the service phenomenologically, but also co-produce the service together with others and the media firm. Hence, the different media platforms are increasingly seen as vehicles to build a story that creates an overall good experience.

With a decreasing legacy business that relies on a dualistic revenue structure (i.e. product and audience sales) the new business model increasingly monetizes services that encompass smaller revenues made with an increasing number of partners. Product-oriented services are often priced with a mark-up or fixed fee, use-oriented services based on access to usage, and result-oriented services based on jointly predefined service outcomes (Gaiardelli et al., 2014). Transforming the business towards more complex services not only changes the relationship with the client, but also exposes media firms to more risks that must be properly managed and priced (cf. Visnjic and Neely, 2013).

The findings of this study illustrate how the journey from traditional product manufacturing towards service business and more comprehensive service solutions increases complexity in media business. Entering into services is however seen as a gateway into new competitiveness and growth in this sector, because it allows media firms to create new value for their customers, and hence, business model innovation.

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