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Exploring the transformation of media sector through the lens of service-dominant (S-D) logic

Anna Viljakainen



Exploring the transformation of media sector through the lens of service-dominant (S-D) logic

Anna Viljakainen

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Preface and acknowledgements

There are a great number of individuals who have made the writing of this thesis possible, and whom I would like to thank sincerely. I am very deeply grateful for all the support I have received during these many years and use the opportunity here to thank you personally. I am very fortunate having being able to study a subject area that is at the same time topical, practical, and extremely inspiring in cooperation with a great number of amazing individuals and scholars.

For the past ten years the main focus in my work has been on the media. In my current job, working as a research scientist on various projects that develop and commercialize technologies, the clients have been to a great extent media firms. I have presented my research findings on the current state and the future of media and advertising markets to various audiences. Very often, the audience has consisted of media professionals. I have read countless articles and reports and been to numerous conferences, which all to a great extent say the same thing: the future of traditional media – and especially printed media – is not a particularly bright one. ‘There is no light at the end of the tunnel for newspapers’ read a newspaper title a few years back, a quote from the chief-editor. Portraying a picture of a dinosaur with a text ‘Where did the dinosaurs make their big mistake??’ for a conference audience consisting mainly of newspaper top executives was quite a brave move from a young media professional, I thought. Consequently, the initial motivation for writing this study was to explore what might the future of traditional media look like. I wanted to have a better answer the next time I was asked. Until now, I was using statistics that were more or less pointing downwards. To date, I do not have one single answer but I do know there is a future for media, but not for the old business models and mind-sets.

The most insightful and exciting part of this journey for me personally has been the new world of service research, and service-dominant (S-D) logic in particular, both of which came to life from the empirical data. I would see that the value- and service-based perspectives became more and more apparent when analysing the data, but I did not have enough competence at the time to understand their meanings. Therefore, I contacted one of the most prominent scholars in service innova-

tion and business model research, my thesis instructor Professor Marja Toivonen. Professor Toivonen opened the doors for me to this new area of research. I find these worlds both challenging and extremely fascinating, and I hope to continue my academic career within these research areas in new industrial contexts in the years to come. Marja, I am so very grateful and indebted for all the time and effort and support you have given me throughout the process. You believed in me at times when it was very much needed, and you challenged me when it was necessary. Dr Anu Seisto, my thesis instructor and team leader, you have no idea how much I value your input and your support, both academically and personally. You are both wonderful people and bosses, and your knowledge and competences in these research areas is enormous. You are great thinkers, and very passionate about research which is reflected in everything you do. You always have an answer, no matter how difficult the question. I could not have done this without you, Marja and Anu. Thank you. I also want to thank my supervisor Professor Eila Järvenpää for the good advice I have received from you over these years, as well as my external examiners Professor Robert G. Picard and Professor Lars Witell for the valuable comments and suggestions you have given me to improve my work. I also wish to thank sincerely my opponent Professor Stephen L. Vargo, who has together with Professor Robert Lusch been in the forefront in introducing one of the most influential new approaches highlighting the important role of customers in value creation, and inspiring a topical discussion that has resulted in a great number of new research avenues.

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I dedicate this work to my grandfather Dr Jarmo Kostia who no longer is among us, and grandmother Eeva Kostia. If it weren't for your love and support guiding us grandkids over the importance of education, I would have not written this book. Thank you.

Cambridge, 17th June 2014

Anna Viljakainen

Academic dissertation

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List of publications

This thesis is based on the following articles. The publications are reprinted with kind permission from the publishers.

- I Viljakainen, A. (2013b). Show me the money! The quest for an intermedia currency in the Nordic countries. *Journal of Media Business Studies*, 10(3), 41–63. Copyright © 2013 Journal of Media Business Studies.
- II Viljakainen, A. (2013a). From product to service categories and the transformation of audience research. In *6th Conference of the International Media Management Academic Association (IMMAA)* (13 p.). Lisbon, Portugal.
- III Viljakainen, A., Toivonen, M., & Aikala, M. (2013). Industry transformation towards service-logic: A business model approach. *The Cambridge Service Alliance working paper publication series* (No. December) (23 p.). University of Cambridge.
- IV Viljakainen, A., & Toivonen, M. (2014). The futures of magazine publishing: Servitization and co-creation of customer value. *Futures*, 64, 19–28. Copyright © 2014 Futures.

Author's contributions

Article I '*Show me the money! The quest for an intermedia currency in the Nordic countries*' describes why and how multimedia audience measurements that require inter-organizational cooperation between competitors are built to national advertising markets. Interviews were planned, carried out, and analysed by Viljakainen. She was also responsible for the planning and execution of related research and was the sole author of the *journal article*.

Article II '*From product to service categories and the transformation of audience research*' describes how the adoption of a new value creation perspective, the S-D logic, challenges the traditional audience information systems used by media firms. The empirical analysis contains two sets of interview data. The first set was planned, carried out, and analysed by Viljakainen herself, and the second set was planned and carried out by Viljakainen and Aikala collectively, and analysed by Viljakainen. Viljakainen was responsible for the planning and execution of related research herself, and was the sole author and presenter of the *conference paper*.

Article III '*Industry transformation towards service logic: A business model approach*' presents industrial transition into value- and service-based business and develops a service-oriented business model construct, using the magazine publishing as the case. Interviews were planned and carried out by Viljakainen and Aikala. Viljakainen was responsible for the initial analysis of the data, re-examined by Toivonen and Aikala. Viljakainen and Toivonen wrote the *working paper* together. Viljakainen developed the structure of the paper and wrote the empirical part; the theoretical part is the result of dialog between Toivonen and Viljakainen.

Article IV '*The futures of magazine publishing: servitization and co-creation of customer value*' takes a futures studies approach in describing the impacts and discontinuities of the adoption of new value creation perspectives and competitive strategies in the magazine markets. Interviews were planned and carried out collectively by Viljakainen and Aikala. Viljakainen was responsible for coding and analysing the interview data. Viljakainen and Toivonen wrote the *journal article* together. Viljakainen was mainly responsible for the empirical analysis and the literature review, Toivonen for the foresight approach.

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Articles 1–4

Abstract

Tiivistelmä

1. Introduction

'Demographics don't help us to predict what consumers perceive as a *phenomenal experience*. It would help us to gain more understanding as to in what *contexts* these experiences are born, and what kind of things are *good experiences*. This way our aim would no longer be – what it has strongly been in the past – to slice consumers into target segments and offer them segmented services. But rather, to improve the findability of our contents. This way our *services* would clearly state what is on offer for what kind of *emotional states or motives*. We need more understanding on how people perceive media contents and how they separate them in different contexts: 'I want this, and I don't want that.'

Director, Finland's public service broadcaster, Spring 2010.

1.1 Background and research context

The following chapter first introduces the on-going general changes in the media sector, and then defines the main concepts in the research context.

1.1.1 Technological change and the media sector

Technological change and digitalization is dramatically impacting all businesses and entire industries: no organization can opt out from the transformations taking place. Technological development has led to an increased global competition, and to changing customer wants and needs. Following these developments and the commoditization of product markets, firms experience decreasing product margins and an increased challenge to differentiate themselves from the competitors and find new and stable sources of revenue (Gebauer, Fleisch, & Friedli, 2005; Kowalkowski, Kindström, Alejandro, Brege, & Biggemann, 2012; Neely, 2008; Oliva & Kallenberg, 2003; Raddats & Easingwood, 2010). On one hand technological change can make existing capabilities obsolete thus making a firm lose its competitive advantage (Afuah, 2000). On the other, digitalization presents an

opportunity for a firm to differentiate itself from its competitors and respond to the changing customer needs. Technological development has challenged the ways of value creation: the focus is increasingly taken from the value-chain thinking, where each entity adds new value to a product, to the ecosystems perspective, where value is co-created with customers, suppliers, partners, and allies (Normann & Ramirez, 1993). The ecosystems perspective breaks down the traditional boundaries between the internal business units of the firm, and the outside environment (Prahalad & Ramaswamy, 2004).

Technological development and the changing consumer preferences have a major impact on media, too (Chan-Olmsted, 2006a). There are several phenomena that are changing the industry logics: media convergence, changing media use habits, increasing global competition with new entrants, and the volatility of the advertising markets, to name a few. Media convergence refers to the blurring boundaries between the sectors of media, telecommunications, and information technology (Küng, Picard, & Towse, 2008). At the same time, media firms must comply with social responsibilities and regulations, which do not make it easy to sustain competitive advantage and profitability. As Küng (2007, p. 26) puts it: 'while technological change is always present in the media field, it can be argued that the volume and velocity of the changes now underway [...] have created a peculiarly challenging environment for the media, where existing business models are clearly expiring, but the volume and velocity of change makes outcomes non-linear and unpredictable.'

Media convergence has initiated the building of strategic networks among media organizations that have previously operated autonomously (Gulati, Nohria, & Zaheer, 2000). Media markets are experiencing consolidation in terms of group and cross-media ownership, as firms attempt to increase profits and achieve efficiencies (Gershon, 2006). Historically media firms have concentrated on producing one single product (such as a printed newspaper or a broadcasting channel), and widening the product portfolio has meant replicating the initial product to a new market segment (Picard, 2005). The aim has been to produce 'stars' that are able to draw massive audiences and which can be duplicated at a low cost, while bearing a great weight on the economics of media companies (Arrese Reca, 2006; Küng, 2007). Because of a dualistic revenue structure (i.e. product and audience [i.e. advert] sales) and public interest concerns, the objective has been to produce a product that would appeal to the largest possible amount of marketable consumers (Chan-Olmsted, 2006c). Consequently, media management literature has traditionally focused on the management of one single type of media product. The situation is however now changing, and media firms are looking for economies of scale and scope through horizontal and vertical integration, as well as risk reduction in broadening their portfolios with new titles through different platforms. (Picard, 2005; see also van Kranenburg, Hagedoorn, & Pennings, 2004) Media firms are entering into partnerships not only within the media sector, but also outside it. Technological development presents an opportunity for the old and new

players to adopt new value creation perspectives, and develop new products and services that support this transition.

The focus in media companies' growth strategies will increasingly be shifted away from individual products to new types of transactions and business areas. Brand strategies will increasingly focus on such issues as consumer expectations and behaviour. The role of brands and branding are becoming central in safeguarding the traditional business and building new business endeavours. In effect, *brands will depart from single products to the emphasis on value propositions in transactions*. Also, brands will be built as a collaborative effort in the media ecosystems. (Galbi, 2001) The focus in portfolio development will increasingly be on the provision of *new types of services* which are seen to increase the contact with customers leading to increased loyalty (Picard, 2005). Rolland (2003) observes that convergence is a strategy for *creating new value*: 'traditional media may discover that not only are the technologies and the business ideas different, but the logic of value creation may also be different.' Johansson (2002) discusses the strategy of on-line community building where value is created by a network of people who gather around media products.

Technological advancements are changing the way people access information (Castells, 2000). Mobile technologies (such as smart phones, tablets, e-reading devices) and the ecosystems around them are evolving at an exponential rate (Peppard & Rylander, 2006). Consumer needs are changing along with the growing selection opportunities, and the differing media-use habits are leading to the fragmentation of audiences (Napoli, 2011, 2012). The markets are shifting away from homogeneous mass audiences into new demographic and psychographic niche markets (i.e. the demassification of media) as a consequence of consumers' increased ability to customize their media experiences and create personalized content in participatory contexts (Gershon, 2006; Küng, 2007). The world is becoming much more complex for media that need to satisfy the increasingly diversified needs of audiences (McDowell, 2006), forcing media firms to shift their focus *from the development and delivery of content to relationship building* with the consumer (Chan-Olmsted, 2000). Media firms that are driven by the needs of consumers rather than the needs of advertisers have better chances for survival (Husni, 1988).

Tightening global competition in the advertising markets is another consequence of convergence. For example, in Finland from 1900s to 1920s the primary advertisement media were newspapers, magazines and outdoor media. It was not until 1956 that television advertisement, and in 1985 radio advertisement emerged as the result of industry deregulation and the birth of commercial TV and radio stations. (Heinonen & Konttinen, 2001) Advertising became the economic engine for mass media, because it provided the outlet for marketers to sell their products instantly and easily to huge audiences (Redmond, 2006). Media firms are now facing new competitors and new technologies from within and outside the tradi-

tional media sector. Big international players such as Google and Facebook are not only taking an increasing share of consumers' time, but also advertisers' money (Picard, 2011). Mass media is no longer considered the optimal way to reach small niche audiences (Gershon, 2006). The power of advertising is weakening as consumers have increased access to information, more influence over the expectations and opinions of other consumers, and the ability to choose how to transact with firms (Prahalad & Ramaswamy, 2004). Content and advertising is progressively transferring to online media and to the new players who provide quantifiable results and efficiency. At the same time the market economy fluctuations have a severe impact on advertising expenditures and on media economics; especially newspaper advertising suffers from economic downturns (Picard, 2001; Schrape, 1993; van der Wurff, Bakker, & Picard, 2008). Changes and the volatility of advertising markets is a serious threat for the viability of traditional media companies that rely extensively on advertising revenue.

Based on the above-described summary about the development of the business environment in the media sector, *the underlying assumption in this thesis is that media firms are adopting a new value creation perspective* to answer to the on-going challenges. In order to explore this assumption in more detail, this dissertation introduces service-dominant (S-D) logic as a view that provides theoretical basis for an alternative way to understand value issues (Lusch & Vargo, 2008). S-D logic focuses on the process of collaborative value creation (not products), highlighting the important role of customers and the ecosystems nature of the market (i.e. seeing the environment as a system where different actors create value by integrating resources; Lusch & Vargo, 2014). It focuses on the concept of 'service', not 'services'. The former refers to the process of using one's competences for the benefit of another party, the latter to a particular type of goods (outputs) that are vehicles for service provision. In other words, service is a process, and services units of output (Vargo & Lusch, 2004b).

S-D logic criticizes the traditional goods-dominant (G-D) approach that dominates both academic and managerial thinking, in that the tradition sees value as being the property of goods that are created by firms and then distributed to consumers. Lusch, Vargo, and O'Brien (2007) argue that seeing the external (legal, competitive, social, physical, technological) environment as uncontrollable to which firms need to adapt is very much a G-D approach. They propose that the external environment should be seen as a resource that firms can benefit from and co-create with to overcome resistance. The fundamental premise in S-D logic is that firms operate as part of value networks and draw upon the collection of resources of network partners. In S-D logic customers, employees, and organizations are all operant resources; i.e. dynamic resources capable of creating value by performing actions to other resources. All parties in the networks are at the same time value-creators and value beneficiaries (service-for-service), which makes the traditional division between suppliers and customers extinct. (Lusch & Vargo, 2006a)

1.1.2 Main concepts in media research

In this chapter the main concepts linked to media will be presented. Opening up these concepts early in the text is important in order to make the context-specific aspects in the research questions more comprehensible. Other theoretical and contextual concepts used in this study will be defined in the literature review (Chapter 3).

Audience information systems (Napoli, 2003a) refers to the conceptualizations on the reach and effectiveness of each media and their audiences negotiated between key institutional stakeholders in a specific media market (i.e. media firms, advertisers, and market research companies). These systems are used for trading advertising space and airtime. Fundamentally, audiences in these systems are defined in a way that they support the interests of media organisations (Napoli, 2011). Audience information systems is a concept utilised in the academic context highlighting the fact that the measurements and sales of audiences are socially constructed and guided by economic and political motives (Ettema & Whitney, 1994; Napoli, 2011). The concepts of *media currency*, *media metric*, and *media audience measurement*, are commonly used in managerial practice. They refer to the established rates set for buying and selling advertisement space for each media in a specific advertising market; for example, the National Readership Survey (NRS) portray magazine and newspaper readerships, TV Audience Measurement (TAM) viewing figures, and the National Radio Listening Survey (NRS) listening figures. (Viljakainen, 2013a, 2013b) The concept of audience information systems is used in this study, because it highlights the path-dependent nature of business practices and the reason why it is very difficult to depart from old habits.

The concepts of industry and sector are used interchangeably. The *media sector* refers to the industry of traditional or legacy media. Legacy media refers to media that were distributed before the introduction of the Internet (i.e. print media, television, and radio), and companies originally doing business with pre-internet media regardless of their current online presence (Miel & Faris, 2008). Advertising markets include magazine and newspaper publishing, TV and radio broadcasting, outdoor media, and online media. *Industry transformation* can be defined as changes taking place in the business models, business practices, or managerial mind-sets within the traditional media sector. The transformational approach thus refers to change taking place within an entire industry in a specific context (cf. Demil & Lecocq, 2010). The term *transition* is generally used to refer to organizational transitions. For instance, it can mean a transition from products to services (i.e. servitization) or from a goods-dominant to a service-dominant mind-set (Gebauer et al., 2005; Kowalkowski, 2010; Vargo & Lusch, 2008a).

It is important to point out that the term *media* itself incorporates a strong goods-dominant connotation. Küng, Picard, and Towse (2008, p. 7) suggest that media refers to ‘technologies (print, radio, television, sound recording and such like) through which the content created for groups of consumers is moved and organized. Firms in the media industries act as packagers of materials that utilize those technologies.’ Wirtz (2011, p. 12) follow on the same logic suggesting media refers to ‘all goal-oriented technical means or instruments for the procurement of information in print, visual, or auditory forms as well as the organizational and institutional entities behind them that generate and provide this information. The information is directed, in a traditional manner, at a broad and public audience.’ *Media companies* are seen as *producers* because ‘they acquire and combine resources to create a product or service that is purchased by others’ (Picard, 2002, p. 21).

The *media management* discipline exists to ‘build a bridge between the general discipline of management and the specificities of the media industry and media organizations’ (Küng, 2007, p. 24). *Media economics*, then, is ‘the study of how media industries use scarce resources to produce content that is distributed among consumers in a society to satisfy various wants and needs’ (Albarran, 2002, p. 5). Picard (1989, p. 7) suggests media economics ‘is concerned with how media operators meet the informational and entertainment wants and needs of audiences, advertisers, and society with available resources.’ He further continues (Picard, 2006, p. 23-24) two decades later that ‘media economics is not only concerned with market-based activities because its base is the study of choices made in using resources at the individual, firm, industry, and society levels and how the benefits of those choices can be maximised [...] Researchers in the field are guided by beliefs that financial and economic concerns are central to understanding communications systems and firms...’ Media economics, thus, has strong roots in the neo-classical economics approaches (cf. Albarran, 2010; Küng et al., 2008; Picard, 2006; Wildman, 2006).

1.2 Research gaps and research motivation

The following chapter introduces the main research gaps in literature the findings attempt the address. This is followed by a description of the main motivations behind the study.

1.2.1 Research gaps

This study identifies six main issues less frequently or inadequately examined in scholarly literature. These gaps, which the study aims to narrow, are presented in Table 1 and more thoroughly discussed thereafter (together with respective references).

Table 1. Gaps in research the study attempts to address.

No.	Gaps in research
1.	The perspective of media as service has been lacking in media management studies.
2.	Strong theoretical analysis on business models in the media content markets, and newspaper and magazine publishing in particular, has been rare.
3.	Systematic applications of service-dominant logic to business model design are only beginning.
4.	Research on the contribution and challenges of S-D logic in the analysis of service management and innovation has emerged only recently.
5.	Studies on servitization have generally concentrated on traditional manufacturing and B2B contexts.
6.	The linkage between industry servitization and S-D logic is not always clear in scholarly discussion.

As already suggested, there is a strong goods-dominant connotation in media and technology has played a central role in the media sector, which have both impeded a service-thinking in this industry. Even if a number of scholars have linked a fundamental service perspective to media (see Chapter 3.4.3) the *service concept has to a great extent been absent in the media management scholarship*. This is the first gap in research this study attempts to fulfil: apply the service-based perspective to this specific domain.

Media convergence has challenged the business models of the traditional media industry by changing the costs, functions, structures, and value chains of the market (Küng et al., 2008). Despite this reality, *strong theoretical analysis on business models in the media content markets, and newspaper and magazine publishing in particular, has been rare* (Fetscherin & Knolmayer, 2004) – the second research gap in this study. Following the organizational ecology perspective on industry life cycles (Carroll, 1987; Hannan & Freeman, 1989) already a decade ago all traditional media had reached maturity with high sales volumes and profits, stable market shares, and high entry and exit barriers, while newspapers were nearing decline (Picard, 2002). Because of technological advancements the barriers for entry in the content creation and global distribution markets have since then radically reduced. Lehman-Wilzig and Cohen-Avignon (2004) suggest, that traditional media have two possibilities to respond to the prevailing challenges; to either adapt and change (suggesting mediamorphosis), or to become extinct (suggesting mediocide). The authors predict the development of the former with each

medium adapting. To date a great majority of media management research focuses on the external environment, structural characteristics of the market, industry output, media firms' strategies at a conceptual level, and audience research, lacking deeper knowledge on the aspects and strategy processes within media organizations, especially when it comes to managing organizational change – the structure, people, and the processes (Küng, 2007). Albarran (2006) and Mierzewska and Hollifield (2006), too, identify the lack of change management studies in the field of media management.

In recent years the business model concept has become commonplace in concretising the most important components derived from and reflecting the strategy (Nenonen & Storbacka, 2010a). However, until now the business model framework has to a large extent focused on goods production and technological context. Several researchers (Al-Debei & Avison, 2010; Fielt, 2012; Teece, 2010) have noted that the theoretical foundations of the concept need to be strengthened. In specific, *systematic applications of service-logic to business model design are only beginning* (Grönroos, 2011a; Zolnowski, Semmann, & Böhmman, 2011), which is the third research gap this study attempts to address. For example, Nenonen and Storbacka (2010a) and Maglio and Spohrer (2013) have highlighted the systemic nature of business models which is a general focus in S-D logic (i.e. the service system). Fielt (2012) and Rampen (2011) have analysed the implications of service-based thinking to the business model construct, using Osterwalder's (2009) business model canvas as the framework. This study aims to fill the gap by proposing a generic business model framework based on service logic and a real world instance about its implementation (cf. Demil & Lecocq, 2010).

Fourthly, *research on the contribution and challenges of S-D logic in the analysis of service management and innovation has emerged only recently* (Gebauer, Edvardsson, Gustafsson, & Witell, 2010; Kowalkowski, 2010). Service management research has typically focused on the distinctive approaches required to yield revenue from services as manufacturing companies increasingly add services to their total offerings. It is generally accepted that the managerial requirements in service business differ to a great extent from those of traditional manufacturing. (Gebauer & Fleisch, 2007; Grönroos, 2000, 2007; Normann, 1984, 2000) The development of new services enables strategic renewal, which has been the area for service innovation research (Chesbrough, 2005; Gallouj & Weinstein, 1997; Spohrer & Maglio, 2008). Recently, the focus is being shifted from services per se, and from the producers' perspective to the customer – on the use value of services or their ability to solve customers' problems (Löfberg, Witell, & Gustafsson, 2010). Service innovation is increasingly seen as taking place within service systems by partnering with others (Agarwal & Selen, 2009). These developments point to the direction of S-D logic. Gummesson et al. (2010) argue that the increased focus on service has necessitated the need to re-examine its implications to the management disciplines, and the domain of service management in particular.

Servitization (Vandermerwe & Rada, 1988) refers to 'the process of creating value by adding services to products' (Baines, Lightfoot, Benedettini, & Kay, 2009, p. 547). It is generally recognized as a competitive strategy adopted by traditional manufacturers (Neely, 2008; Oliva & Kallenberg, 2003; Wise & Baumgartner, 1999). Therefore, following the fifth research gap, *studies on servitization have traditionally concentrated on manufacturing and B2B (Business-to-Business) contexts*. For example, Gebauer et al. (2005) have studied servitization in equipment manufacturing companies, Kowalkowski et al. (2012) in the context of industrial marketing with manufacturers of trucks, Neely (2008) in over 10,000 manufacturers ranging from metal and coal mining companies to machinery and equipment manufacturers, and Raddats and Easingwood (2010) in sectors such as aerospace, electrical machinery, and medical equipment. The media sector operates in the content creation markets. Media is a manufacturing industry in that media firms are producers of media products and services that can be bought by others (Picard, 2002, 2011). Media firms produce content for two specific customer groups: consumers and advertisers (Albarran, 2002; Picard, 1989). Media content creation is generally seen as non-standardizable referring to both the processes of production and media-use (Arrese Reca, 2006; Chan-Olmsted, 2006b) which separates the sector from traditional manufacturing. Therefore, this study extends servitization to the B2C context away from traditional B2B manufacturing.

And finally, when looking S-D logic from the managerial perspective, *the linkage between industry servitization and S-D logic is not always clear in scholarly discussion* (for example Kowalkowski, 2010). Following Kowalkowski (2010), servitization and S-D logic should be considered as two distinct phenomena or transitions that may, or may not, take place simultaneously. Servitization refers to a competitive strategy (Baines et al., 2009; Neely, 2008; Vandermerwe & Rada, 1988), S-D logic to a value-creation perspective or a mind-set (Vargo & Lusch, 2004a, 2008b). The former focuses on services (i.e. the *production* of particular types of goods: *output*), the latter on the concept of service (i.e. the *process* of using one's competences for the benefit of another party: *value creation*). These two concepts are often discussed interchangeably, making the scholarly discussion at times blurry. However, there is a distinct difference between competing *with* services and competing *through* service (Lusch et al., 2007; Vargo & Lusch, 2008b). This is the sixth and final research gap this study attempts to fulfil with concrete case examples from the traditional media sector.

1.2.2 Research motivation

The media sector is in the midst of change which is hindering the ability of media management and media economics research community to adopt a universal theory for media management (Albarran, 2006). The fundamental motivation behind this study is to advance the theoretical underpinnings on the on-going transformations taking place in the media industry. Looking at the industry's develop-

ment, S-D logic provides an opportunity to do so. Therefore, S-D logic is introduced to media academics and practitioners as a possible foundation for a new dominant logic.

Due to the turbulent business environment, new theoretical approaches are needed to renew and supplement the existing research traditions in media management; S-D logic enables a possible transformation to a new managerial mindset to regain competitiveness. It enables media firms to provide better value for customers and other stakeholders in media ecosystems, and thus, generate increased revenues. The opportunity to do so emerges from the change of the mindset: from the producer perspective to looking at value creation through the lens of the customer. This study challenges the prevailing general ‘there is no light at the end of the tunnel’ –attitude within the media sector and shows what the possible transformational journey is, how it is done, and what the problems might be on the way. The study aims to show how the fundamental purpose of media is service, even if the focus in recent years is one-sidedly put on technologies and the efficiency of operations.

S-D logic has its roots in phenomenon-based research where the early studies provided empirical evidence of a phenomenon taking place to enable other scholars to proceed with the scientific work (von Krogh, Rossi-Lamastra, & Haefliger, 2012). To date S-D logic is not considered a theory, but rather, an open-sourced work-in-progress on its way of becoming a theory (Gummesson et al., 2010; Vargo & Lusch, 2008c). Advances are welcomed to provide new scientific knowledge. In specific, one of the challenges of S-D logic has been its applicability to managerial practice. Therefore, the aim of this study is on one hand to develop theory for the field of media management, and on the other to contribute to the scientific inquiry of S-D logic. These aims are pursued using S-D logic as a lens to explain industry transformation. And finally, the aim is to elevate the understanding on the relationship between S-D logic and servitization, which to a large extent seems unclear in scholarly debate.

1.3 Objectives and scope

This chapter indicates the aims of research and defines its scope and ‘borders’. This is followed by a section that states the research problem and the questions this study attempts to answer in each of the four articles.

1.3.1 Aims and scope of the dissertation

This research pursues the aims of applying S-D logic for theory building in industry transformation and introducing a service perspective to media management and media economics research. The former refers to the appeal for applying and build-

ing S-D logic further towards a theory of exchange (Vargo, 2007). The latter refers to changing the focus from individual products to service and value creation in media management and media economics research. This study introduces a new theoretical avenue to the field of media management which has been criticized as being scattered and unsystematic with only limited practical and theoretical contributions (Albarran, 2008; Mierzewska & Hollifield, 2006).

The advancement of media management research is important in its own right as a disciplinary area and it is also essential in terms of managerial implications. The execution of S-D logic is a great challenge for any organization, especially those operating in highly competitive environments. This study provides tools how to meet this challenge; futures studies perspective is introduced as a way to identify an alternative logic of doing business, and the business model construct as a tool to address change to gain sustainable competitive advantage.

The aim of this study is to explore in which way S-D logic can be used as a lens (Lusch et al., 2007) to explore and explain industry transformation, and accordingly, the main focus is put on S-D logic, with lesser emphasis on other schools of thoughts within service research. The traditional service marketing approach is, however, discussed in the business model analysis, as its concept 'service logic' is near to S-D logic in this specific context (Grönroos, 2006a, 2011b). Furthermore, S-D logic has received a great deal of reactions from the research community – both supportive and criticism – to which both Vargo and Lusch have responded quite vigorously during the past ten years (Lusch & Vargo, 2006b, 2006c). Therefore, the author of this study has made a considered decision not to repeat either the criticism or a profound historical review already widely discussed, but rather, to explore the applicability and practical implications of S-D logic.

Applying S-D logic as a lens to explore industry transformation raises the issue of the basic nature of this theoretical approach: the extent to which it examines economic phenomena or provides a managerial tool. This is a topical issue in the academic discourse on S-D logic. At the early stages of development in particular, S-D logic was primarily a new way to understand how markets work ('general theory of the markets'; Vargo & Lusch, 2004a), but nowadays it has been increasingly applied in the managerial context, too ('S-D logic of marketing'; Vargo & Lusch, 2008b). These two aspects of S-D logic are also visible in this work, and both of them are necessary from the viewpoint of the research problem. On the one hand, this study explores the current developments *at the level of an industry* and therefore the focus is phenomenon-oriented; based on the empirical material, the author describes trends that indicate the growing importance of service- and value-based thinking in the media markets. On the other hand, this study emphasises *managerial implications at the company-level*; the business model construct developed on the basis of service logic is the most illustrative attempt in this area. Throughout the work, the study aims to make clear which perspective is used. For example, when examining the linkage between servitization and S-D logic (Chap-

ter 1.2.1), the viewpoint is managerial. The chapter that discusses the specificity of media products (Chapter 3.4.3.) in media management research and practice – for example, the way in which media products are valued – focuses on S-D logic as a theory about markets.

In respect to the discussion on the field of media management and media economics, the author follows prominent scholars (Mierzejewska & Hollifield, 2006; Picard, 2006) limiting the sample of published research to three main scholarly journals (i.e. *Journal of Media Economics*, *International Journal on Media Management*, and *Journal of Media Business Studies*), which have been established among a small group of academics to advance the theoretical underpinnings of the research domain. However, the sample does not represent the full body of research, as the scholarly community is scattered and publishing in high-level journals from other domains, such as those in the fields of management and strategy. In this thesis these publications nevertheless represent the main school of thought and state-of-the-art in media management and media economics research. The author of this study wishes to address this very specific research community that has explicitly stated these journals and two conferences organized by the *European Media Management Association* (EMMA), and the *International Media Management Academics Association* (IMMAA) are the main forums for academic discussion (Albarran, Chan-Olmsted & Wirth, 2006).

1.3.2 Research problem and questions

The *research problem* in this study is the following:

How can S-D logic framework be used as a lens through which the phenomena of media business transformation can be explored and explained?

More specifically, the study aims to answer the following two *research questions*:

- (1) *How does a transfer from a goods-dominant to a service-dominant logic manifest itself in the current business practices and future trends in the media industry?*
- (2) *What are the central topics to understand better the on-going change in the media sector?*

Each article in this study tackles the questions from a particular viewpoint, as follows:

Article 1 answers the questions of why the time is optimal for the adoption of a new value creation perspective, and what challenges (or movements) there exists in the markets that may hinder (or advance) it. In specific, it illustrates (1) how deeply rooted goods-dominant (G-D) logic is in the media industry's strategies,

processes, and mental models, and (2) how the industry is beginning to mobilise and integrate resources as well as develop competencies relevant in adapting to S-D mind-set. The findings show how fundamentally grounded the economics worldview is in the field of media management – both theory and practice. The study uses audience information systems as the industry case. The findings of this study illustrate how these systems are the embodiments of G-D logic; they are dominant designs which have strategic importance to the industry because they impact the future competitiveness of each media. This article titled 'Show me the money! The quest for an intermedia currency in the Nordic Countries' was published in *Journal of Media Business Studies* in 2013 to reach the media management research community.

Article 2 illustrates the increase in service-based thinking in the media industry, and its impacts on media firms' service offerings. It supports the premise in this study to analyse and explain industry transformation, by taking media audience measurements as the case context to explain the linkage between: (1) industry servitization, and (2) the adoption of S-D logic. In specific, it shows the effects on service offering and competitive strategies when transferring to S-D logic. S-D logic is particularly suitable for the study on the evolution of audience information systems, because they are becoming obsolete due to increasing service-orientation. This article with the title 'From product to service categories and the transformation of audience research' was published and presented at the 6th Conference of the International Media Management Academic Association IMMAA in 2013 to reach the media management research community.

Article 3 tackles the issue of industrial transition into value- and service-based business and identifies the managerial implications when transferring to S-D logic. It incorporates a service management perspective by integrating the business model framework (Osterwalder & Pigneur, 2002, 2009; Osterwalder, 2004) and the approach of S-D logic. In specific, it: (1) uses the business model construct as a tool to address industrial change towards service-logic, (2) develops a new service-logic business model construct, and (3) identifies certain aspects of service-logic that need specification to make the framework applicable as the basis of a business model. The magazine publishing markets are used as a case context to illustrate the movement and modifications currently taking place. The article is titled 'Industry transformation towards service-logic: A business model approach' and was published in the Cambridge Service Alliance publication series in 2013 to reach the academics and practitioners in the scholarly field of services.

Article 4 looks into the future of magazine publishing with the aim of providing an overview of the on-going general trends and their practical implications for media firms. It supports the premise of this study by (1) identifying trends that indicate industry servitization and the adoption of S-D logic, (2) exploring internal and external factors that support the future development of the trends and their potential sources of discontinuity, and (3) introducing foresight as a method to

recognize an alternative logic of doing business to gain sustainable competitive advantage. Overall, the aim of this article is to provide concrete insights on the development of trends in the long-term and the common mental models found in the industry, for media managers to be able to create their own futures. This is a key capacity of foresight. This article with the title ‘The futures of magazine publishing: Servitization and co-creation of customer value’ was published in 2014 in the journal *Futures* to reach the futures studies scholars.

All articles contribute to both the first and the second research question. The specific issues discussed in each article are summarized in Table 2.

Table 2. The two research questions and the main contributions of each article.

	RQ1: How does a transfer from a G-D to a S-D logic manifest itself in the current business practices and future trends in the media industry?	RQ2: What are the central topics to understand better the on-going change in the media sector?
Article 1	Concluding that the business practices in the media sector have been goods-dominant.	Exploring how the media companies can answer the challenges of media and audience fragmentation.
Article 2	Describing phenomena that reflect emphasis on use value and servitization of offerings.	Aiming at a holistic view of the service-oriented changes taking place in media companies.
Article 3	Crystallizing the transformation into a change in the business model of media companies.	Analysing the ‘building blocks’ of value co-creation and resource integration, and their linkages to offerings and value-in-exchange.
Article 4	Identifying trends that indicate the continuation of service-orientation and analysing the sources of discontinuity when adopting a value- and service-based thinking.	Mapping the opportunities and challenges that the on-going trends provide to companies.

In this study the concepts of service-based perspective and service-orientation are used interchangeably when discussing both the adoption of S-D logic and a servitization strategy in the media industry. This is to emphasize the findings of this study which suggest these two phenomena are not necessarily to be seen contradictory.

2. Methodology

The following chapter describes the research process and methods. In specific, it explains the philosophical and epistemological stance, the way in which research was conducted in practice, what material and sample were used, as well as the way in which data were collected and analysed.

2.1.1 The philosophical approach of the study

Social scientists embrace either a subjective or an objective philosophical approach to research which make specific assumptions related to ontology (reality), epistemology (knowledge), and human nature (relationship between humans and their environment). The methodological choice is influenced by these assumptions. The basic question in epistemology is the question of the nature of knowledge being investigated; it discusses the scope of and ways to acquire knowledge. Ontology is concerned with the phenomenon in regards to how the researcher sees the reality, and discusses the questions of being and existing. (Burrell & Morgan, 1979; Kakkuri-Knuutila, 1998)

An *objectivist* approach would suggest a *positivist* epistemological stance which sees knowledge as real and objective, something that can be acquired and exchanged with others. The ontological assumption in this approach is *realism*, suggesting that the world is seen as a concrete structure independent of individual effort. It takes a *deterministic* view of humans seeing people as products of their environment acting based on their on-going social settings. Positivists embrace the belief that a researcher is a neutral observer who creates knowledge by testing hypotheses to find regularities in the social world. Thus, an objectivist approach advocates the choice of *nomothetic* research methods that follow the natural sciences traditions, favouring quantitative methods such as statistical or other mathematical methods. Nomothetic research methods embrace the covering law model of explanation in the attempt to discover causal relationships and assume empirical observations are generalizable. The critics of this approach argue that the simplification of research findings is impossible because individual observations

are not independent from one another, and always involve interpretation. (Beam, 2006; Burrell & Morgan, 1979; Kakkuri-Knuuttila & Heinälähti, 2006)

This study incorporates a *subjectivist* approach with an ontological assumption of the reality as something that evolves and changes by the influence of human action and interaction (i.e. *nominalism*; Morgan & Smircich, 1980). This assumption is consistent with the S-D logic that sees the external environment as a resource that organizations can co-create with, and not something that is uncontrollable to which firms need to adapt (Lusch et al., 2007). Furthermore, a subjectivist approach is deeply grounded in an *anti-positivist* epistemological stance that emphasizes phenomenological insight that is fundamental in S-D logic, too; humans are seen as conscious beings. Thus, the nature of humans in the subjectivist approach is *voluntaristic* with people having a free will that is not determined by the social world they live in. A subjectivist approach suggests the choice of *ideographic* research methods that emphasize subjectivity in data collection thus favouring qualitative methods. Subjectivists embrace the belief that a researcher cannot be a completely neutral observer. (Beam, 2006; Burrell & Morgan, 1979; Kakkuri-Knuuttila & Heinälähti, 2006)

2.1.2 Research method

Yin (2003) and Eisenhardt (1989) recommend the use of exploratory research methods when the topic is new and there exists only limited knowledge on the subject area. On one hand S-D logic is a new conceptual framework that must be tested and comprehended in real-life settings prior to becoming a theoretical framework (Gummesson et al., 2010), and on the other hand new theoretical perspectives are encouraged to challenge media management research traditions (Albarran, 2006, 2008; Mierzejewska & Hollifield, 2006), thus making the choice of an exploratory research method appropriate. Even though qualitative research implies subjectivity in describing and understanding the world, it is useful for examining phenomena that evolve and change. The aim of this research was to understand the phenomena by using peoples' descriptions and meanings in real-life organizational settings – a key capacity of qualitative research (Gephart, 2004). As this study attempts to pinpoint possible future directions, human judgement is required (Toivonen, 2004). Inductive and interpretative qualitative research reveals peoples' views of the reality using words and texts to collect narratives with situational details (Gephart, 2004).

This study incorporates a qualitative research method and case studies. *Case study research* is an exploratory research strategy that examines a phenomenon in its context using a variety of data collection methods, such as interviews, archival data analysis or observational methods. Using various data collection methods and sources of data improves the ability to draw conclusions and fulfils the data triangulation requirements in qualitative research. (Eisenhardt, 1989;

Scandura & Williams, 2000; Yin, 2003) Different cases are seen as distinct units of analysis for gathering rich and qualitative empirical evidence to find patterns and relationships within and across cases (Eisenhardt & Graebner, 2007). Finding patterns of behaviour across cases improves validity and enables some analytical (although not statistical) generalizability (Kvale, 1996). Each case is carefully selected on the basis of its properties to bring new insight and evidence for theory-building (Eisenhardt, 1989; Yin, 1994). The purpose and questions of research and the theoretical context essentially affect the case selection. Access to organizations, resources and cost related to data collection, as well as time constraints similarly influence the case study sample. (Rowley, 2002) The sampling thus very fundamentally differs from quantitative statistical research where the sample is drawn to represent the whole population (Eisenhardt & Graebner, 2007; Eisenhardt, 1989). When the aim is to apply S-D logic for the theoretical analysis of industry transformation, a vast number of cases are needed to handle complexity and change as well as provide detailed empirical evidence (cf. Gummesson et al., 2010).

Case study research is particularly applicable when the research area is new and there is a need for a fresh perspective (Eisenhardt, 1989). In essence, it is phenomenon driven research that is used when the existing theories are failing to explain the research question (Eisenhardt & Graebner, 2007). The questions and insights generally emerge and crystallize during data collection and are not clearly defined in advance (Rowley, 2002). A well-executed case study research answers the questions of 'How?' and 'Why?' instead of merely describing the phenomenon – 'What happens?' (Yin, 1994) The role of the observer in this research strategy is central because the goal is to build novel theory that is most likely 'accurate, interesting, and testable' (Eisenhardt & Graebner, 2007, p. 26). For these reasons the critics of this approach say that it may lack rigour and objectivity (Rowley, 2002). Eisenhardt and Graebner (2007) argue that case study research is justifiable when the research question at hand is significant and when existing theories fail to offer feasible answers. For the sake of research validity and generalizability, the researcher will have to maintain objectivity in data collection and analysis, even though data analysis draws from the researcher's past experience and expertise on the subject area (Rowley, 2002). The choice of a qualitative research method essentially implies greater subjectivity in describing and understanding as the world is seen as something that evolves and changes – a subjectivist ontological assumption (Gephart, 2004). All research methods have weaknesses and the choice of the method determines the level at which conclusions can be drawn (McGrath, 1981; Scandura & Williams, 2000).

Case study research is about understanding the complexity of contemporary phenomena in-depth, and gaining a holistic view on events taking place in real-life contexts. Case studies can apply a quantitative or qualitative approach. Quantitative case studies aim at matching patterns across individual firms and making statistical generalizations based on sample populations. Qualitative case studies

aim to go deep into the understanding of the phenomena examined and make analytical generalizations as a dialog between theory and empirical findings. The approach in this study represents the tradition of qualitative in-depth case studies, using multiple cases. (Yin, 2003, 2009) Following this approach, the author has identified a variety of outcomes from the empirical material that reflect the increased adoption of value- and service-orientation.

2.1.3 Case study sample

The data of this study are derived from three research projects¹ funded by the Finnish Funding Agency for Technology and Innovation *TeKes*. The first and second research projects were looking into the Nordic advertising markets (Finland, Norway, and Denmark) and the audience information systems in particular. The third research project concentrated on the publishing business and forest industries, especially on the future of magazine publishing. All these projects aimed at supporting the candidate's dissertation research. Thus, the projects were planned in a way that enabled empirical research. Academic outputs in the form conference papers and peer-reviewed journal articles were the central outputs in the projects. The proposals for the projects 1 and 2 were initiated by the author herself. In all projects, the financing organizations and project management teams accepted the academic focus and appreciated it. The primary data collection and analysis were conducted by the author herself.

The case study sample used in this study is presented in Table 3 and Table 4. Case studies using organizations and firms as units of analysis is a common research strategy in the media management discipline (Doyle & Frith, 2006). The selection of cases in case study research follows the principles of theoretical sampling, not statistical sampling; i.e. each case is selected for its ability to reproduce or extend the emerging theory (Eisenhardt, 1989).

The companies in this study are both horizontally integrated media conglomerates and small- and medium-sized enterprises (SMEs), in all three countries under study: Finland, Norway, and Denmark. Media buying organizations (i.e. media agencies), market research companies, and associations representing the interests of advertisers from the three countries are also represented in the sample. All major associations representing the interests of the Finnish media were interviewed; i.e. magazine and newspaper publishers, TV and radio broadcasters, outdoor media, and online media. The method applied in deriving the sample was a so-called snowball sampling method (Arksey & Knight, 1999) where new cases

¹ (1) MOBIME – Building exchange rates for media currencies; (2) QUEST – The Quest for an intermedia currency; and (3) FUMAGA – The Future Magazine. The first two projects were part of the Next Media Programme, funded by Tivit ICT SHOK. The third project was part of the TeKes SERVE program.

are added to the sample based on recommendations obtained from other interviewees. The initial case study sample was provided by the project steering groups. Each case provided a different amount of data because the aim of this study was to identify as many viewpoints as possible that explain the two phenomena under study, and not to make cross-case comparison. Some of the interview material from Article 1 is also used in Article 2, and the same with Articles 3 and 4. Therefore, the interview data is overlapping in the different articles, and the introductory section (i.e. the main part which summarises and compiles the main research questions, conclusions, and contributions of this study derived from each of the four articles). New interview data was gathered for some of the articles and the introductory section. The number of organizations in the sample is quite large ($n = 39$), because the findings of this study are based on four articles, each with separate research questions. Altogether 50 people were interviewed, interviews lasting from 60 to 90 minutes. With the exception of four interviews all were recorded and transcribed, preventing the loss of data and increasing reliability.

In Article 1 the main data consists of 39 semi-structured face-to-face interviews from Finland, Norway, and Denmark. Each interviewee was closely involved in the project where a common audience information system to national advertising market was built. The development of audience information systems and the measurements practices and sales of audiences are socially constructed by institutional stakeholders in a specific media market and guided by economic and political motives (Ettema & Whitney, 1994; Napoli, 2011). This is especially the case, when the aim is to integrate existing data in new systems (Viljakainen, 2013b). Eisenhardt and Graebner (2007) suggest that a sample should be such that it is able to fully cover all relevant aspects of the phenomena under study (Eisenhardt & Graebner, 2007). Therefore, the sample of this study consists of all relevant individuals – including project initiators and leaders – who took part in the national projects where common audience information systems for all media were built to the advertising markets. The aim of this method was to strengthen the reliability of the results. The individuals who took part in the projects came from a variety of backgrounds and were carefully peer-selected by other members in the projects because of their distinctive knowledge and competencies. These individuals were representatives from media firms, media agencies (i.e. firms that buy media advertising space and airtime on behalf of advertisers), consultants that had previously worked within the media industry, associations representing the interests of media and advertisers, and research firms that develop and commercialize audience information systems. The sampling followed the snowball sampling method (Arksey & Knight, 1999) where new people were contacted and interviewed based on recommendations obtained from other interviewees. It was possible to interview all key people who took part in the national audience information systems building projects because of references from colleagues and the small Nordic media community where people are closely connected. In Article 2 the data consists of 50 semi-structured face-to-face interviews in selected case organizations in Finland, Denmark, and Norway (no data was obtained from Sweden). The

majority of these interviews (n = 39) is the same as in Article 1, but also new interviews were conducted with magazine publishing professionals (n = 11). These additional interviews were part of the data-set from Articles 3 and 4.

The findings in Articles 3 and 4 are based on case study research conducted in two Nordic countries: Finland and Norway. The main data consists of 13 semi-structured face-to-face interviews within ten companies, and two lobbying organizations. In one company two people were interviewed. In total, nine interviews were conducted in Finland, and four in Norway. The chosen publishers include key players in the surveyed magazine markets; in other words, they are among the largest publishers of consumer magazines in terms of circulations and readerships. In order to be able to fully capture the phenomena under study – servitization and increasing value orientation – both SMEs and large media conglomerates were selected to the sample.

Table 3 shows the case study sample with the number of interviewees, the company name, the line of business, and the country and time of interview. Table 4 presents the case study sample in terms of the home domicile, geographical presence, the main media activities, number of personnel and total revenue of each selected company. The main criterion was that the selected publishers are established in the local media markets with media brands that reach large audiences. Therefore, the main media brands for each organization are also identified.

Table 3. Case study sample indicating the company name, the number of interviewees from each company (figure in brackets), the country and time of interview, and line of business of the interviewed firm.

Company	Country	Line of business	Time of interview
A-lehdet Oy (1)	Finland	Media firm	Spring 2010
Alma Media Kustannus Oy Aamulehti (1)	Finland	Media firm	Spring 2010
Dagmar Oy (1)	Finland	Media agency	Spring 2010
Finnish Audit Bureau of Circulations (1)	Finland	Monitoring national newspaper and magazine readerships	Spring 2010
Finnpanel Oy (4)	Finland	Monitoring national TV and radio consumption	Spring 2010
IAB Finland (1)	Finland	Trade association for digital marketing	Spring 2010
Outdoor Impact (1)	Finland	Trade association for outdoor media	Spring 2010
PHD Worldwide (1)	Finland	Media agency	Spring 2010
Public service broadcasting company YLE (1)	Finland	Media firm	Spring 2010
Sanoma Television Oy / Nelonen Media (1)	Finland	Media firm	Spring 2010
The Association of Finnish Advertisers (1)	Finland	Trade association for advertisers	Spring 2010
The Finnish Association of Marketing Communication Agencies (1)	Finland	Trade association for communications industries	Spring 2010
TNS Gallup (4)	Finland	Market research	Spring 2010
Alma Media Kustannus Oy Aamulehti (1)	Finland	Media firm	Fall 2010
Lapin Kansa (1)	Finland	Media firm	Fall 2010
Suomen Paikallissanomat Oy (1)	Finland	Media firm	Fall 2010

The Finnish Newspapers Association (1)	Finland	Trade association	Spring 2011
The Finnish Periodical Publishers' Association (FPPA) (1)	Finland	Trade association	Spring 2011
Otavamedia (1)	Finland	Media firm	Spring 2011
Sanoma Magazines Finland (1)	Finland	Media firm	Spring 2011
Sanoma Media Finland (1)	Finland	Media firm	Spring 2011
Aller Media (1)	Finland	Media firm	Fall 2011
Aller Norge (1)	Norway	Media firm	Fall 2011
Bonnier Media (1)	Norway	Media firm	Fall 2011
Bonnier Publications (1)	Finland	Media firm	Fall 2011
Egmont Hjemmet Mortensen (1)	Norway	Media firm	Fall 2011
Forma Publishing Group Oy (1)	Finland	Media firm	Fall 2011
JCDecaux Finland (1)	Finland	Media firm	Fall 2011
TNS Gallup Norge (1)	Norway	Market research	Fall 2011
Aegis Media / Carat (1)	Norway	Media agency	Spring 2012
Analysetjenester AS (1)	Norway	Consulting	Spring 2012
ANFO Annonsørforeningen (1)	Norway	Trade association for advertisers	Spring 2012
Carat København (1)	Denmark	Media agency	Spring 2012
Dansk Annonsørforening (1)	Denmark	Trade association for advertisers	Spring 2012
Kreativitet & Kommunikation DRRB (1)	Denmark	Trade organisation for communications industries	Spring 2012
MediaCom (1)	Denmark	Media agency	Spring 2012
Mediebedriftenes Landsforening (MBL) (1)	Norway	Trade association for media organizations	Spring 2012

TNS Gallup Denmark (1)	Denmark	Market research	Spring 2012
TNS Gallup (1)	Finland	Market research	Spring 2012
A-lehdet Oy (1)	Finland	Media firm	Fall 2012
Aller Holding A/S (2)	Denmark	Media firm	Fall 2012
Bonnier Publications (1)	Denmark	Media firm	Fall 2012
Sanoma Magazines Finland (1)	Finland	Media firm	Fall 2012

Table 4. The domicile, geographical domain, main media activities, total revenue, size, and main brands of the sample media organizations (Harrie, 2009; Annual reports).

Media Company	Domicile	Geographical diversification	Main media activities	Total revenue M€ [2013] 2012 (2011)	No. of personnel [2013] 2012 (2011)	Main media brands
A-lehdet Oy¹	Finland	FI, Baltic countries	Magazines and periodicals, digital services	95	479	Eeva (FI), Apu (FI), Avotakka (FI)
Aller Holding AS	Denmark	DK, FI, NO, SE	Magazines and periodicals, books, digital services	(560)	(2,024)	7 päivää (FI), Familie Journalen (DK), Se og Hør (NO), Allers (SE)
Alma Media Oy²	Finland	FI, SE, Baltic countries, other countries in Europe	Newspapers, magazines and periodicals, minor interest in TV distribution, digital services	320	2,851	Aamulehti (FI), Iltalehti (FI), Kauppalehti (FI)
Bonnier AB	Sweden	DK, FI, NO, SE, Baltic countries, other countries in Europe and the world	Newspapers, magazines and periodicals, books, radio, TV/film production, TV channels, film/video distribution, music publishing, digital services	3,349	(10,144)	Børsen (DK), Bo bedre (DK), Dagens nyheter (SE), Illustrert vitenskap (NO), Radio Nova (FI), MTV3 (FI), TV 4 (SE)
Egmont	Denmark	DK, FI, NO, SE, Baltic countries, other countries in Europe and the world	Magazines and periodicals, books, radio, TV/film production, TV channels, main interest in TV distribution, film/video distribution, music, digital services	[1,621]	[6,400]	Hjemmet (DK, NO), Hemmets Journal (SE), TV 2 (NO)
Otavamedia	Finland	FI, Baltic countries	Magazines and periodicals	[144]	[433]	TV-Maailma (FI), Seura, (FI), Kotiliesi (FI)
Yleisradio Oy	Finland	FI, SE	Radio, TV/film production, TV channels, digital services	(3092)	(3092)	Yle Radio 1 (FI), TV 1 (FI), YLE Finland (SE)
Sanoma Media³	Finland	DE, FI, NO, SE, Baltic countries, other countries in Europe	Newspapers, magazines and periodicals, books, radio, TV channels, TV distribution, film/video distribution, digital services	[2,219]	[9,597]	Helsingin Sanomat (FI), Aku Ankka (FI), Radio Aalto (FI), Nelonen (FI)

¹ Forma Publishing Group Oy bought by A-lehdet Oy on 16.4.2012; ² Lapin Kansa, Suomen Palokallissanomat Oy and Aamulehti owned by Alma Media Oy;

³ Sanoma Magazines Finland and Sanoma Television Oy owned by Sanoma Media

The majority of interviewees in the study are from the top management or management positions; the occupations in the sample are presented in Table 5. In Articles 1 and 2, the interviewees were individuals who had an important role in the building of national audience information systems, thus the sample does include individuals not necessarily from top management positions. The interviewees in Articles 2 and 3 represented mainly the top management whose concern the issues of the business model are.

Table 5. Interviewees by occupation in the sample.

Occupations of interviewees	Number of interviewees
Managing Director MD / Chief Executive Officer CEO	15
Deputy MD	1
Senior Vice President of Marketing	1
Country Manager	1
Business Development Director	1
Business Unit Director	2
Buying Director	1
Client Service Director	1
Creative Director	1
CRM Director	1
Director of Sales and Marketing	1
Director of Consumer Insight	6
Marketing and Associate Director	1
Marketing and Research Director	2
Marketing Director	3
Planning Director	1
Production Director	1
Research Director	3
Purchase and Production Manager	1
Customer Insight Manager	1
Account Manager	1
Consultant	2
Managing Editor	1
Journalist	1

2.1.4 Research process

The findings of this study are based on research work conducted in three projects (see Chapter 2.1.3). In project 1, the author of this study was responsible for the research and reporting of the state-of-the-art of national and international audience information systems, concentrating in particular on the building of a common

audience information system to the Finnish market. In project 2 the author was the project leader and the sole researcher focusing on the building of audience information systems in the Nordic advertising markets (Finland, Norway, and Denmark). In project 3 the author was task leader and responsible for the survey and analysis of the business transformation in Nordic magazine publishing markets. The entire research process is presented at the end of this chapter in Figure 6, and explained thoroughly in the following chapter.

The research work was guided by two project steering groups, which met on a regular basis. The first steering group meetings were the subset for each research project with the scope of research and research/interview questions mutually agreed upon. The first project steering group was focusing on the development of audience information systems and met seven times between the years of 2010 and 2011. The second steering group was looking at the future of magazine publishing and met six times between 2010 and 2012. The author presented the progress of her work as well as findings from literature and case studies in these group meetings, but also in conferences (nine in total between the years of 2012 and 2014), and workshops (one workshop in spring 2011 and three in spring 2013). During these occasions she was given direct feedback. This practice was important for increasing the reliability of the results and reducing researcher bias. Also, these encounters gave some implications as of the generalizability of the research findings. The author was similarly given suggestions for new research avenues that most often led to the extension of interview questionnaires.

Models developed in this study – the four-field model on audience information systems developed in Article 1 and the service-logic business model in Article 3 – were externally validated in the encounters with the steering groups in spring 2012 and spring 2013, respectively. This practice is often referred to as *communicative validation* where knowledge claims are given to members in relevant communities for discussion and falsification – commonly used in qualitative research to legitimate knowledge (Kvale, 1996). The first steering group consisted of representatives from media firms (newspaper and magazine publishing, TV and radio broadcasting), media agencies, and associations representing the interest of media and advertisers, as well as market research companies. The participants in the second steering group came from magazine publishing, paper and pulp, and printing companies, as well as associations representing the interest of media. Academics from other research institutes and universities were present in the steering groups intensifying the extent of falsification endeavours thus augmenting the validity of knowledge (cf. Kvale, 1996). The author also presented her findings in workshops and conferences arranged by the Finnish Service Alliance, with participants from universities and research institutes from Finland and the U.S., as well as industrial representatives. At the final stages of writing she presented her work at a seminar arranged in the University of Cambridge. Furthermore, the trustworthiness and applicability of knowledge was tested in the form of developing new frameworks; this practice refers to *pragmatic validation* (cf. Kvale, 1996).

The articles are placed in the order of their writing, which portrays the development of thinking. This is a logical approach, because the aim was to develop theory of the phenomena as it happens in the real-world – the key capacity of a theory building approach (cf. Eisenhardt, 1989; Yin, 1994). The research process progressed from understanding the phenomena in the field of media management and economics to the emergence of S-D logic from empirical data; the data collection and analysis of the third article was in progress when writing the second article. In other words, S-D logic emerged from data concerning the futures of magazine publishing, while the author was writing both early draft of the third article, and the second article on the evolution of audience information systems. Conducting data collection in parallel with writing early draft versions of the literature review and methodology is not uncommon in case study research (Rowley, 2002). With inductive research as strategy, initial research questions were defined in the beginning of each research project, which were then crystallized during the research process. Yin (1994, 2003) suggests that the use of a theoretical framework based on existing research is useful in guiding a case study research process, and drawing conclusions from data. Theoretical framework drawn from literature is also important in formulating the research question (Rowley, 2002). Both research projects in this study began with a literature review covering both academic literature and open-access industry research reports and analysis. Archival and statistical data on the general change indicators – for example, magazine readerships and circulations, and the sales of audiences – were used as supplementary material.

This study used interviews and written documents as data sources which is common in case study research (cf. Rowley, 2002). The main data consists of face-to-face interviews that were conducted between the years of 2010 and 2012. This method was chosen, because it is particularly suitable for studying strategic phenomena allowing interviewees to reflect on their day-to-day practices (Eisenhardt & Graebner, 2007). Face-to-face interviewing enables the collection of detailed and tacit knowledge that portray well the reality, because the motivation of the interviewees is usually high. The main challenge compared to many other more structured approaches is the risk of making subjective interpretations of the results. Thus, the interviewer must possess adequate craftsmanship conducting interviews and extensive knowledge of the theme of interest, because (s)he participates in knowledge production (Kvale, 1996). In this study the risk of subjectivity in interpretation of results was attempted to diminish by using two researchers in data collection and analysis (Articles 2 and 3), doing an extensive literature review on a wide range of theoretical frameworks before and during data collection, and presenting the preliminary findings on continuous basis to industrial representatives and group of peers in various conferences, meetings, and workshops. Also, around half of the steering group meetings and workshops were recorded, and two of them were transcribed. This material has been used as data in Articles 1 and 2, in the same way as interview transcribes. After each meeting minutes were written

and sent to the board members for approval. These written documents have also been used as data sources.

In the present study the interview method was focused (semi-structured), where the general themes of interest were decided beforehand but within them the respondents were given a great deal of freedom to respond the interviewer making additional questions based on what was said (Bryman & Bell, 2011; Fontana & Frey, 2005). The issue of reliability must be carefully considered in interviewing; the use of more than one person and the knowledge development of each interviewer during the research process do affect the development of discussions and thus knowledge that is collected. Thus, basing data collection and analysis on strong theoretical ground increases the reliability of results. (Kvale, 1996) Also, an interview guide increases the reliability of the findings especially when there were more than one interviewer (Yin, 2003). In this study interview guides with the general themes of interests were used. The theme structure in Articles 1 and 2 included the driving forces and mechanisms behind interorganizational cooperation in advertising markets with respect to audience sales and measurement practices. The structure in Articles 2 and 3 included general change mapping in the magazine markets, and more specific questions about the business model change and the transformation towards increasing service orientation. The lists of research and interview topics are presented in Appendix A (Articles 1 and 2) and Appendix B (Articles 3 and 4). Theoretical saturation in data collection was reached when no new categories or properties emerged to explain the frameworks of the study (Glaser & Strauss, 1967).

The research process and data analysis in this study followed an *abductive research process*, which is appropriate when the aim is to discover something new. This is an iterative process of systematically going back and forth between theory and data. During this process a new framework is built so as to have a better understanding of the phenomenon under study. (Dubois & Gadde, 2002) The aim of the empirical data analysis and interpretation in this study was to develop a holistic understanding based on the interviewees' responses, and thus a coding tool was not used. Quotations illustrate the level at which extracts were drawn from the transcribed material. The technique was a modification of a matrix format, whose purpose is to derive meanings from data and reduce the vast amount of data (Huberman & Miles, 1994). In this technique constructs are placed on one axis, and occurrences on the other, to enable the analysis of complex qualitative data. The way in which empirical data was handled is explicitly illustrated in Article 4, where the trends table (see Chapter 4.5) forms the basis of analysis. Here, trends are placed as constructs, and their impacts and discontinuities are seen as their occurrences. The data analysis technique in all articles followed this approach. For example, in Article 3 the building blocks of the business model canvas (Osterwalder & Pigneur, 2002, 2009) formed the constructs and the expressions of the increasing service orientation formed the occurrences. Step by step – along with the deepening of theoretical knowledge and finding contradictions to

existing knowledge – either new or modified frameworks were developed. The data analysis procedures followed the steps introduced by Bryman and Bell (2011), where the interview transcripts are handled many times. In this technique the initial rounds concentrate on getting the general picture without making interpretations, and the following rounds on making notes and finding contradictions, and finally on developing a radically modified framework based on deeper theoretical analysis. The final stage also includes the re-coding of data to enable an empirical illustration of the new framework. Following Yin (2003) two researchers performed data analysis in the initial rounds before entering into the later stages.

The summary of the research process is presented in Figure 6.

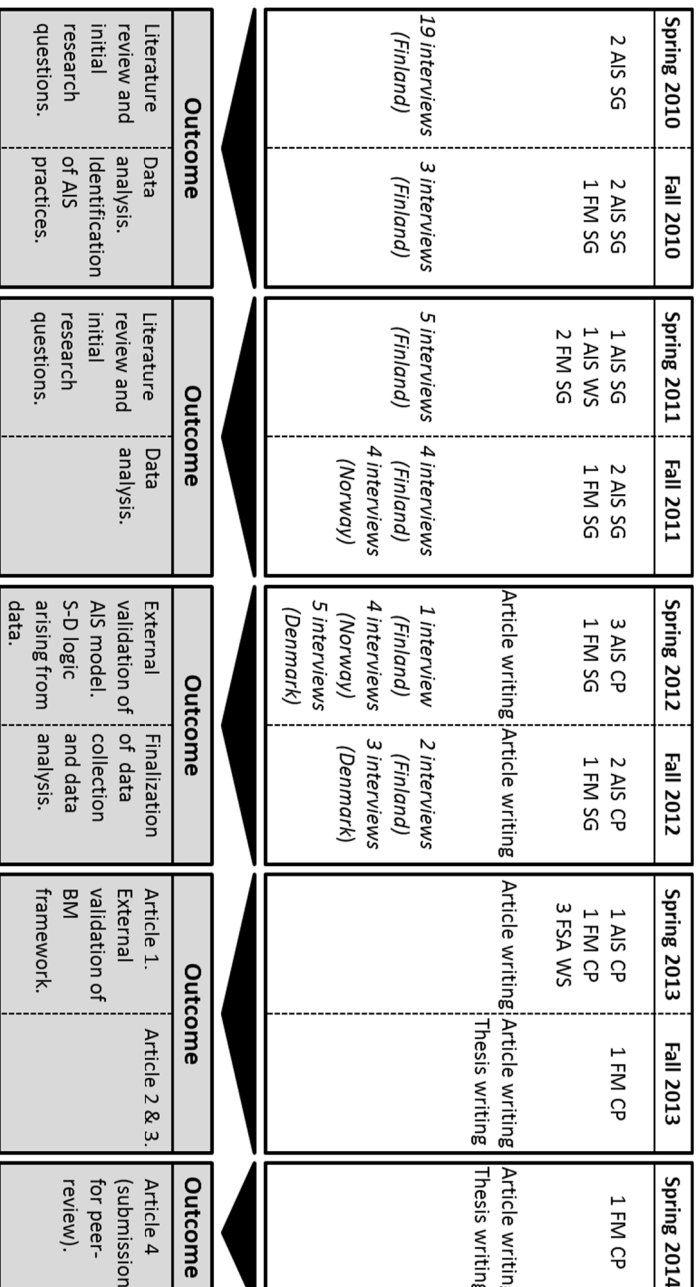


Figure 6. The research process.

3. Literature review

'The paradox of the twenty-first-century economy: Consumers have more choices that yield less satisfaction. Top management has more strategic options that yield less value. [...] We now need a new frame of reference for value creation. The answer, we believe, lies in a different premise centred on *co-creation* of value. It begins with the changing role of the consumer in the industrial system.'

(Prahalad & Ramaswamy, 2004, p. 2)

'Strategy is the art of creating value [...] strategy is the way a company defines its business and links together the only two resources that really matter in today's economy: knowledge and relationships or an organization's competencies and customers.'

(Normann & Ramirez, 1993, p. 65)

The following chapters introduce the theoretical foundations of this study. The chapter begins with a background analysis on why the value perspective is becoming to the fore in many areas of research, and the reasons behind choosing S-D logic as the main conceptual lens for this study. This is followed by a more profound review on the service-dominant (S-D) logic – its roots and main differences to the dominant academic and managerial thinking. Thereafter, the study introduces servitization as a competitive strategy based on service offerings (Anderson & Narus, 1995; Baines et al., 2009; Oliva & Kallenberg, 2003), and explores the linkage between industry servitization and adaptation of S-D logic. It is important to note here, that servitization clearly distinguishes between products and services assuming firms can create value. *It is, however, an interesting question whether increases in service offerings may contribute to the awareness of the significance of value co-creation, and therefore both phenomena are discussed.* The chapter concludes with review of the media management and media economics, and discusses the novelty when S-D logic is applied to this domain.

3.1 Background

The fundamental logic how a firm creates value is changing as the world markets are becoming more competitive and increasingly unpredictable (Normann & Ramirez, 1993). The forces of competition are changing in response to the major events taking place since the 1990s – convergence of industries and technological development among them (Prahalad & Ramaswamy, 2004). The value perspective is becoming to the fore in many fields of research and the focus is increasingly shifted from the provider perspective on the use value, the ‘user’ being a ‘customer’ or ‘client’ (Kim & Mauborgne, 1999; Matthyssens & Vandenbempt, 2008). There is an emerging reality that individuals are not passive recipients of goods, but rather, they actively participate in the process of value creation of institutions – governmental bodies, hospitals, universities, firms, and alike. The role of the consumer is seen as changing due to technological advances; people are becoming increasingly *knowledgeable* with access to extraordinary amount of information, *connected* to one another, and *active* in experimenting and sharing. (Prahalad & Ramaswamy, 2004) Hence, the traditional view that organizations unilaterally create value by embedding it into products and exchange it for money with consumers is being replaced with the idea that individuals and their communities and firms and their networks jointly co-create value (Grönroos, 2008; Vargo & Lusch, 2004a). In a value-based approach a firm does not create value *for* the consumer, but co-creates *with* the customer. (Prahalad & Ramaswamy, 2004)

The perspective of value creation from the viewpoint of the customer is surfacing in service research, too. Service is increasingly seen as a perspective or mindset, rather than a specific type of market offering. (Edvardsson, Gustafsson, & Roos, 2005) A value-based view, with service as a mediating factor in the process of value creation, is introducing new opportunities for firms to develop their business strategies in ways that has traditionally been unique to service firms only (Grönroos & Ravald, 2009; Grönroos, 2011a). A value-based approach suggests that companies obtain competitive advantage and profitable growth by offering their clients new value that goes beyond the conventional context. New value offerings are born by redefining clients’ problems, discovering hidden demands or creating new demands. (Hoover, Eloranta, Holmström, & Huttunen, 2001; Kim & Mauborgne, 1999; Matthyssens & Vandenbempt, 2008) When the focus is changed from product manufacturing to offering customer-centric solutions firms begin to integrate resources from partner networks that cross conventional industry borders (Normann & Ramirez, 1993). Within these networks, the task of a firm is to leverage and reconfigure resources which enable unique co-creation experiences, because value is created when customers satisfy their unique needs while interacting with firms and other customers (Prahalad & Ramaswamy, 2004). In other words, resources need to be mobilized to co-create value (Nenonen & Storbacka, 2010b). The role of a *value proposition* is no longer to act as the proposal for a service offering, but rather to offer co-creation opportunities and build

resource integration between different social and economic actors within service ecosystems (Frow et al., 2014; Vargo & Lusch, 2010). *Service ecosystems* are 'relatively self-contained, self-adjusting systems of resource-integrating actors connected by shared institutional logics and mutual value creation through service exchange' (Lusch & Vargo, 2014, p. 161). An ecosystem perspective looks at the relationships and interdependencies between actors and the way in which actors adapt to and evolve due to environmental changes, or alternatively the way in which ecosystems collapse when the changes taking place are too drastic (Frow et al., 2014).

A shift from seeing value creation taking place within firm boundaries to seeing value being co-created in a networked market has initiated the need to change the concepts used to depict and manage value creation. *Service-dominant (S-D) logic* is a value co-creation perspective that attempts to do so. (Nenonen & Storbacka, 2010a) In effect, S-D logic is one of the most influential new approaches in scholarly marketing debate that highlights the important role of customers in value networks and in the process of value co-creation. S-D logic argues that co-creation of value between the provider and the customer is the core phenomenon of service. This argument does not radically differ from many other theories of the service marketing school (for example Berry, 1983; Grönroos, 1982, 2000; Parasuraman, Zeithaml, & Berry, 1985), within which S-D logic has emerged (Vargo & Lusch, 2008c). The main novelty in S-D logic is seeing service as the basis for business activity and as a new logic for general management and marketing (Gummesson et al., 2010). Consequently, S-D logic extends the perspective from the customer-provider dyad to broader contexts in markets and social systems. It links the conceptualization of value creation to the emerging thinking about the institutional and ecosystems nature of the market and the firm (Vargo, 2009). When the perspective is extended to the broader context, S-D logic is linked to studies in several different disciplines, such as institutional economics and systems theory, the resource-advantage theory, core competency theory, and the market orientation (Vargo & Lusch, 2004a; Vargo, 2009). S-D logic is seen to reduce the gap between the separated thoughts of B2B and B2C marketing (Vargo & Lusch, 2008c).

3.2 Service-dominant (S-D) logic

This section first briefly discusses the historical roots of S-D logic, and then moves on to the discussion on how S-D logic differs from the contemporary goods-centred view that considers goods as the main unit of exchange and source of economic activity.

3.2.1 A brief history of S-D logic

The formal marketing scholarship inherited its foundation from classical and neo-classic economics that dominated in the 19th and the beginning of the 20th century. The seminal work of Adam Smith (1904, 'The Wealth of Nations') formed the foundations for present-day economics and marketing disciplines by concentrating on tangible output that can be quantifiable in terms of exchange value. (For a profound historical review, see Lusch & Vargo, 2006; Vargo & Lusch, 2004) The subdiscipline of services marketing emerged in the U.S. in the late 1970s to separate services² from goods by having distinctive characteristics of *intangibility* (as opposed to the tangible nature of physical products), *inseparability* (simultaneous production and consumption), *heterogeneity* (inability to standardize), and *perishability* (inability to produce ahead or place in inventory) (Lovelock & Gummesson, 2004; qtd in Vargo & Lusch, 2008a, 2008c). At the same time service marketing was introduced in the Nordic School of Marketing, emphasizing customer focus, relationships, and the network nature of service (Grönroos, 1982, 2004, 2007). Both services and service marketing are important foundations for S-D logic (Vargo & Lusch, 2008b). However, Vargo and Lusch (2006) argue that the marketing school of thought should not separate goods and services into distinct research areas, but rather, the whole economy should be considered as service economy where the basis for business activity is *service*. Service is defined as 'the application of specialized competences (knowledge and skills), through deeds, processes, and performances for the benefit of another entity or the entity itself' (i.e. self-service) (Vargo & Lusch, 2004a, p. 2). In other words, service is provided either directly applying the specialized competencies among parties, or indirectly embedding the specialized skills and knowledge in a service vehicle, that is, a good (Vargo & Lusch, 2008c). Consequently, S-D logic evolved from the mainstream service management school of thought in the 2000s (Gummesson et al., 2010).

The article titled "Evolving to a New Dominant Logic for Marketing" by Stephen L. Vargo and Robert L. Lusch published in the *Journal of Marketing* in January 2004 was outset of the S-D logic. In this article S-D logic is defined as a 'funda-

² Apart from services and service marketing, services have been studied in several other scientific fields such as service economy (Canton, 1984; Gallouj, 2002; Gummesson, 1995; Metcalfe & Miles, 2000), service engineering (Bullinger, Fähnrich, & Meiren, 2003; Meiren, 1999; Sakao & Shimomura, 2007), service operations management (Neely, 2008; Roth & Menor, 2003; Voss & Zomerdijk, 2007), and service innovation (Chesbrough, 2005; Spohrer & Maglio, 2008). In addition to the business economics, service research has also been active for example in the fields of sociology, economics, regional studies, and general innovation studies.

mental shift in worldview' (p. 2). It has also been seen as a 'management philosophy' or 'mindset' (Lusch & Vargo, 2008). Later it was seen as an 'organizing framework, rather than theory' (Vargo & Lusch, 2008a) 'for understanding economic phenomena' (Lusch & Vargo, 2011, p. 1303). Gummesson and his colleagues (2010, p. 17) argue it is a 'new logic for management in general and for marketing and the functioning of the market economy'. S-D logic can also be seen as a 'shift in *logic of exchange*, not just a shift in *type of product* that is under investigation' (Vargo, 2007, p. 56, emphasis in original), and a 'conceptual lens through which we can view exchange, markets, enterprises, and *competing through service*' (Lusch, Vargo, & O'Brien, 2007, p. 5; emphasis in original). Maglio et al. (2009, p. 397) crystallizes it as 'a new paradigm for thinking about resources, exchange, and human action.'

S-D logic stresses the perspective of reciprocal exchange and application of resources and value creation in networks (i.e. the service-for-service foundation). This argument is in line with the network theory (Håkansson & Snehota, 1995). The available resources in the network and the value creation context determine how value is perceived (Vargo, 2007). S-D logic suggests that organizations, households, and individuals are all resource integrators and co-creators of value, and the process of service is performed through intermediaries – organizations, money, goods, and networks (Vargo & Lusch, 2008c). The general locus for value co-creation in S-D logic is a *service system* that consists not only of the provider and customer but also of other stakeholders, including competitors. A firm needs to commit itself to collaborate with and provide service to all parties in the system (Lusch et al., 2007). Maglio et al. (2009) and Spohrer et al. (2007) suggest organizations, households, and individuals are all service systems with dynamic resources that co-create value through interaction and resource integration. Spohrer et al. (2007, p. 7) define a service system as 'a value-coproduction configuration of people, technology, other internal and external service systems, and shared information.' Taking a systemic perspective inherently suggests that the focus is put on the benefit each actor in the system generates for the whole (actor-to-actor, A2A; Vargo & Lusch, 2011; Wieland, Polese, Vargo, & Lusch, 2012). This is especially interesting in the case context of this study – the media markets – where the fostering of engagement platforms and empowerment of people in communities is becoming increasingly apparent.

It is suggested that S-D logic, to date, is not a theory, but rather 'a logic, perhaps one that can unite other logics and form the foundation and lexicon for a unified theory' (Vargo & Lusch, 2008c, p. 32). Vargo (2007) argues that S-D logic has been initiated to return to a *theory of exchange* or the *theory of the market*, to challenge the general *theory of marketing* offered by the economics disciplines; i.e. the focus is to be shifted from products back to the understanding how to create value. The dialogue between S-D logic researchers and service scholars outside the marketing school is only beginning. This study attempts to fill this gap by using S-D logic in the exploration of industry transformation.

3.2.2 S-D logic versus G-D logic

S-D logic starts from the critique of the traditional economics worldview – the *goods-dominant (G-D) logic* – that is the main basis of contemporary academic thinking and managerial efforts (Lusch & Vargo, 2006b; Maglio et al., 2009; Vargo & Lusch, 2004a; Vargo, 2007). G-D logic is seen as a manufacturing-based model of marketing (or a ‘neoclassical economics research tradition’ [Hunt, 2000], ‘manufacturing logic’ [Normann, 2001], and ‘old enterprise logic’ [Zuboff & Maxmin, 2002]; qtd in Vargo & Lusch, 2008c) that was developed during the Industrial Revolution, which treats units of output (tangible goods and intangible services) as the key components of exchange. Following the economics discipline, value is the property of goods that are created by the firm and then distributed to consumers. S-D logic does not separate products from services, but see them as tools or vehicles for service provision; i.e. the purpose of goods is to deliver service. (Lusch et al., 2007; Vargo & Lusch, 2004a, 2004b) Services, like goods, render service that creates value (Gummesson, 1995; Kotler, 1977), including the satisfaction of higher order needs (Vargo & Lusch, 2004b). As such, S-D logic treats goods subordinates to service in respect to their classification and function, but not inferior because they function as the intermediaries (Vargo & Lusch, 2006). The central differences between G-D and S-D logics are summarized at the end of this chapter in Table 7.

Discussions about the financial issues, such as the productivity and profitability of a firm, are only beginning in S-D logic. This discussion is essential when the framework is applied to the business management and economics disciplines. S-D logic recommends the increasing of efficiency through effectiveness instead of making efficiency primary, suggesting firms should consider financial feedback as a way to learn to get better at serving customers and not focus solely on profit maximization (Vargo & Lusch, 2004a; Vargo, 2009). Financial feedback in S-D logic terms may, or may not, include profits (Lusch & Vargo, 2006a). Thus, S-D logic suggests a long-term orientation with emphasis on learning when it comes to finances, which is not necessarily congruent with the Western capital markets’ focus on short-term goals (Payne, Storbacka, & Frow, 2008). Following S-D logic price may be set for a product or service as part of the value proposition but it can only be confirmed as value in the use context (Lusch & Vargo, 2006b).

Acknowledging financial aspects (i.e. pricing, revenue and cost structures) from the focal company perspective are necessary in the business model context (Osterwalder & Pigneur, 2009; Osterwalder, 2004). A business model is a managerial tool that depicts the business opportunities from the focal company perspective and does not focus on the activities of customers and partners *per se* (cf. Nenonen & Storbacka, 2010; Zott & Amit, 2010). Firms that adopt S-D logic need to develop new strategies and practices for interacting with customers and partners (Vargo & Lusch, 2004a; Vargo, Maglio, & Akaka, 2008). For instance the

elements in a co-production process are to be planned to achieve a successful customer experience (Edvardsson, 1997) and sustainable competitive advantage. To succeed in the creation of successful customer experiences the value propositions must meet customer expectations. Thus, not only do firms need better understanding of the use context, they also need tools to convince their customers beforehand about the use-value (Kowalkowski, 2010). Following this premise, practical implications that can be embraced by company managers are necessary for engaging practitioners into a new logic (cf. Levy, 2006). For the majority of firms it poses a challenge to continuously concentrate solely on value-in-use (Kowalkowski, 2010), and for this reason it is important to develop tools that pinpoint how customer value is actually monetized.

Instead of marketing *to* customers, S-D logic focuses on marketing *with* customers and other stakeholders to co-create value. The firm is seen as a resource integrator. S-D logic makes a distinction between *operand resources* (i.e. tangible and static resources that require action to become valuable) and *operant resources* (i.e. intangible and dynamic resources capable of creating value); the former being the main emphasis in G-D logic and the latter the key source of competitive advantage under S-D logic. (Vargo & Lusch, 2004a, 2008b) Vargo and Lusch (2004a, 2008b) argue that G-D logic is an outdated logic, because it separates the producer and the customer mainly for the reasons of maximizing organizational efficiency and profits; producing and standardizing goods away from the market increases production control and efficiency. G-D logic focuses on the exchange of output (Vargo & Lusch, 2004b), whereas S-D logic looks at the process of collaborative value creation in ecosystems of individuals and organizations, where each party specializes in, exchanges, and applies competencies for their own wellbeing (Lusch et al., 2007). S-D logic shifts the focus from transactions to a relational approach; to long-term relationships that are based on interaction and collaboration (Vargo & Lusch, 2008c). Collaborative network relations where firms can simultaneously collaborate and compete are based on the idea of transparency and information symmetry (Lusch & Vargo, 2006a; Vargo & Lusch, 2004a). Information symmetry refers to equity and the sharing of relevant information that enables employees, customers, and partners to make more informed decisions. It has become vitally important in a global marketplace to increase the trustworthiness of organisations. (Lusch, Vargo, & Malter, 2006) Information symmetry may however be a great challenge to obtain in reality due to power struggles and politics. Furthermore, not all relationships can or must be built for long-term, especially when customers or partners are G-D orientated. (Kowalkowski, 2010, 2011a)

Central views and concepts distinguishing the differences between the goods-dominant and the service-dominant logic are summarized in Table 7.

Table 7. Central views differentiating goods-dominant and service-dominant logics (Lusch et al., 2007; Lusch & Vargo, 2006a; Maglio et al., 2009; Merz, He, & Vargo, 2009; Vargo & Lusch, 2004a, 2011; Vargo et al., 2008).

	Goods-dominant (G-D) logic	Service-dominant (S-D) logic
Unit of exchange and basis for competition	<ul style="list-style-type: none"> • Production of merchandise. • People exchange money for goods. • Value utility of the product destroyed in the consumption process. • Goods are the source of competitive advantage. • Brands are operand resources. • Brand value embedded in the physical goods through value-in-exchange. 	<ul style="list-style-type: none"> • Exchange of knowledge and skills. • Service is exchanged for service. • Value created for both parties in the exchange. • Operand resources as source of competitive advantage; they enable the development of compelling value propositions to changing customer needs. • Brands are operand resources. • Brand value co-created with stakeholders through value-in-use.
Role of goods	<ul style="list-style-type: none"> • Units of output. • End products produced and distributed by firms. • Services add-ons to enhance the value of products. 	<ul style="list-style-type: none"> • Vehicles for service provision and distribution.
Value of goods	<ul style="list-style-type: none"> • Measured in terms of value-in-exchange (i.e. price). • Value embedded in products added by producers. • Focus on transactional exchange. 	<ul style="list-style-type: none"> • Measured in terms of value-in-use (i.e. economic, functional, and psychological dimensions of value). • Applying competencies that makes goods useful and valuable. • Focus on relational exchange: customers combine and <i>experience</i> service-related resources.
Meaning of value	<ul style="list-style-type: none"> • Determined by the <i>supplier/producer</i>. • Value produced by adding attributes to products and services. 	<ul style="list-style-type: none"> • Value is <i>co-created</i>. • Value determined uniquely and phenomenologically by the beneficiary in the consumption process either in direct interaction or indirectly mediated by a good. • Firms can only offer value propositions.

Organizational resources	<ul style="list-style-type: none"> • Tangibles. 	<ul style="list-style-type: none"> • Competences (knowledge and skills), relationships, information.
Role of firm	<ul style="list-style-type: none"> • Produce and distribute value. 	<ul style="list-style-type: none"> • Resource integrators engaging customers and network partners in value co-creation. • Value co-creation: (1) co-creation of value (i.e. value-in-use or 'consumption' process) and (2) co-production of service (i.e. shared creation of the core offering).
Role of customer	<ul style="list-style-type: none"> • <i>Target</i>: recipient of goods who destroy value created by producer. • <i>Operand resource</i>: a static resource to be acted on to create value. • <i>Consumers</i>, segmented and isolated entities being targeted and promoted to (one-sided, propagandistic) advertising. 	<ul style="list-style-type: none"> • <i>Resource</i>: co-creators of value and co-producers of service. • <i>Operand resource</i>: a dynamic resource capable of creating value by performing actions to other resources. • <i>Beneficiaries</i> related to the context of their networks being engaged into conversation and dialog. • Source of innovation.
External environment	<ul style="list-style-type: none"> • Uncontrollable to which firms need to adapt. • Firm withholds information from customers and partners, based on knowledge barriers and favouring systems (information asymmetry). 	<ul style="list-style-type: none"> • A resource firms can benefit from and co-create with. • Firms operate and collaborate in value networks that draw upon the collection of resources. • Relevant information shared with customers and partners, based on trust, truth, and openness (information symmetry).
Source of economic growth	<ul style="list-style-type: none"> • Selling goods (products and services). • Focus on profit maximization from output sales. 	<ul style="list-style-type: none"> • Applying and exchanging specialized knowledge and skills. • Focus on financial feedback and learning to become better at serving customers and, thus, making money.

3.3 Servitization

Servitization is a phenomenon recognized in the industrial context over two decades ago as an approach to create new value to customers by adding services to material products (Vandermerwe & Rada, 1988). It is a market strategy being adopted by more and more companies particularly in the B2B manufacturing context to differentiate the firm from its competitors (Baines et al., 2009; Brown, Gustafsson, & Witell, 2009; Kowalkowski, Witell, & Gustafsson, 2013; Neely, 2008). Literature on servitization generally suggests that firms initially offer products, and start adding more and more advanced services to their offering as they accumulate more experience and value adding capabilities in service business (Gebauer et al., 2005; Oliva & Kallenberg, 2003). Oliva & Kallenberg (2003) have introduced the product-service continuum (see also Fundin, Witell, & Gebauer, 2012; Gebauer, Bravo-Sanchez, & Fleisch, 2008; Gebauer & Friedli, 2005; Neu & Brown, 2005), which depicts a unidirectional stepwise transition from pure product business (where services such as product repair and maintenance are regarded as add-ons) to the entering of service business (for example consulting or training which considers products as add-ons). Traditionally studies on servitization have included a stepwise view – firms move from simple to more advanced services along with organizational cautiousness and adaptation. This perspective clearly originates from the manufacturing and B2B context from which servitization has evolved. However, there are also contradicting views (for example Kowalkowski et al., 2013; Turunen, 2011) suggesting servitization is not necessarily a sequential process following the supplier's progress in competencies related to service business execution, but rather, it can be guided by the motives and needs of users.

Literature on servitization suggests that opposite to the previous tendency of considering services as the 'necessary evil' they are increasingly being implemented as the main differentiation factor in corporate strategy (Baines et al., 2009) following the commoditization of product markets (Kowalkowski, 2010). In publishing industries for example firms engage in information service strategies; a wider range of information products and services are built upon the printed product base (Picard, 2002).

Organizational processes and principles related to the execution of servitization strategies differ to a great extent from those related to traditional manufacturing business (Baines et al., 2009; Voss, 1992). Therefore, a range of authors have studied the drivers behind servitization (Wise & Baumgartner, 1999), strategies for implementation (Gebauer et al., 2005; Gebauer & Friedli, 2005; Kindström & Kowalkowski, 2009; Mathieu, 2001; Oliva & Kallenberg, 2003), and the organizational challenges related to the transition (Cohen, Agrawal, & Agrawal, 2006; Gebauer & Friedli, 2005). Overall, three general motives behind the adoption

service-based strategies can be distinguished (Neely, 2008; Oliva & Kallenberg, 2003; Raddats & Easingwood, 2010): (1) economic, (2) user needs, and (3) competitive motives. The *economic motives* relate to the organization's pursuit of higher profit margins and more stable revenues (Brown et al., 2009; Gebauer & Friedli, 2005; Wise & Baumgartner, 1999). Services are seen as being more resilient against the economic cycles (Gebauer & Fleisch, 2007; Oliva & Kallenberg, 2003). *User needs* relate especially to the B2B context, where customers increasingly demand services (Vandermerwe & Rada, 1988) to be able to focus on their core business and outsource the non-core functions (Oliva & Kallenberg, 2003), and to reduce operational risk (Neely, 2008). Finally, servitization is seen to advance a firm's *competitive advantage*. It is suggested that because services are intangible and their production is labor-dependent, competitors find it more difficult to imitate them (Gebauer & Friedli, 2005; Oliva & Kallenberg, 2003). Also, services in the total offering reduce the need to compete on the basis of cost (Neely, 2008).

The adoption of a service-based strategy is accompanied with a wide range of challenges, especially those related to organizational processes, strategies, and corporate culture (Oliva & Kallenberg, 2003). Therefore, a range of authors have studied critical success factors, which include, the adoption of a clearly defined service strategy (Fischer, Gebauer, Gregory, Ren, & Fleisch, 2010; Wise & Baumgartner, 1999), appropriate organizational arrangements and resource allocation (Gebauer et al., 2005), recognition of the financial potential and benefits in service business (Mathieu, 2001), establishment of appropriate service culture (Gebauer et al., 2005; Mathieu, 2001) combined with an attitudinal change of seeing services as value-adding (Fischer et al., 2010; Gebauer et al., 2005; Gebauer & Friedli, 2005).

Servitization highlights the importance of value-based thinking and customer focus in gaining sustainable competitive advantage. It also emphasizes the role of employees as resources (Baines et al., 2009; Mathieu, 2001). However, there are some key differences that must be acknowledged when discussing servitization and S-D logic in the one and same context. As suggested by Kowalkowski (2010) servitization and S-D logic should be considered as two distinct phenomena or transitions that may, or may not, take place simultaneously. At the core of servitization is making the distinction between products and services and the assumption that firms create value. Vandermerwe and Rada (1988), the initiators of the term servitization, suggest services differ from products by being intangible and performed rather than tangible and produced. Baines et al. (2009) suggest that literature generally assumes that servitization includes the notion of delivering product-based services. This perspective is to a great extent goods-dominant and inconsistent with the S-D logic which does not make a separation between products and services (i.e. both are output and vehicles for service provision), and argues that firms cannot create value but value is always co-created with the beneficiary. Servitization stresses the role of services in the creation of competitive advantage, S-D logic argues it is knowledge that enables the development of

compelling value propositions (Lusch, Vargo, & Tanniru, 2009). Furthermore, servitization literature suggests firms add services to their offerings in the expectations of higher returns (Gebauer & Friedli, 2005; Neely, 2007). From S-D perspective this is a G-D mind-set, and a company should rather regard financial income as feedback to become better at serving customers (Vargo & Lusch, 2004a). The findings of this study argue that firms enter into service- and value-based business to increase customer engagement, and consequently, financial returns.

Following to a great extent the thoughts of Ramaswamy (2011), both perspectives – servitization and S-D logic – are adopted in this study because the design of individual goods and services cannot be neglected even if the significance of co-creation is emphasized. In effect, what Prahalad and Ramaswamy (2004) suggest is that the interaction between individuals and companies and the co-creation experience is very much affected by consumer choice; i.e. the freedom to choose the product or service, the channel for the co-creation experience to take place, as well as the mode and price of the transaction. Furthermore, Edvardsson (1997) argues that for a customer experience to be successful the prerequisites (including a prototype of the co-production process) must be carefully planned.

3.4 Media management and media economics

This chapter introduces the reader to the domain of media management and media economics. The chapter begins with a brief historical review of the scholarship, followed by a review on the theoretical approaches used by the scientific community. The chapter ends with the discussion on the specificity of media products from the service perspective.

3.4.1 A brief history of the scholarship

Mass media was born during the Industrial Revolution as part of radical shift from agrarian to urban-centred societies and the coeval rise of literacy (Redmond, 2006). Originally communications scholars came from the disciplines of sociology, psychology, history, political science, and literary criticism. These traditions are still visible in the scholarship, largely because until the first-half of the 20th century, media executives did not consider media as commercial enterprises. The stronger commercial characteristics appeared only in the second-half of the 20th century, the time when the advertising expenditure markets in the U.S. grew exponentially, and newspapers, magazines, commercial television, and radio became highly profitable businesses. However, despite the increased market competition due to these developments, scholars and educational institutions took their time to develop an interest in media economics. (Picard, 2006)

The field of media economics emerged in the 1970s, and media management in the 1980s. Media management emerged along with the transform of media firms into media conglomerates. It is suggested that because of the novelty of the scholarship, the research field is scattered and unsystematic and the literature has only limited practical and theoretical contributions. (Albarran, 2006, 2008; Küng et al., 2008; Picard, 2006) Mierzewska and Hollifield (2006) argue that studies in this area are to a large extent based on conceptual frameworks, and applied theories are mostly taken from the general field of organizational studies. This implies that media management is still not a distinctive scholarly field on its own (Ferguson, 1997). Moreover, media industries are seen to possess inherently distinctive characteristics making the adoption of generic management and economics theories somewhat problematic (Chan-Olmsted, 2006a; Chatterjee & Wernerfelt, 1991). On the other hand the widely adopted media-related disciplines such as media economics, political economy, and communications studies are not anchored in the study of organizations (Mierzewska, 2011). Consequently, the field of media management is seen as particularly receptive to new research avenues, methodologies, interdisciplinary with other academic areas and theoretical approaches (Mierzewska & Hollifield, 2006). It is suggested that media management researchers should 'take risks by testing new theoretical assumptions that challenge existing paradigms' (Albarran, 2006, p. 16), the key focus of this study.

The media management and economics research field consists of only a small group of scholars (Mierzewska & Hollifield, 2006). However, since the 1980s a growing body of literature has been developed, explaining the influences of economic and financial forces and strategies on media. To respond to the challenge of being a geographically and academically scattered field of research, three primary academic journals to the scholarship have been established: (1) *Journal of Media Economics* (JME) in 1988 (with focus largely on media economics), (2) *Journal of Media Management* (JMM) in 1999 (with focus on managerial issues), and (3) *The Journal of Media Business Studies* (JOMBS) in 2004 (with focus on issues related to media companies). The issues covered in these journals have been progressing from the introduction of basic concepts in media analysis and studies on industry structure and competition in late 1980s and early 1990s, to market oriented and macroeconomics studies and studies related to internationalisation in the 1990s, and to approaches related to business economics such as business models and strategies in the turn of the millennium. Today, the general focus in the field is on the change taking place within the media business environment and the media organizations. (Chan-Olmsted, 2006a; Picard, 2006) In addition to the three main academic journals, two key academic associations have also been established: the *European Media Management Association* (EMMA) founded in 2004, and the *International Media Management Academics Association* (IMMAA) founded in 2005 (Küng, 2007).

3.4.2 Theoretical approaches in media management and media economics

Following the work of Mierzewska and Hollifield (2006)³, an examination on the theoretical approaches published in media management and economics research was conducted. It must be emphasized, that this examination does not represent the full body of research on media management and economics. However, it does provide implications on the development and trends in the theoretical approaches and issues covered in the scholarship (Picard, 2006). In total 709 articles published in the *Journal of Media Economics* (JME, n = 336, years 1988–2013), *The International Journal on Media Management* (JMM, n = 246, years 1999–2013), and *Journal of Media Business Studies* (JOMBS, n = 108, years 2007–2013) were coded based on the article title and abstract (when submitted on the journal website) following the Media Management theory classification presented by Mierzewska and Hollifield (2006). The time periods were chosen to cover all published articles during the existence of the journals. When the title or the abstract did not give full certainty on the category, the article (when provided) was read. In case the title did not give a certainty, and the abstract and full article was lacking, the article was rejected (n = 19). The results of this examination are presented in Table 8.

Table 8. Distribution of Published Media Management and Media Economics Theories.

Media Management Theory	JME	JMM	JOMBS	Total, %
Strategic Management Theories	184	85	46	46
Technology, Innovation, Creativity theories	40	89	21	22
Political economy / Normative approaches	48	14	13	11
Audience / Media consumer / Behaviour theories	35	25	5	9
Organizational / Professional culture theories	8	25	18	7
Structural Contingency theories	21	8	5	5
Total, n = 690				

³ Mierzewska and Hollifield (2006) examined in total 309 articles published during 15 years in the *Journal of Media Economics* (JME) and *The International Journal on Media Management* (JMM). According to their findings, the main theoretical approaches in the media management and economics scholarship at the time were distributed the following: Strategic management theories (54 %), Technology, innovation, creativity theories (21 %), Audience / media consumer / behaviour theories (12 %), Structural contingency theories (9 %), Political economy / normative approaches (5 %), and Organizational / professional culture theories (3 %).

In accordance with Mierzewska and Hollifield (2006), Mierzewska (2011), and Chan-Olmsted (2006b), *strategic management theories* in the media management literature focus on the structures of the media markets and the strategic management of the resources. These authors propose that strategic management is the most widely used theoretical framework in the media management and economics scholarship, with three main theoretical frameworks: the structure-conduct-performance (SCP) framework, the resource-based view (RBV) of the firm, and the ecological niche theory.

Strategic management is the study on why some firms outperform others (Mierzewska, 2011). The *SCP framework* (Bain, 1956) focuses the linkages between the media industry structure (i.e. the number, size, and location of firms and types of products ranging from monopoly, to oligopoly, monopolistic competition, and perfect competition) and company performance and conduct (Fu, 2003; Hellman & Soramäki, 1994; van der Wurff & van Cuilenburg, 2001). The *RBV* (Penrose, 1959; Pfeffer & Salancik, 1978; Schumpeter, 1934) focuses on the unique skills and assets of media companies that are basis of their competitive advantage and interorganizational cooperation (Chan-Olmsted & Chang, 2003; Liu & Chan-Olmsted, 2003; Oba & Chan-Olmsted, 2007). The ecological *niche theory* (Dimmick & Rothenbuhler, 1984) examines how firms compete for scarce resources, such as advertising income or audience attention (Albarran & Dimmick, 1993; Dimmick, Patterson, & Albarran, 1992; McDowell, 2004). The study of strategic management also covers a wide range of other topics. These are, among others, transnational media management (Gershon & Kanayama, 2002; Gershon, 2000; Hollifield, 2001; Strube & Berg, 2011), mergers, acquisitions, and consolidation (Greco, 1999; Muehlfeld, Sahib, & van Witteloostuijn, 2007; Owers & Alexander, 2011; Peltier, 2004), brand management and branding (Galbi, 2001; McDowell, 2011; McDowell & Sutherland, 2000; Sung & Park, 2011), and pricing strategies (Bel & Domènech, 2009; Koschat & Putsis, 2000; Shaver, 1995).

Research on *technology and innovation* has become one of the most critical areas in media management and economics research since the turn of the millennium. Emerging technologies have both the potential to disrupt the existing business models, and force industrial progress. The studies in this field focus on the development, adoption, and impact (both social and economic) of new technologies. (Mierzewska & Hollifield, 2006; Mierzewska, 2011) The general frameworks (cf. Mierzewska, 2011) adopted in the field are the new product development theory (Chan-olmsted, 2006; Franke & Schreier, 2002; Small, 2012), diffusion theory studying the adoption and consumer behaviour related to new technologies and innovations (Atkin, Neuendorf, Jeffres, & Skalski, 2003; Buzzard, 2002; Pashupati & Kendrick, 2008; Schoder, Sick, Putzke, & Kaplan, 2006; Sedman, 1998), uses and gratifications with focus on media-use and the utilities consumers' receive from media-use (Dimmick, Chen, & Li, 2004; Putzke, Schoder, & Fischbach, 2010; van der Wurff, 2011), and studies on the effects of adopting technologies on organizations and employees, including for example, the effects

on processes and skills (Ferguson & Greer, 2013; Phillips, Singer, Vlad, & Becker, 2009; Schultz & Sheffer, 2008).

Structural contingency theories in the scholarship study the effects of organizational structures to firms' economic performance, and the effects of ownership structures (i.e. public vs. private ownership, chain vs. independent ownership) or media managers' professional values on media content and organizational priorities (Mierzejewska & Hollifield, 2006; Mierzejewska, 2011). The theoretical foundation in contingency theory (March & Simon, 1958) is that firms adopt structures according to the specific contingencies in the market environment to maximize their efficiency and financial returns (Donaldson, 1996). The studies in this area are vast, including the influence of ownership and size on survival (Husni, 1988; Picard & Rimmer, 1999; Picard & van Weezel, 2008) or profit expectations (Demers, 1996, 1998), ownership structure on financial performance (An, Jin, & Simon, 2006; Demers & Merskin, 2009; Maguire, 2009), consolidation on financial returns (Kolo & Vogt, 2003; Van Kranenburg & Hogenbirk, 2006), ownership structure or pressures for profit maximization on content (Hoag, 2008; Lacy, 1991; Price, 2003; Yanich, 2010) and management practices (Edge, 2003; Fedler & Pennington, 2003).

Research on *media audiences, consumers, and consumer behaviour* is an established research area in the media management and economics scholarship. It covers a wide array of topics ranging from consumers' attitudes towards media products and services (Chyi & Lasorsa, 2002; LaRose & Atkn, 1991; Vlachos, Vrechopoulos, & Doukidis, 2003), willingness to pay for media content (Albarran & Umphrey, 1994; Chyi, 2005, 2012; Schwer & Daneshvary, 1995), spending on media (Dupagne, 1997; McCombs & Nolan, 1992), media-use time and habits (Becker & Clement, 2006; Cuñado & Pérez de Gracia, 2012; Garcia Pires, 2013; Madden & Savage, 2000; Newell, Pilotta, & Thomas, 2008), audience information systems and metrics (Adams, 1994; McDowell & Dick, 2003; Taneja & Matoria, 2012; Viljakainen, 2013b), and consumers' attitudes towards and recall of advertising (Potter, Callison, Chambers, & Edison, 2008; Sonnac, 2000).

Political economy approaches generally look at the regulatory and policy issues affecting the structures and economic determinants of the media industry (Küng, 2007). The following research streams can be found from within this area; the impact of public policy decisions on prices (Bates, 1988; Kennet & Uri, 2001), firms' financial returns (Kwoka Jr., 1988), media content (Machill, 1996; Papandrea, 1998), industry structures (Brown, 1989; Gustafsson, 1993), ownership structures (Barrett, 2005; Gershon, 1993), management practices (Albarran & Loomis, 2004; Picard & Chon, 2004), and competition (Brennan, 1990). Also media pluralism (i.e. the public having access to a great diversity of viewpoints and information from different sources; Freedman, 2005; Hilliard & Picard, 1989) as well as issues related to public service media (Brown, 1996; Lin, Fu, Yeh, & Huang, 2013; Lowe & Berg, 2013) are of interest.

Organizational culture theories in the scholarship focus, among others, on the professional cultures, conflicts, routines and norms, and management practices (cf. Mierzewska, 2011). The following research areas were found in the literature review: the role of owners' values in building corporate culture (Gershon & Kanayama, 2002), managing professionals (Adams-Bloom, 2009; Killebrew, 2003) or change (Achtenhagen & Raviola, 2009; Napoli, 2003b; Picard & van Weezel, 2008; Sylvie, 2003), strategic management or human resources management practices (Becker, Vlad, Daniels, & Martin, 2007; Condra, 2005; Slocum & Albarran, 2006), leadership (Tsourvakas, Zotos, & Dekoulou, 2007), and risk-taking or risk-aversion (Lowrey, 2006; Owens & Carpentier, 2004).

The findings of this examination show, that with the exception of one author (Rolland, 2003, 'Convergence as strategy for value creation' published in the International Journal on Media Management) the *service concept has been missing in media management and economics scholarship*.

3.4.3 The specificity of media products

Taking the perspective of media as service – as stated above – has been rare in media management studies. Despite this reality, media goods are seen to possess very unique and distinctive characteristics that distinguish them from other consumer goods. In fact, a number of scholars have incorporated the fundamental service perspective into media goods, suggesting they involve the use of competencies for the benefit of another entity (i.e. service), and the focus on the use-value. Also, employees are essentially operant resources with distinctive competencies. These perspectives will be further elaborated in the following chapter in which S-D logic is used to understand the ways in which the media markets work and change today.

In the dominant media management literature employees are a creative workforce (Caves, 2000; Lavine & Wackman, 1988; Picard, 2011; Redmond & Trager, 1998) and a core strategic resource for gaining sustainable competitive advantage. Mierzewska and Hollifield (2006, p. 55) argue, that as media products are *information products*, their quality is reliant on the competencies of the individuals producing them; '...knowledgeable, talented employees are the most valuable resource that media corporations control.' Redmond (2006, p. 116, 128, emphasizes in original) continues: '...media organizations depend on human creativity more than ever...They are susceptible to the whims, emotions, hopes, fears, and idealism of the...people who labour within them...The *quality* of what is produced depends on *them* more than on the technology they use. The difference between merely doing *acceptable* work and striving for *exceptional* achievement is held closely within the hearts and minds of media workers.' Arrese Reca (2006, p. 186) suggests: 'Media products depend on people's talent to a large extent so it would

be fair to consider media products as talent products. In fact, the media sector embodies the principle that states that the most important asset of business is its people. [...] the way talent is used is at the root of their success or failure.' However, because of the competitive pressures in today's business environment media professionals are increasingly seen as 'assembly line workers for information processing' with strict deadlines, leading to 'increased standardization, predictability, reproducibility, and replaceability of journalistic competence' (Rolland, 2003, p. 18). Following the focus on people as key resources to gain sustainable competitive advantage, the resource-based view (RBV) is a widely adopted theoretical framework in media management studies as it emphasizes the critical value of firms' internal resources and the firm's ability to manage those resources (cf. Chan-Olmsted, 2006a).

Literature further suggests (Arrese Reca, 2006; Chan-Olmsted & Chang, 2003; Chan-Olmsted, 2006a, 2006b; Wirtz, 2011) that media products differ from other products by incorporating two inseparable components: (1) the *intangible component* (i.e. the content which can be news, entertainment etc.), and (2) the *tangible component* (i.e. the distribution medium or platform for content delivery which can be a TV set, printed magazine etc.). Wirtz (2011) argues media products are *refined services* because of the intangibility of production and storage on a tangible medium. It is generally accepted that people choose media mainly because of the content, not the medium itself. The content is consumed from a repertoire of platforms that are chosen for regular use (Chan-Olmsted, 2006b). More specifically, the choice is seen to be driven by the content's ability to satisfy specific consumer needs and goals (related to its informativeness, persuasiveness, or entertainment value; Arrese Reca, 2006). In specific, enjoyment as the satisfaction of higher order needs has been linked to the use of media (Oliver, 1993; Tamborini, Bowman, Eden, Grizzard, & Organ, 2010). Clement et al. (2006) have linked high levels of hedonic benefits to the use of media products. Calder and Malthouse (2004) found that newspaper reading is linked with specific experiences and perceived benefits, for example, the feeling of becoming smarter and more interesting. Rolland (2003, p. 19) suggest, that 'solving customer problems is what creates value [...] journalism creates value for customers by solving their information problem.' Lacy and Simon (1993) too, observe a link between the consumption of media products and five basic elements of user gratification: (1) observing the environment, (2) making decisions, (3) entertainment, (4) social cultural interaction, and (5) self-understanding. Consequently, for example, assessing and managing the quality of media products has traditionally presented a challenging task. Sustaining quality is however pivotal for media product management that relies heavily on customer loyalty and repeat purchases. (Arrese Reca, 2006)

Media differ extensively in the way they deliver content and the way in which they are perceived; the consumption is dependent upon various human senses (e.g. print media relying upon the sense of sight and radio upon the sense of hearing) and the use context (e.g. attention given to newspapers differs from that given

on outdoor media) (Picard, 2002, 2011). Nelson (1970) acknowledged media belonging to the category of *experience goods*, suggesting the products can only be valued in the consumption process. The experience good concept places emphasis on the phenomenological side of value, which is essential in S-D logic; actors determine the value uniquely and experientially in a specific context (Vargo & Lusch, 2008b; Vargo, 2007). There exist high levels of uncertainty in terms of the quality of an experience good prior to the actual consumption (Clement et al., 2006). Calder and Malthouse (2004, p. 123) argue that media products are *experience brands* associated with many features, namely, involvement, enjoyment, wantedness, and experience: 'people don't just use media, they experience it'. Moreover, as Chan-Olmsted (2006b, p. 173) puts it: 'content creation...by nature, is heterogeneous, nonstandardizable, and individually evaluated based on consumers' personal tastes.' This suggests that people do not experience media products as isolates, but interpret their value subjectively, as tightly linked to their unique life context and situations, as well as available resources (Arrese Reca, 2006). The tradition of measuring and conceptualizing media usage (i.e. exposure) does not capture the subjective nature of media experience (Calder & Malthouse, 2004). In essence, seeing media products and services as only vehicles for service provision shifts the focus from the producer and transaction perspective to the perspective of the customer and the use-context; i.e. from value-in-exchange to value-in-use (Gummesson, 1995; Vargo & Lusch, 2004a).

The role of strong brands is seen key in developing media as experience goods that consumers trust (Arrese Reca, 2006). In effect, trust is a key focus area for firms adapting to new value-based perspectives, because the value creation process and the brand are seen inseparable; the *co-creation experience* that creates trust *is the brand*. Thus, consumers legitimize brands and give them meaning, after which advertising can be used to strengthen and support the identity. (Prahalad & Ramaswamy, 2004) Branding is relatively new to the scholarly field of media management, since the notion *media as brands* was not adopted until the mid-1990s, the time when advances in digital technology increased the competition for audiences. Since that time, brand management strategies where media products and services are gathered under strong parent brands are increasingly being implemented. (McDowell, 2006, 2011) Branding has become critical for media organisations' survival, as media products are increasingly substitutable due to technological advancements (Chan-Olmsted, 2006b; Ha & Chan-Olmsted, 2001; Lis & Post, 2013; Siegert, Gerth, & Rademacher, 2011). Literature suggest that a strong correlation between the personality of a media brand and the consumer's self-conception leads to increased loyalty (Nienstedt, Huber, & Seelmann, 2012).

Media products are often called *dual products* (Napoli, 2003a; Picard, 1989, 2011) or *combined products* (Wirtz, 2011) referring to their purpose to serve the needs of and gather revenues from two distinct customer segments: consumers and advertisers. However, media are also seen as having a third party to serve:

the community and society as a whole (Lavine & Wackman, 1988; Napoli, 2003a; Picard, 2000, 2011; Schultz, 1993). Media products are referred to as *public goods* (Albarran, 2002; Chan-Olmsted, 2006a; Picard, 1989; Wirtz, 2011), referring to their non-exclusivity (i.e. everyone can use them) and non-depletability (i.e. consumption of one individual does not affect with their availability to others but yield scale economies). Furthermore, media is subject to regulatory control (Chan-Olmsted, 2006b; Küng et al., 2008; Napoli, 2006; Picard, 2005) because it is seen as a critical infrastructure industry having vast influence on nations' economic, political, and social processes (Mierzejewska & Hollifield, 2006; Mierzejewska, 2011). Thus, not only are media products valued from the economic standpoint drawing profits from satisfying the needs of audiences and advertisers, but also for their socio-cultural value shaping attitudes, behaviours, and opinions, as well as peoples' welfare regarding politics and culture (Arrese Reca, 2006; Napoli, 1997, 2003a; Picard, 2011). Seeing media as serving the *public interest* (which can be either regulatorily mandated or seen as a social obligation based on the codes of ethics) and *cultural products* that rely on the critical resource of creativity (Küng, 2007), once again, incorporates a service-orientation: using competencies for the benefit of another entity – the (members of) society – that exceeds the primary profit maximization concerns. Also, value of the content is determined by the beneficiary. (cf. Chan-Olmsted, 2006a; Napoli, 2006) Recent research has however suggested that the profitability expectations, concentration of ownership, and demands from advertisers are increasingly overrunning the public service concerns (for more comprehensive view on this topic, see for example Napoli, 2001, 2006).

Despite the above mentioned distinctive qualities of media products, the general focus in measuring the value of media is still very much based on the exchange value (see for example Buzzard, 2002). Because of the dualistic revenue structure, the focus is on prices and pricing; the size of the audience determines the price of media product and advertising rates (for example, cost-per-thousand contacts, CPT), not production costs (Arrese Reca, 2006). Consequently, the audience is defined in a way, that it supports the economic and strategic interests of media organisations. Napoli (2011) and Ettema and Whitney (1994) have introduced the concept of *institutionally effective audience*, which suggests that the definition, measurement and sales practices of audiences are socially constructed by the stakeholder in media markets; media firms, advertisers, and the audience research firms. Audience information systems operate as 'market information regimes' for trading advertising space and time (Anand & Peterson, 2000). The term 'effective' suggests that audiences can be efficiently incorporated into the economics of media (Napoli, 2011). As Redmond (2006, p. 126; emphasis in original) suggests, the current studies concentrate on maximizing returns focusing on 'what the audience *wants* while paying little attention to what the audience may *need*.' However, while the institutional constructions of audiences are becoming more and more inadequate and ineffective, any attempt to change them will be fiercely resisted by the stakeholders monetizing them (Napoli, 2011; Viljakainen,

2013b). Literature further suggests that the influence of marketers is unlikely to be diminished in the future because of a growing internationalization and increasing purchasing power of advertisers and media-buying companies (Sánchez-Tabernero, 2006). As suggested by Napoli (2011, p. 5) 'Traditionally, the holy grail of media strategy [...] has involved the acquisition of as many "eyeballs" as possible. More recently, the focus has reoriented around attracting only the most desirable "eyeballs"; i.e. those eyeballs attached to the kind of people highly valued by advertisers.' These aforementioned topics are further discussed in Articles 1 and 2.

And finally, it is important to note that the value chain thinking has been deeply rooted in the media management school of thought and is seen as the core of media business being very distinctive from any other industry (cf. Mierzewska, 2011). For example Picard (2000, p. 62) in his article on business models in the new digital era suggests: 'A business model [...] embraces the concept of the value chain [...] the value that is added to a product or service in each step of its acquisition, transformation, management, marketing, sales, and distribution [...]. This value chain concept is particularly important in understanding market behaviour because it places the emphasis on the value created for the customer who ultimately makes consumption decisions.' He continues in his later publication (Picard, 2002, p. 37-38): 'The development of information and entertainment and its packaging and programming for use are the essential activities that take place in the value chain and the activities that provide the highest true value added in the process [...] The core activity of [...] media is the creation, acquisition, and packaging that transfers information, and creates individual brands that serve consumer needs.' *The fundamental logic has been that media firms – professional journalists – are creators of value* (Picard, 2010). This perspective embraces the idea of cooperation with customers, but does not explicitly discuss it. Furthermore, it undermines the importance of the use-context and customer engagement in value creation, which is particularly noticeable in audience research practices that have traditionally centralized around product reach (Napoli, 2012). This kind of thinking is inconsistent with S-D logic, which suggests that the firm cannot create value but value is always co-created with the beneficiary and is phenomenological, i.e. uniquely experienced in the use context. However, recent developments in literature suggest that the determination of value in media management has shifted away from content producers to the media users (Picard, 2010), which points to the direction of S-D logic. Furthermore, the perspective that media firms use their knowledge and skills to create, select, organize, and contextualize content (Picard, 2002) inherently suggests media firms provide inputs into the value creation activities of the customer, a viewpoint emphasized by S-D logic. Thus, the competences are in fact the main source of value regarding both the provider and customer.

4. Results

'No power in the world can help us predict in advance that *this* is very valuable content to people, and that is not. The worldview of media is that the more money and resources spent, the better the experience. No! Video of a puppy on YouTube can produce a much bigger memory trace and emotional experience, than a 200 million dollar 3D animation.'

Director, the Finnish public service broadcaster, Spring 2010.

In the following chapter the existing knowledge in media management research is integrated to the empirical findings of this study. The findings from each article will be individually discussed from the second subchapter onwards. The chapter ends with a summary of the main findings when media is seen as service.

4.1 Bridging the literature and results: the current worldview in the media management practice

Findings of this study suggest that G-D logic has been a fundamental mind-set in the media management practice. Consistent with the traditional marketing view, the economic activity is largely based on the production and distribution of products that can be sold to consumers and advertisers (cf. Vargo & Lusch, 2004a). Segments of the audience are assigned distinct economic value (cf. Napoli, 2011). Maximizing media product reach means increasing revenues from audience sales, since advertisers prefer larger circulations (Picard, 2002, 2011). The tradition of audience information systems to quantitatively measure the basic audience exposure to media and product reach supports this thinking. The units of output sold – products and audiences (the latter referring to circulations, readerships, viewers, listeners, or unique visitors) – have been the core of economic activity. Thus, moving into an S-D logic mind-set, where the financial performance is primarily

seen as feedback for making better value propositions (Vargo & Lusch, 2004a, 2008b) is a giant leap.

The findings of this study argue that traditional media firms are servitizing and adopting new value creation perspectives. In accordance with Vargo and Lusch (2004a) and Lusch and Vargo (2006a), it would not be accurate to argue that media are only *now* entering an 'era of services economy' when adding services to their total offerings and adopting an increased consumer-orientation, but rather, it has always been the case. It has only now become more apparent because of increased competitive pressures; the focus is shifted from one-way mass communication to the customer and value-based strategies to better meet the needs of fragmenting audiences. In other words, it is increasingly recognized that media business is not based on transactions of mass media products, but rather on relationship building and developing customized value proposition that meet the specific needs of both end customers and business partners – a viewpoint highlighted by S-D logic. The customer is increasingly put in the centre of activity, and value is more consciously co-created with stakeholders in the media ecosystem. However, the findings also show that there are factors that slow down change. The media firms show typical features of structural inertial (cf. Amburgey, Kelly, & Barnett, 1993) and the business experiences risks of mortality when core changes are made (cf. Dobrev, 1999). There exist path-dependencies (i.e. current developments and decisions are dependent on historical events; David, 1985; Nelson & Winter, 1982) in the basic logics, resources, and processes how media business is conducted. Also, media firms have been developed into strong organizational cultures with very distinctive codes of conduct that are not easily changed without causing great turmoil (Picard, 2005; Redmond, 2006).

Lusch and Vargo (2008, p. 94) suggest that 'executing on service-dominant logic in a globally hyper-competitive marketplace will be challenging for many organizations. Old ways of doing things and entrenched habits die slowly. When this involves not only ways of doing things in the firm but also across the firms, in today's large global supply and value-creation networks, the challenge is even more daunting.' This is especially the case within the media markets, since until very recently media business was flourishing. Consequently, changing the focus from the media to the consumer does not come easy. For example, McQuail (1987, p. 160) observes the following: 'Media professionals tend to show a high degree of autism [to the needs of audiences], consistent perhaps with the attitude of other professionals, whose very status depends on their knowing better than their clients what is good for them.' The value of journalism in the world of mass communication has based on the assumption that *access* to exclusive information is what creates value for the customer and to media themselves, and the most valuable kind of information has been the first release; this has now been undermined by media convergence (Rolland, 2003). As suggested by Redmond (2006, p. 133): 'It is natural, in one sense, to do what worked in the past. However, with the envi-

ronment undergoing rapid technological change, this is a trap that can lead to serious decline and, potentially, organizational death (Whetten, 1988).'

In the following four subchapters the findings from each article will be individually discussed.

4.2 Article 1: The quest for an intermedia currency in the Nordic countries

Article 1 (Viljakainen, 2013b) studies the transformation of audience information systems in the Nordic advertising markets. The findings are based on case study research conducted in three Nordic countries: Finland, Norway, and Denmark. The study investigates the motives and challenges behind the on-going resource integration and mobilisation efforts in competitive business alliances. The article illustrates the fundamental settings when executing on S-D logic; audience information systems are a strategic resource for media firms having direct implications for the future competitiveness of media. The study makes two central findings:

- (1) G-D logic is deeply rooted in the media industry's strategies, processes, and mental models, and
- (2) the media markets are beginning to mobilise and integrate resources as well as develop competencies relevant to the adoption of S-D logic.

The findings suggest that a shift to S-D logic is a fundamental change in mind-set that must be adopted by both sellers and buyers to be a success (cf. Kowalkowski, 2011). It will be a challenge, because to date the revenue structures of media firms have been dualistic (product and audience sales) and focused on transactional exchange; the bigger the audience, the higher the income (see also Napoli, 2003, 2011). The findings of this study however show, how the previously autonomous media firms are beginning to cooperate (cf. Gulati, Nohria, & Zaheer, 2000) with competitors and non-competitors because each possess specialized knowledge and capabilities that are valuable for the other partners. The cooperation is due to external pressure coming mainly from advertisers to build common audience information systems for national advertising markets. Until now each media has possessed proprietary knowledge and systems related to audience measurements that have served their own needs. The building of a common system requires resource integration and the sharing of knowledge. This is a step forward towards an ecosystems nature of markets and the development of collaborative capabilities which is relevant in the adoption of S-D logic (cf. Lusch & Vargo, 2008).

The study recognizes the elements of commitment, trust, openness, reciprocity, and negotiations to be key to competitive alliance success. These elements were identified in an abductive research process (Dubois & Gadde, 2002) by simultane-

ously drawing on the body of literature on inter-organizational collaboration – the resource-based view of the firm (Penrose, 1959; Pfeffer & Salancik, 1978; Schumpeter, 1934), strategic network theory (Afuah, 2000; Gulati et al., 2000), and the knowledge-based theory (Carlile, 2002, 2004; Grant & Baden-Fuller, 1995) – and empirical data. These findings are important when discussing an increased value-orientation, because a commitment to collaborative endeavours is ‘philosophically grounded’ within S-D logic (Lusch et al., 2007, p. 5). As suggested by Vargo and Lusch (2004a), firms entering resource networks need to be able to simultaneously compete and collaborate, as well as manage their network relationships. This ability is based on openness and the transparency and symmetry of information in network relations (Lusch & Vargo, 2006a). However, the findings of this study show how power struggles and politics may make the achievement of information symmetry very problematic in reality. Kowalkowski (2010) has made similar findings. Therefore, the ideal state of information symmetry may be a great challenge to obtain in reality, and is not only characteristic to the media industry but also generalizable to other industries.

This study looks at advertising markets and inter-organizational collaboration focusing on the development of audience information systems. The results indicate that the Nordic media advertising markets are adopting a consumer perspective by transferring from silo- and media-centric measurements to holistic (cross-media) and consumer-centric media audience measurements practices. Media have long traditions of measuring the reach and effectiveness of each media with separate audience information systems, which are very detailed documentations on the reach of the specific media vehicle. Thus, each media possesses specialized knowledge and a unique path-dependent proprietary dominant design standard and related processes which are hard to change (see also Amit & Zott, 2001; Carlile, 2004; Nelson & Winter, 1982). Due to technological advancements these standards and processes are however becoming outdated (see also Napoli, 2011). Increasingly efforts are being taken, where the consumer is put in the centre of research activity. This study introduces the development of ‘multimedia metrics’ (i.e. audience information systems where the metrics of each media are scaled against one another with specific exchange rates to establish the common reach and effectiveness) that are shifting the focus from pure exposure to the role of media in peoples’ lives, and the relationships people have with different media. Hence, the results of this study indicate that use value and media experience is becoming an increasingly important area of interest.

However, the findings also indicate that the efforts undertaken in the surveyed media markets still contain a strong commercial and goods-dominant undertone, since the target is a marketable ‘consumer’ and the aim is to understand how they react to commercial messages. Thus, while the aim is to understand the value-in-use, the ultimate objective is to enhance the value-in-exchange of output; i.e. the price of media products. The motive of media sellers to date is to retain advertising income in legacy media, while the media buyers’ motive is to verify the net reach

and gross impact of advertising campaign. Audience information systems yield network externalities and have high switching costs (cf. Shapiro & Varian, 1999) having large number of users. Furthermore, since audience information systems function as dominant designs, efforts are being taken to improve them, not to change them (see also Murmann & Frenken, 2006). As Carlile (2004) puts it, the markets are experiencing a 'curse of knowledge' because media are unwilling to abandon their specialized knowledge; it has not yet rendered their capabilities obsolete (cf. Afuah, 2000). Thus, the G-D logic is deeply rooted in the practices of both the sellers and the buyers. This study is very illustrative example on how taking the customer perspective does not inherently suggest the adoption of S-D logic – a viewpoint underlined on numerous occasions by Vargo and Lusch (2006, 2008c).

The findings of this study conclude that the current audience measurement practices are becoming less feasible because of increasing media fragmentation, and the common recipes and mental models should be questioned to disrupt the established industry logics. It sets the right agenda in that the focus should increasingly be shifted toward the user, the co-creation of value, and the use context. Hence, the first article functions as the opening for the subsequent articles that dive into S-D logic.

4.3 Article 2: From product to service categories and the transformation of audience research

Article 2 (Viljakainen, 2013a) contributes to the discussions of the scientific community on how to understand the business of media. Based on the encouraging feedback received in a conference on the novelty of the service- and value-based thinking in this particular industrial context, the scope of the study was clarified. The findings of this paper are based on case study research conducted in three Nordic countries: Finland, Norway, and Denmark. The article analyses and explains industry transformation towards increased service-orientation, by taking audience information systems as the case context to explain:

- (1) the linkage between industry servitization, and
- (2) the adoption of S-D logic.

Article 2 applies the framework introduced by Kowalkowski (2010) which describes the difference and linkage between a product-service transition and the transition from G-D to S-D logic (Figure 9, published with permission). Kowalkowski identifies two distinct dimensions in the transition towards a service-orientation: (1) strategic repositioning (i.e. transition from products to services), and (2) value creation perspective (i.e. transition from G-D to S-D logic). Following Maglio et al. (2009) *servitization* concentrates on the shift in the type of product that is being exchanged and *S-D logic* on the shift in logic of exchange. It is important to notice

here, once more, that S-D logic does not separate goods and services, but sees both of them as vehicles for service provision. However, the topic of this study necessitates the application of S-D logic as a lens to explain industry in transformation.

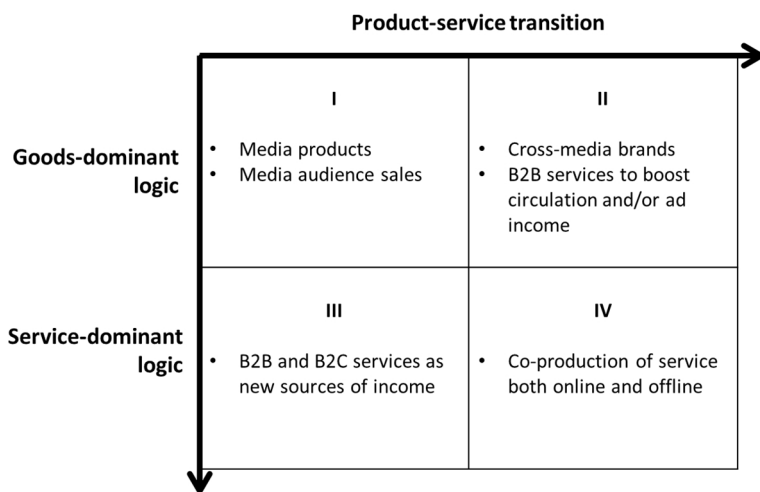


Figure 9. Shift in the type and logic of exchange in media (cf. Kowalkowski, 2010).

The findings of Article 2 argue that the dominant practices in audience information systems – regardless of their increased human-centric approaches (for example, see Romaniuk & Gugel, 2010) – still incorporate a strong G-D focus. This argument is based on Napoli’s (2011) findings that suggest the dimension of *engagement* is increasingly being integrated to the context of media *effectiveness*. Thus, Article 2 argues that it is a *consumer* that is put at the centre of research activity, a marketable target and segmented recipient for media products and services. However, the dimension of consumer engagement (i.e. loyalty, appreciation, emotion etc.; Napoli, 2011) suggests use-value, and thus, is a step forward towards S-D logic.

The findings of this article suggest that traditionally media products (goods and services) have represented the core unit of exchange. Their value is determined by the media firm, and the focus is on maximizing the sale of products and audiences by maximizing exposure in targeted audience segments. It is a unidirectional model, where producers are centralized distributors and audiences passive receivers of (mass) media content. Each medium have their own audience measurement practices built on the basis of their own needs and interests. The more audience, the more valuable is the product for media and advertiser, but not nec-

essarily for the customer. Furthermore, any effort to change the prevailing practices in advertising markets is a technical, financial and political struggle due to the path-dependent nature of audience information systems; each system has been initiated and built over a number of years to serve their respective mediums (cf. Napoli, 2011). Hence, as long as advertising represents a strategic issue because it impacts the future competitiveness of media companies, the dominant practices that emphasize the needs of advertisers are not likely to be replaced.

Despite these challenges, the article argues that the focus in media business is moving from making goods or services to assisting customers in their value creation process thus setting pressures to change the common practices. Servitization in media markets is apparent in the development of strong media brands with strong value propositions manifested not only in products and related services, but in service-dominant offerings (cf. Grönroos, 2008) – products, services, information, and interactions. Thus, value is increasingly being co-created with customers and partners in communities where people create value by engaging instead of being produced and sold.

The empirical findings of the study argue that adapting to S-D logic will set new requirements for audience information systems, by transferring the focus from the provider, to the customers' needs and interests (cf. Napoli, 2011) and the use-context. The competencies (knowledge and skills) of media professionals, customers, and partners are becoming the main source of value, not the (mass) media product. The study identifies online and offline media communities, where the service is wrapped around the value proposition of a strong media brand, as examples that identify the mutual and reciprocal nature of value creation. It further suggests, that to be able to identify (and monetize) the service experience which concentrates on the phenomenological side of value creation (for example Helkkula, 2010), new methods and tools are to be created and implemented for media audience research. Also the traditions of operating with closed and asymmetric information are to be replaced by openness and transparency (cf. Kowalkowski, 2010; Prahalad & Ramaswamy, 2004). It further suggests that customers and business partners are to be seen as operant resources operating as part of their own networks as they have become fundamental determinants of media firms' success. The findings of this study conclude that the dualistic revenue structures of media companies are gradually being replaced with a model that incorporates a number of small streams of revenue gathered from a variety of sources which will put pressure on traditional audience information systems to evolve towards new measurement practices.

4.4 Article 3: Industry transformation towards service logic: A business model approach

Article 3 (Viljakainen, Toivonen, & Aikala, 2013) incorporates a service management perspective. The article integrates the business model framework (Osterwalder & Pigneur, 2002, 2009; Osterwalder, 2004) and the approach of S-D logic, using the magazine publishing markets as the industry case to illustrate the modifications taking place in the business model. The findings of this study are based on case study research conducted in two Nordic countries: Finland and Norway. This study has three main contributions:

- (1) The business model construct is used as a tool to address industrial change towards service-logic,
- (2) a new service-logic business model construct is developed, and
- (3) the specific aspects of service-logic that need specification to make the framework applicable as the basis of a business model are identified.

This study uses the more straightforward expression 'service-logic' to discuss both the approaches of service-dominant logic (Vargo & Lusch, 2004a, 2008b) and service-logic (Grönroos, 2006b, 2011b). The article synthesizes the scarce literature on approaches that apply a value-based analysis and recognises the separate phenomena of co-creation of value and co-production of service. There exists a main difference between the two approaches; S-D logic emphasizes more clearly co-creation of value, whereas service-logic highlights the role of the customer arguing that co-creation is always dependent on co-production. This distinction is however not particularly emphasized when discussing business models.

Research on business models started to accumulate in the mid-1990s along with the technological advancements which changed the earning logic of companies in many ways (Ghaziani & Ventresca, 2005; Hedman & Kalling, 2003). Since that time the business model concept has become more commonly used in concretising the most important components or 'building blocks' derived from and reflecting the strategy (Nenonen & Storbacka, 2010b). A strong motivation behind business model research has been to develop the managerial activities of the company. As such, it has been suggested that the theoretical foundations of the business model concept should be strengthened (Al-Debei & Avison, 2010; Fiett, 2012; Teece, 2010). In particular, systematically applying the service logic in business model design is only beginning (Grönroos, 2011b; Zolnowski et al., 2011).

A business model can either be used as a *static model* (i.e. a blueprint of components and mechanisms describing how an organisation generates revenue and creates value) or as a *transformational model* (i.e. a tool to address change in the organization, industry, or the business model itself; Demil & Lecocq, 2010). The

focus in the article is on the latter approach; it uses the business model to describe the growing value-orientation and service-based thinking in magazine publishing, and explores the changes in the business model itself. The findings argue, that the traditional business models are grounded on G-D logic, and further suggest how each of the building blocks should be modified when the theoretical principles of service logic are applied in them. This study verifies the business model approach via application (cf. Fiel, 2012) in the service context.

The fundamental purpose of a business model is to function as a managerial tool. The findings of this study argue that if the revenue logic would be removed, the model would no longer be an actual business model. This reflects the general challenge in integrating service logic and business models: *'translating' the co-creation phenomenon into business thinking from the focal company perspective*. Thus, it is important to note that a business model has to depict the managerial opportunities for the focal company to influence value co-creation (cf. Nenonen & Storbacka, 2010; Zott & Amit, 2010). The model offers insights about the essential role of customers and partners in value creation. A traditional G-D logic based model was chosen as the foundation for the development of a new business model construct because 'the most successful dominant logics over time are those that are embraced by both managers and scholars [...S-D logic should be] delineating its practical implications so as to engage the managers' (Levy, 2006, p. 61-63). Moreover, 'without critical reflection of the existing product-oriented business model, it is difficult to approach the service business' (Fischer et al., 2010, p. 617).

Conveying the business model around the value logic has been typical in many studies (Afuah & Tucci, 2003; Chesbrough & Rosenbloom, 2002; Johnson, Christensen, & Kagermann, 2008). For example, Amit and Zott (2001) suggest that the business model construct may be used as a unified unit of analysis that captures value creation emerging from multiple sources. It is also increasingly emphasized that customer value is a necessary precondition for the emergence of business value. Based on the literature, the study suggests a new business model construct consisting of four main components: (1) value co-creation; (2) resource integration; (3) value proposition and configuration of offerings; and (4) financial aspects. In line with S-D logic and other studies that combine S-D logic with the business model construct (Maglio & Spohrer, 2013; Nenonen & Storbacka, 2010b), the new business model design considers the systemic context of value co-creation. Figure 10 presents the proposal for a service-based business model.

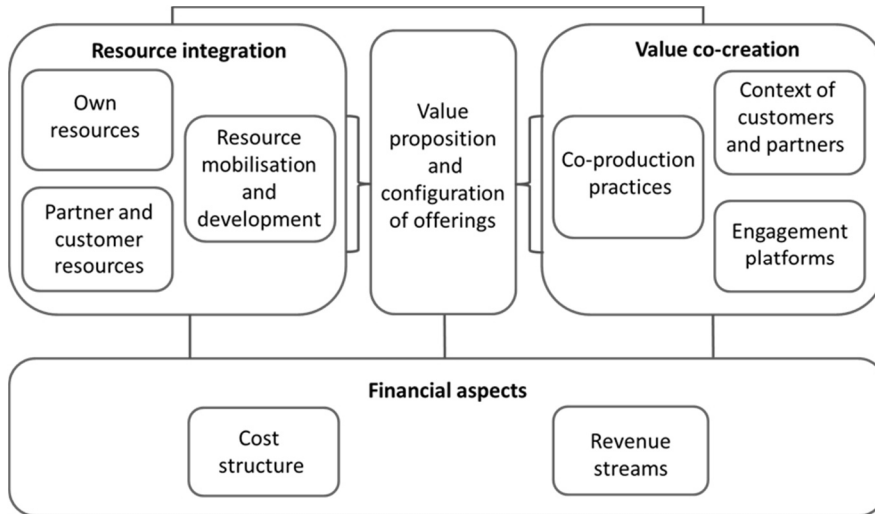


Figure 10. Integration of service logic with the business model construct (Viljakainen et al., 2013).

In this new model, in line with S-D logic, *value co-creation* is considered to be the core of market characteristics of the business model, and the first main component. The second main component is the *integration of resources*, which S-D logic has pointed out to be a central activity of all stakeholders involved in service relationships. Before the value can be realised, a single input has to be integrated with other resources (Vargo & Lusch, 2011). Hence, the components of value co-creation and resource integration are mutually interlinked. *Customers and partners* are seen as important actors in *both* value co-creation and resource integration to emphasise the ecosystems nature of markets, breaking away from the traditional value-chain view inherent in G-D business models.

Under the main component of value co-creation the *context of customers and partners* (i.e. the situational factors that determine the service-related experience; cf. Lusch et al., 2007), the *engagement platforms* (i.e. the means that facilitate the co-creation of value; Ramaswamy, 2011) and *co-production practices* (i.e. the actual service process; Auh, Bell, McLeod, & Shih, 2007; Lengnick-Hall, Claycomb, & Inks, 2000) are identified as the sub-components. The empirical findings suggest that emphasis on *media experience* reflects the importance of customer context, the *building of one story across multiple channels* suggest the existence of engagement platforms, and the *empowerment and interaction of and with people* within online and offline media communities reflect the co-production practices in the magazine publishing industry.

Under the main component of resource integration the model separates the *using* of resources from *having* resources, acknowledging that resources are more or less valuable depending on how they are being used (Vargo & Lusch, 2004a). It identifies the following subcomponents: *own resources*, *partner and customer resources*, and *resource mobilisation and development*. The subcomponents are founded from S-D logic that emphasises the importance of knowledge and skills as the fundamental sources of competitive advantage (Lusch et al., 2007). S-D logic is similarly closely connected to the approach of effectuation (Lusch & Vargo, 2012), which has developed a model of expanding cycles of resources. Effectuation is a logic which assumes that action is not guided by pre-determined and clearly specified goals, but rather, goals are negotiated between stakeholders which result in new opportunities in a transformed environment (Dew, Read, Sarasvathy, & Wiltbank, 2008). The new business model incorporates an iterative process that includes the identification of own resources and the acquisition of stakeholder resources (Read, Dew, Sarasvathy, Song, & Wiltbank, 2009). The iterative process also builds the foundation for the firms' continuous fostering of innovation.

Following the empirical findings, the emphasis on building and sustaining *strong content brands* that attract readers and marketers is a key internal resource, partner resources are obtained from the *ecosystem* surrounding the company, and resource mobilisation and development reflect the effectual approach with an increasing service-orientation in skills development (cf. Nair, Paulose, Palacios, & Tafur, 2013). The findings of this study support those made by Merz, He, and Vargo (2009), who argue that brands are being recognized to be among the most valuable assets of firms. There is a shift from seeing brands as being created by firms and embedded into goods, to brand value being co-created by all stakeholders in media ecosystems and perceived for the use-value. This finding is consistent with S-D logic which suggest that the value of brands rises when the focus is put on solutions and the intangible experience (Lusch & Vargo, 2008). Following this logic, brands can be seen as operant resources, and thus, key sources of competitive advantage (Merz et al., 2009). The findings suggest that the development of strong brands with strong value propositions is increasingly important for media firms to build commitment and trust among business partners, advertisers, and consumers. The findings of this study show how emotional branding strategies are becoming the focus in media firms. Emotional branding is a concept consistent with the S-D mind-set where 'customers form strong bonds with brands that are meaningful to them, captivate them, and compellingly enrich their lives' (Merz et al., 2009, p. 335). In effect, as one of our interviewees put it, media firms are aiming at building brands that consumers are 'in love with'.

The *value proposition* has a central role in the new business model; it functions as a mediator in the continuous interaction between resource integration and value co-creation. It pinpoints the ways in which the focal company contributes to

the value creation of the customer, and consequently generates value and new resources for itself (cf. Demil & Lecocq, 2010; Vargo & Lusch, 2011). The findings of this article suggest that the configuration of offerings – the individual products and services – should not be neglected even though the importance of co-creation is emphasised (cf. Ramaswamy, 2011). The findings argue that the strong emphasis on service (i.e. the support provided by one party for another party's practices and processes) has to a large extent led to the neglect of goods and individual services. Thus, the new business model returns back to some of the more traditional analyses of service logic (for example Edvardsson, 1997) by suggesting that configuration of offerings should be tightly linked to the value proposition. The empirical findings however strongly confirm the central argument of S-D logic; products and services are only vehicles for service provision (Vargo & Lusch, 2004a, 2008b).

Finally, the main component of *financial aspects* was conserved in the new business model, because it is acknowledged that these aspects (e.g. productivity or profitability) are only beginning in S-D logic context. S-D logic recommends the increasing of efficiency through effectiveness instead of making efficiency primary (Vargo, 2009). The findings argue that service business model should consider the total financial benefit gained by different stakeholders, but highlights that the main focus should be on the benefits of the focal company, and subsequently on the customers and partners that essentially influences it. The empirical evidence suggests that magazine publishers are increasingly collecting revenues of small streams (for example, revenues from brand licencing or delivering and cashing content through partners' channels) complying with S-D thinking about the ecosystems nature of markets, and reconciling simultaneously the value-driven and cost-driven business.

4.5 Article 4: The futures of magazine publishing: servitization and co-creation of customer value

Article 4 (Viljakainen & Toivonen, 2014) is the final article in the story-line of this thesis and opens up a futures perspective in the media sector. It explores the business opportunities created by trends and also maps the sources for discontinuities. An important scientific novelty in this study is the application of foresight approach in the service context – the vast majority of earlier applications have focused on the future development of various technologies. The findings of this study are based on case study research conducted in two Nordic countries: Finland and Norway. The study has three main contributions:

- (1) It identifies trends that indicate industry servitization and the adoption of S-D logic in magazine publishing.

- (2) It explores internal and external factors that support the future development of the trends and their potential sources of discontinuity when entering a service-orientation.
- (3) It introduces foresight as a method to recognize an alternative logic of doing business to gain sustainable competitive advantage.

The article combines the perspectives of futures studies and foresight – the former being a more academic approach and latter highlighting the active role of stakeholders in ‘making the future’. Both are perspectives that can help organizations improve their responsiveness to the changing external environment and realign their strategy (Rohrbeck, 2012) to remain competitive (Castorena, Rivera, & González, 2013). They enable the exploration of multiple possible futures rather than predicting only one future (Rohrbeck & Bade, 2012). Recognizing the drivers of change is considered important because they have the capacity to impact the way in which firms in a specific industry *create value for their customers* (Vecchiato & Roveda, 2010). A *trend* is a general direction found in the long-term development of an industry (von Groddeck & Schwarz, 2013), a *driver* is an internal or external factor that supports the development of trends (Castorena et al., 2013). The approach of *foresight* is used in this study to detect the drivers of change and explore their consequences for the publishing industry (cf. Rohrbeck, 2012), and to identify an alternative business logic (Rohrbeck & Gemünden, 2011). *Trends analysis* is a foresight methodology (Day & Schoemaker, 2004) that enables the identification, prediction, and interpretation of change (Coates, 2004). Exploring trends enables the identification of a shift to a new contextual phenomenon (von Groddeck & Schwarz, 2013). Thus, the chosen approach is appropriate for studying industry transition towards S-D logic.

In line with the other articles, this article highlights that the magazine publishing industry is both servitizing, and adapting to S-D logic in the efforts to create new value for their customers to remain competitive. The magazine publishing markets resemble in this respect many manufacturing industries that adopt new service-based strategies because of technological development and increased competition, changing customer demands and needs, decreasing product margins and differentiation, cyclical economic climate, and the need for new and stable sources of revenue (Gebauer et al., 2005; Gebauer & Fleisch, 2007; Kowalkowski et al., 2012; Oliva & Kallenberg, 2003; Raddats & Easingwood, 2010).

Table 11 summarizes the findings of the study. The article identifies seven trends and their impact on publishing companies. The trends are: (1) dispersing customer base; (2) changing media use habits; (3) erosion of product business; (4) shift from product to value-adding brands; (5) shift from R&D to innovation; (6) shift from autonomy to partnering and sharing in ecosystems; and (7) the changing resource and capability needs. The first three trends relate to the changing business environment. A dispersing customer base refers to the fragmentation of both

media and audiences, and the increased power of people to choose the time, place, and content of media consumption. The increase in media content options and audience autonomy is causing changes in media use habits. At the same time audiences for printed products are becoming smaller, thus eroding the product business and seriously affecting the economics of media companies. The final four trends relate to publishers' behaviour. Increasingly, the focus in publishing is shifting from product development and delivery to the provision of solutions to both B2B and B2C customers and brand building. Consequently, slow-paced R&D activity that looks at historical market research data is increasingly being replaced with agile service innovation that relies on co-creation within media ecosystems. Consequently, the borders are opening up rapidly, as publishers are seeking resources from the ecosystem and engaging in partnership outside the traditional media business. These developments are fundamentally altering the resource and capability needs, as the focus is gradually shifted from the publisher's perspective to the changing external environment and to the customer.

The adoption of S-D logic in this study is discussed by showing the impact of trends when media is seen as service. For example, the dispersion of customer base means that publishers need to develop stronger value propositions to smaller niche markets, but at the same time, they are able to pursue new audiences due to technological advancements. The changing media use habits imply the need for better and deeper understanding of customers' dynamic needs that constantly change, and the changing focus on the use-value and media experiences. Following the erosion of product business publishers are confronted with increased accountability pressures, and the focus is shifted from product delivery to service provision. Publishers' behavioural changes also include the introduction of service-dominant offerings around strong media brands with strong value propositions that add value and engage both customers and partners. Service innovation with customers and partners is taking place within media ecosystems crossing industry borders, not within media organizations. And finally, the capabilities and resources are being developed to better suit the world where value is co-created instead of being internally produced and sold.

Servitization is explored by concentrating on the reformations taking place in the processes, strategies, and corporate cultures of interviewed magazine publishers. Because of the dispersing customer base, publishers are establishing separate service business units to develop services that meet the specific needs not only of end-customers, but also customers in the B2B sectors. New tools are being developed to gain better understanding on the dynamic customer needs, and also, to react more quickly to the needs with new services. As the economics are threatened due to eroding product business, publishers are increasingly focusing on cost-efficiency and innovating new smaller sources of revenues from service business. For being able to develop value-adding brands, new relationships with stakeholders within service ecosystems are established, and internal processes that support the transformation into service business. In specific, publish-

ers are putting a lot of emphasis in developing an internal culture and management practices that support service innovation. Alliances and partnerships are being established to draw and mobilise resources from the ecosystem.

The sources of discontinuity are discussed to provide market actors meaningful information on how to orientate the strategy and organizational development activities towards the future. The findings of this study show, that in many cases publishers are not able to recognize that services do not necessarily immediately provide the anticipated financial returns which hinders the transition into service business. In other words, there is a challenge of recognising the financial potential in services, and seeing them as value-adding. This is especially the case when income from services is only fraction of product sales. In effect, fully capitalizing the constantly changing needs of smaller and smaller customer segments has proven to be of a great challenge. Nevertheless, the findings agree on the necessity of maintaining deep customer understanding for being able to develop economically sustainable offerings. At the same time in many cases it seems to be the reality that the organizational strategies, processes, and structures do not support the transition into service business. In specific, a service strategy is in many cases lacking, the sales practices and corporate culture are fundamentally product-centred; focus is put on increasing organisational efficiency, and less resources are available for innovation activity. It is evident that publishers are risk averse in investing the majority of resources to product development behind closed doors in the hopes of more predictable outcomes. Also, services are to a large extent considered add-ons; they support the product business which still to date brings the majority of turnover.

Overall, the empirical findings in this study suggest that in the coming years the magazine business is expected to change quite dramatically, which is going to be a great challenge. The key for being able to change the industry logic and regain competitiveness is to break free from the dominant recipes. This is consistent with findings in existing literature (for example Gulati, 1999; Kowalkowski et al., 2012; Matthysens & Vandembemt, 2008).

The trend	The main contents of the trend	Impacts on media as service, new services	Impact of services on the publisher	Sources of discontinuity
Dispersing customer base	<ul style="list-style-type: none"> Increasing array of platforms and content options (i.e. media fragmentation). Dispersion of audience attention across content options (i.e. audience fragmentation). Consumers gaining more power (i.e. audience autonomy). (cf. Napoli, 2003, 2011) 	<ul style="list-style-type: none"> Shift from general magazine titles offered to mass markets into segmented niche markets with stronger value propositions. Technological development opening up doors for new consumer segments. 	<ul style="list-style-type: none"> Establishment of B2B customer base. Establishment of separate service business units which may carry less path-dependent constraints (cf. Brown et al., 2009; Christensen, 1997; Teece, 2007) and lead to increased profits and revenues attributed to services (cf. Oliva & Kallenberg, 2003). Focus increasingly on co-producing the right content/service, at the right time, through the right platform, in the right form, to the right mind-set. 	<ul style="list-style-type: none"> Traditional media has fewer opportunities to affect consumers' choices. Limited growth opportunities in B2C markets. Fully capitalizing the changing needs of smaller audiences with new concepts a great challenge. Lack of sufficient financial returns from B2B services leading to the inability to recognize their financial potential (cf. Fundin et al., 2012; Mathieu, 2001; Oliva & Kallenberg, 2003).
New media use habits	<ul style="list-style-type: none"> Increasing array of options causing differing consumer needs and media-use habits (cf. Napoli, 2011). Changes in the way people access information. Consumers becoming more critical towards ready-made content. 	<ul style="list-style-type: none"> New consumer understanding for service development and sales of audiences. Understanding what customers value going beyond the obvious needs and wants into the less obvious criteria of valuation (e.g. emotional needs and media experience) (cf. Payne et al., 2008; Ulaga & Reinartz, 2011). 	<ul style="list-style-type: none"> Digital media setting new standards to speed up processes and reaction times. Increases in tools and methods for better understanding customer behaviour, needs, and wants. 	<ul style="list-style-type: none"> Increasing array of content and platforms to be updated and managed at different sequences. A deep understanding on the customer needs and wants crucial for developing economically sustainable offerings, but hard to obtain (cf. Vargo & Lusch, 2004a, 2008b). Decision-making intuition-driven,

	<ul style="list-style-type: none"> • Focus from product effectiveness to the offering's effectiveness in user's context (cf. Oliva & Kallenberg, 2003). • Improved accountability for delivery as marketers demand more value for money. • Increased focus on providing sustainable value for B2C and B2B customers. • Advertising spending from traditional to new media. 	<ul style="list-style-type: none"> • Gradual erosion of print media readerships (cf. Küng et al., 2008). • Revenue from 'cash cows' – the big circulation magazines – decreasing. • Volatility of the advertising markets. • Advertising spending from traditional to new media. 	<ul style="list-style-type: none"> • Increased focus on cost-efficiency, organizational flexibility, and agile processes. • Departing from a dualistic revenue structure into a greater number of small revenue streams. 	<ul style="list-style-type: none"> • Income from online and offline services only fraction of product sales. • Editorial content becoming less attractive to marketers. • Losing advertising income a serious long-term threat for the viability of publishers. • Customer needs and the current strategies, organizational processes, and cost structures seem incompatible. • Emphasising the primacy of efficiency; cost-cutting, reorganizations, and outsourcing. 	<p>rather than data-driven.</p>
From printed products to value-adding cross-media brands	<ul style="list-style-type: none"> • Focus from printed products to solutions. • Commercialization of strong content brands for B2B and B2C customers. • Readers becoming increasingly committed to and trusting to selected media brands. • Brands increasingly vital in attracting advertisers. 	<ul style="list-style-type: none"> • Comprehensive magazine concepts and strategies built around brands with stronger value propositions. • Magazines developed to be present in their readers' lives. • Introduction of service-dominant offerings (cf. Grönroos, 2008): goods (e.g. print and online magazines), services (e.g. brand licensing, online shops, special advertising solutions, apps), information (i.e. professionally created 	<ul style="list-style-type: none"> • Close cooperative relationships with partners and selected advertisers. • Corporate culture and structure, human resources management, and service development processes critical elements in developing service strategies (cf. Fischer et al., 2010; Gebauer et al., 2005; Matthysens & Vandenbempt, 2008; Oliva & Kallenberg, 2003). 	<ul style="list-style-type: none"> • Changing the logic of magazine publishing a challenge due to path dependencies, organizational inertia, and lock-in (cf. Prahalad & Ramaswamy, 2004). • Challenges to recognize the financial potential in service business (cf. Mathieu, 2001; Oliva & Kallenberg, 2003) due to small market size, majority of weak brands, and a past record of stable and high revenue from product 	

	<p>content cashed in partners' channel), and interactions (i.e. online communities and offline services).</p> <ul style="list-style-type: none"> • Introduction of 'service journalism' which benefits and adds value to the reader. 	<p>sales.</p> <ul style="list-style-type: none"> • Lack of service strategies inhibiting the ability to seize service opportunities (cf. Fischer et al., 2010). • Transition into service business a marketing challenge (cf. Oliva & Kallenberg, 2003) • Byers too would need to adapt to S-D mind-set for the transition to be successful (cf. Kowalkowski, 2011b).
<p>From product development to service innovation</p>	<ul style="list-style-type: none"> • Change in logic that all should be done in the professional end. • Building and maintaining communities as platforms for engagement, idea generation and co-development. • Deeper understanding on the user experience and engaging readers. • Understanding the user experience and engaging readers becoming crucial to successful service launch (cf. Helkkula & Holopainen, 2011; Viljakainen et al., 2013). • New concept launch very much based on personal enthusiasm, entrepreneurial spirit, market research, as well as trial and error (cf. Fischer et al., 2010). 	<ul style="list-style-type: none"> • Increased emphasis on processes, tools and corporate culture that support innovation (e.g., task forces and innovation days, internal test laboratories etc.) and accelerate the pace of commercialization (cf. Prahalad & Ramaswamy, 2004). • Fostering pilot trial mentalities: ideas tested in a shorter time span and terminated if they do not work. • All ideas, even small ones, are scrutinized. • Bringing otherwise disconnected people together to generate ideas.
	<ul style="list-style-type: none"> • Changing focus from R&D (incl. international benchmarking, brand licensing, and market research) to innovation; from forecasting to foresighting (cf. Read et al., 2009) because customers cannot predict their experiences (cf. Prahalad & Ramaswamy, 2004). • From recognizing opportunities based on historical data to experimental development (cf. Normann & Ramirez, 1993). • Changing innovation speed and cycles, decreasing the financial risks. 	<ul style="list-style-type: none"> • Allocated resources for systematically developing new offerings diminished. • Small size of the markets and turbulent economic climate are limiting development resources. • Risk aversion; resources to a large extent put on product development to get more predictable outcomes (cf. Gebauer et al., 2005) • Development of services that support the product business which still brings the majority of turnover. Service considered 'add-ons'. (cf. Fischer et al., 2010) • Markets establishing dominant service designs limiting the variability in service offering and pricing (cf. Fischer

			<ul style="list-style-type: none"> et al., 2010). Great deal of development work still exercised behind closed doors in the fear of leaking ideas to competitors. Publishers imitate each other. Strategic networks established among organizations that have previously operated autonomously (cf. Gulati et al., 2000). Strategic competitive alliances formed under external pressure may lead to zero-sum relationships (cf. Vijjakainen, 2013b).
Alliances across borders	<ul style="list-style-type: none"> The value network in publishing is opening up and changing rapidly. New entrants in the media ecosystem coming from within and outside traditional media business. Consumers, entrepreneurs, and businesses starting to work collectively. 	<ul style="list-style-type: none"> New service offerings enabled by partnering to co-produce value (cf. Agarwal & Selen, 2009; Windahl & Lakemond, 2006). Media content published and cashed in own channels and channels provided by key partners. Co-operative mind-set, flexibility, trust, and relationship management seen key in service innovation with network partners (cf. Kowalkowski, 2011b; Matthyssens & Vandenberg, 2008; Raddats & Easingwood, 2010). 	<ul style="list-style-type: none"> Building (strategic) alliances with competitors and non-competitors across industrial borders to develop new business opportunities and regain competitiveness (cf. Küng et al., 2008). Resource mobilisation and integration from the media ecosystem to create value for customers.
Changing key resources and capabilities	<ul style="list-style-type: none"> Increased need for dynamic capabilities (i.e. abilities to sense and seize opportunities and reconfigure assets) in service innovation with customers and network partners (cf. Coates, 1996). Transfer from authoritarian journalist power to the appreciation of skills of customers and profes- 	<ul style="list-style-type: none"> Endorsement of multi-platform publishing and service creation, reader engagement, crowdsourcing (i.e. outsourcing part of the design work to an unknown crowd on the internet; Brabham, 2008), co-creation, and amateur professionalism. Online communities acting as platforms for real-time idea generation and 	<ul style="list-style-type: none"> Openness and transparency in communication and work practices (cf. Vargo & Lusch, 2004a, 2008c). Reduction of middle-management layers to promote openness. Appreciating leadership skills to say 'yes' instead of 'no' to new ideas. Creating an environment for uncertainty tolerance that inspires employees to inno-
			<ul style="list-style-type: none"> Product-centred corporate culture, sales orientation, and sales commission practices may slow down the adoption of service-orientation (cf. Kindström & Kowalkowski, 2009; Payne et al., 2008; Teece, 2007). Authoritarian journalist power still deeply rooted in culture. Core capabilities (i.e. knowledge,

<p>sional amateurs.</p>	<p>co-creation.</p> <ul style="list-style-type: none"> • Introduction of 'service journalism' which benefits and adds value to the reader. 	<p>vate, and where mistakes are allowed.</p> <ul style="list-style-type: none"> • Building dynamic capabilities by integrating and reconfiguring resources (cf. Eisenhardt & Martin, 2000; Teece, Pisano, & Shuen, 1997; Teece, 2007). • Different sales skills needed for product and service sales (cf. Brown et al., 2009; Kindström & Kowalkowski, 2009; Ulaga & Reinartz, 2011). 	<p>skills, systems, values, and norms) enable but also hinder innovation (cf. Leonard-Barton, 1992).</p> <ul style="list-style-type: none"> • Values and corporate culture are very hard to change (cf. Gebauer et al., 2005; Leonard-Barton, 1992). • Difficulties changing organizational thinking from seeing services as additions, to seeing them as value-adding (cf. Gebauer et al., 2005).
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Table 11. New trends and their impact on publishing companies based on an increasing service orientation.

5. Discussion

This chapter first discusses on the theoretical implications of the study, then moves on to the issues of reliability, validity, and generalizability of the research findings. Thereafter the chapter makes recommendations for further research, and ends up with the discussion on the implications to management practice.

5.1 Summary and conclusions

The general aim of this thesis was *to explore the phenomena of media business transformation, and to see how S-D logic can be used as a lens to explain it*. More specifically, the attempt was to apply S-D logic for theory building in industry transformation and introduce a service-perspective to the field of media management and media economics. The study has been guided by two research questions: (1) *how does a transfer from a G-D to a S-D logic manifest itself in the current business practices and future trends in the media industry*, and (2) *what are the central topics to understand better the on-going change in the media sector*. This section of the study focuses on answering the two research questions, and summarizing the empirical findings in relation to existing research results.

The main findings of this study have been synthesized in Table 12. This table shows several elements in the media sector that indicate the adoption of a service mind-set and concrete activities that are in line with S-D logic. These topics are more thoroughly discussed thereafter in the concluding chapters of this study.

Table 12. The synthesis of the main results: media as service.

S-D logic		Central empirical findings that support this thinking
Unit of exchange	Service is exchanged for service	<ul style="list-style-type: none"> • From the development and delivery of mass media products to assisting customers in their value creation process • From single media products (e.g. printed magazines) to the emphasis of value propositions • Development of customized value propositions that meet the specific needs of customers and partners • The introduction of service-dominant offerings (i.e. products, services, information, and interaction) • Media brands built together with stakeholders in media ecosystems (incl. customers, partners, competitors)
Role of media goods	Vehicles for service provision	<ul style="list-style-type: none"> • Media is not technology through which content is moved to audiences • Media is a vehicle for the provision of higher-order benefit or service and an enabler of experience • People choose media products because of the service they render, not for the medium itself • Media goods satisfy specific needs and goals (e.g., information, persuasion, or entertainment needs)
Value of media goods	Measured in terms of value-in-use	<ul style="list-style-type: none"> • Media can only be valued in the consumption process • People benefit from the media goods also in future transactions (self-service) • Focus on media experience and the role of media in peoples' lives away from the sole exposure (value-in-exchange) • Focus on the co-creation experience embodied in media brands through different engagement platforms
Meaning of value	Value is co-created	<ul style="list-style-type: none"> • Change in logic that all should be done in the professional end • Value co-created together with customers and partners instead of being embedded in products that are sold • Value creation in online and offline media communities is mutual and reciprocal • People experience media and interpret their value subjectively • Media experience is influenced by the unique life contexts and other available resources of users
Organizational resources	Competences, relationships, in-formation.	<ul style="list-style-type: none"> • Knowledge and skills of creative media professionals is the key source of competitive advantage • Strong content brands that attract readers and marketers is an important internal resource • Strong value propositions are wrapped around strong media brands that build trust • People form bonds with media brands which they perceived meaningful and relevant

		<ul style="list-style-type: none"> Value creation and brands are inseparable: co-creation experience that creates trust is the media brand
Role of media firm	Resource integrator, not a producer or distributor	<ul style="list-style-type: none"> Shift in mind-set of being a value distributor to a value co-creator Media firms provide inputs into the value creation activities of the customer Mobilise and integrate resources from the media ecosystems that cross traditional industry borders Provide and sustain the context and infrastructure where people create value by engaging increasingly from autonomy and media silos to cooperation and openness
Role of customer	A resource, not a target	<ul style="list-style-type: none"> Co-creators of value and co-producers of service engaged in conversation and dialogue within communities Sources of innovation who legitimize media brands and give them meaning
External environment	A resource, not something that needs to be adapted to	<ul style="list-style-type: none"> A resource that can be benefited from and co-created with: a better future can be created Customers and partners are essential determinants of media firms' success New service offerings enabled by partnering to co-produce value Information sharing with customers and partners increasingly based on openness, symmetry, and truthfulness Long-term contracts increasingly replaced with relationship building based on cooperation and trust
Source of economic growth	Efficiency follows effectiveness	<ul style="list-style-type: none"> The better the use value (media experience), the more money From dualistic revenue structure (product sales) to small streams of revenue (ecosystems nature of markets)

The technological change underway is transforming media consumption habits and causing media and audience fragmentation. Media is experiencing demassification and moving away from homogeneous mass audiences into niche markets as a consequence of peoples' increased ability to customize their media experiences and increasingly diversified needs. The old business models are being challenged as traditional media are reaching maturity, even decline. Faced with these challenges media firms have two possibilities: either adapt and change (i.e. mediamorphosis), or seize to exist (i.e. mediacide) (Lehman-Wilzig & Cohen-Avigdor, 2004). This study anticipates the former. Literature suggests that the focus in media firms' growth strategies is increasingly on new types of transactions and business areas (Galbi, 2001), and on services (Picard, 2005). Media organizations are shifting their focus from the development and delivery of goods to relationship building (Chan-Olmsted, 2000). This is logical, since firms facing uncertain environments are more likely to innovate (Brown & Eisenhardt, 1997) and seeking new competitive differentiation from beyond product business is especially relevant for industries that are reaching maturity (Kowalkowski, 2010). Service-based strategies are increasingly being adopted by more and more media companies as a way to differentiate a firm from its competitors. The findings of this study show how traditional media companies are gradually changing the logic how they perceive their audiences and the way in which they create value for their customers. Media firms are creating new competitive strategies by adding services to their total offerings (i.e. servitizing) and adapting to new value-creation perspectives to gain sustainable competitive advantage. *The industry is undergoing a transformation towards value- and service-based business.*

The underlying claim in this study is that *service-dominant (S-D) logic is a value creation perspective, a mind-set, for media firms to be better able to adapt to the challenges they are facing and change the course of direction.* Following S-D logic, an environment is not to be considered uncontrollable, but as a resource firms can benefit from and co-create with. Firms operate as part of value networks and can draw upon the collection of resources from customers, employees, and partners. The study discusses the servitization phenomena simultaneously with S-D logic, because servitization raises the importance of value-based thinking and customer focus when companies pursue sustainable competitive advantage. It also emphasizes the insight that employees are core resources (Baines et al., 2009; Mathieu, 2001), which is fundamental in S-D logic, too. The two perspectives however do have differences. The findings of this study show how servitization and S-D logic are in fact two separate phenomena, which in the case of media sector are taking place simultaneously (cf. Kowalkowski, 2010). Media firms are *creating* value by adding services to their offerings in the expectations of higher returns (Gebauer & Friedli, 2005; Neely, 2007). This perspective is to a large extent goods-dominant and inconsistent with S-D logic that does not separate products and services from the service provision. At the same time the findings of this study illustrate how media firms are entering into service- and value-based busi-

ness to increase customer engagement through better customer service, and consequently, their financial returns.

The findings of this study argue that *media firms can no longer regard themselves as value distributors* due to the active role of user communities and the co-creation of value. Value is increasingly being co-created with customers and partners instead of being produced and sold. In effect, media business increasingly means assisting customers in the value creation process, sustaining engagement platforms, and developing customer-centric solutions from resources drawn from partner networks that cross conventional industry borders. This development does not comply well with the traditional management and economics thinking (Gummesson et al., 2010). The results of this study argue that a goods-dominant mind-set is deeply rooted in the media industry's strategies, processes, and mental models. An economics worldview is fundamental in media management – both theory and practice. Adoption to a service-perspective however necessitates fundamental changes in the ways of thinking (Maglio et al., 2009) which is a great challenge for any organization, especially those operating in highly competitive environments. It is extremely difficult to depart from the old habits. (Lusch & Vargo, 2008) Nevertheless, the findings of this study show how the industry is initiating practices which are relevant in adapting to S-D mind-set.

The traditional media management thinking has a strong focus on the value chain and its efficiency which depicts a G-D mind-set. Following the findings of this study, contracts with key partners are generally long-term, information exchanged is to a great extent asymmetric, and emphasis is put on cost-efficiency. This has become even more important in the turbulent economic environment and traditional media nearing decline. The product business has been too big of a goldmine for media to quickly adapt to the changing environment. The study does not suggest media should exit their current business that is still in many cases prosperous, but to change their mind-set, or more specifically, their strategies and practices, towards the customer. The traditional economics worldview should be questioned in time when it does not seem to work for the benefit of media organizations. In specific, the media concept defined as 'technologies (print, radio, television, sound recording and such like) through which the content created for groups of consumers is moved and organized' and media firms as 'packagers of materials that utilize those technologies' (Küng et al., 2008, pp. 7) ought to be redefined when entering a new value- and service-based perspective. The findings of this study confirm, that media products can only be valued while being consumed, suggesting the phenomenological side of value creation, the unique *service experience* of each individual, and the importance of the user's context and networks. The idea of authoritarian journalist power which inherently suggests media is a value creator is increasingly being replaced with the idea that value is co-created with actors in the media ecosystems – partners, competitors, and customers. Increasingly, the competencies of media professionals are manifested in strong

media brands with strong value propositions, around which the business is built. Media brands attract business partners, advertisers, and consumers.

An interesting question is whether an industry operating in two-sided markets should experience greater challenges in adopting S-D logic compared to industries operating in either B2B or B2C markets only. According to Vargo and Lusch (2011) there is no difference between B2B and B2C in S-D logic. On the contrary, the authors highlight that S-D logic makes this separation useless – the essential viewpoint is A2A (actor-to-actor): all actors engage in value co-creation. In practice, the situation is more complicated because the awareness of companies about the logics of markets influences their behaviour. The core question is the level at which media firms understand their customers' context – whether they are businesses or consumers – and the extent to which this understanding affects their ability or willingness to adopt S-D logic (cf. *Ibid.*).

The findings of this study indicate that media firms aim at *consciously* co-creating value with both end-customers in the form of crowdsourcing, and business partners in online and offline services. However, it seems the B2C markets have evolved into the value co-creation sphere more naturally following the recent macro-level developments. The value logic seems to be easier to understand in B2C markets where a deep customer understanding is more inherent to the relationship. Media communities are built around strong brands with strong value propositions; the relationship between the media user and the brand has become close and personal. In the B2B markets, the question relates to the nature of interaction in business partnerships. Byers too need to adopt S-D mind-set for the transition to be successful (Kowalkowski, 2010). Businesses are also guided by path-dependent routines and practices (Nelson & Winter, 1982). Typically, the B2B customers of media firms have been accustomed to focus on value-in-exchange in advert sales; this practice may slow down the adoption of S-D logic (cf. Kindström & Kowalkowski, 2009; Payne et al., 2008).

However, in both B2B and B2C markets the adoption of S-D logic is essential for safeguarding media firms' viability in the future. Due to the deterioration of the traditional business, media firms must co-create value in new ways together with their customers. This value co-creation is increasingly taken into account in the development of new offerings and does not depend on the nature of offerings – value logic is equally possible in goods and services. In the media sector, material products are the embodiments of the strong value proposition attached to brands in both B2B and B2C markets and still yield the majority of turnover in this sector. It is also important to point out that goods logic does not disappear – even the founders of S-D logic have stated that the problem is not goods logic as such but its dominance, which is not compatible with the drivers of the modern economy (Vargo & Lusch, 2008b).

The study does not assume that media firms should make a choice between G-D logic and S-D logic, nor that the industry should adopt a totally 'new' dominant logic to replace the 'old' thinking. According to Vargo and Lusch (2008b), the question is not about an either-or choice; in particular circumstances, a G-D logic perspective focusing on material products may be more appropriate. S-D logic is a lens for understanding how things operate, rather than a normative science (Vargo et al., 2008). Fundamentally, adopting a dominant thinking where *all* action is mechanically based on one particular mind-set is not desirable. It is not even possible. However, the present macro-level developments – technological development and peoples' access to information, among others – are putting user-centricity and co-creation to the fore. It is increasingly impossible for businesses that want to prosper to unilaterally create and deliver value attached to products (goods and services). The context of customers and partners determines the experience, and each actor is influenced by their past experiences and the availability of other resources in their networks. (Vargo & Lusch, 2008b) Therefore, S-D logic is a mind-set that enables media firms to understand and respond to the changes as they happen in the real-world. It enables firms to learn to get better in responding to the actual customer needs, and consequently, making money (Vargo & Lusch, 2004a).

The media industry is not lagging behind other industries in the adoption of a value-based perspective. The challenge is that the pace of change is exponential, especially in regards to technological development and the growing importance of information. Furthermore, the changes are quite recent. There exist path-dependencies due to historical events which affects how the media business is conducted (Amburgey et al., 1993). The dualistic revenue model for print media has been operational and flourishing for over a century (Heinonen & Konttinen, 2001). It is very difficult to depart from old habits and practices (Lusch & Vargo, 2008).

Adapting to a new value creation perspective, and S-D logic in particular, has many implications for media organizations. In specific, it means a change in mind-set; media are not able to create value by themselves but value is *always* co-created with partners and customers. Media does not produce media products and sell them to consumers, but use their knowledge and skills that benefit people and partners. The idea of a success of a media product when it reaches the largest amount of marketable people should be questioned, and the idea that people experience media products which makes them loyal and engaged should be embraced. What this means is that media cannot determine the value of a product, only customers can. The key resource, and the most important competitive advantage, is knowledge and skills which can be found from the ecosystem, not only within the firm. However, people are media organizations' most important assets and should be treated as such. The role of a media firm is becoming the resource integrator who engages customers, employees, and partners in value co-creation, and not the deliverer of value. Therefore, a customer should be seen as a re-

source and not as a target. A media firm can economically prosper when it is able to provide its clients *experiences* they are willing to pay for. Therefore, the focus should be increasingly put on getting better at offering good experiences, away from solely maximizing exposure. Following the value-based approach, continuous adaptation, speedy reaction times, and setting long-term goals have become the critical elements of strategy that is all about recognizing opportunities and allocating resources from an ecosystem dynamically (Prahalad & Ramaswamy, 2004). A shift to value- and service-based business will not be easy, will likely progress cumulatively rather than rationally and suddenly, and necessitates changes in mind-sets of the client side, too. However, for being able to change the course of direction the media markets need to break free from the dominant logics to regain competitiveness (cf. Kowalkowski, Kindström, Alejandro, Brege, & Biggemann, 2012; Matthyssens & Vandembemt, 2008).

5.2 Reliability, validity, and generalizability

Following Yin (2003), the quality of the design and execution of case study research is judged based on its: (1) reliability (i.e. the study can be repeated by another researcher with compatible results); (2) construct validity (i.e. the selected measures appropriately measure the phenomenon); (3) external validity (i.e. the scope at which the findings are generalizable); and (4) internal validity (i.e. the research is able to detect causal relationships when they exist). According to the author, these are quality tests that must be properly managed. Appropriately addressing them is a prerequisite for research to be considered as accumulating knowledge in a specific scholarly field (Rowley, 2002). There are certain restrictions on the applicability of theory and comprehension of research findings. Researchers are guided by internal sets of values and beliefs, as well as the level of experience. Moreover, research results may only be applicable to certain contexts – specific organizational forms or historic period, for example. (Bacharach, 1989) For these reasons, theory must also be able to answer the question: 'When?' A researcher must identify the shortcomings of his/her findings for being able to respond to the falsification attempts. Theory is falsifiable when the variables are consistent (reliability), accurate (validity), and when the restrictions related to their generalizability are properly articulated (Bacharach, 1989).

Reliability and validity discusses the adequacy of the applied measures to actually measure the concept under study (Beam, 2006). Addressing the issue of *reliability* is particularly challenging in case study research that relies heavily on interpretation and subjectivity in data collection and analysis. How to assure that another researcher can reproduce research findings using the same sample and face-to-face interviewing method to study the same phenomenon? Yin (2003) and Eisenhardt and Graebner (2007) suggest a careful documentation of the research process as a good way to augment research reliability. For this reason, this study

describes in detail the research process, the relevant communities where knowledge was validated, and data coding and analysis methods (Chapter 2.1.4). Eisenhardt and Graebner (2007) further propose that error and bias of both the observer and the respondent pose a threat to the reliability of research. Respondent error refers to the tendency to see things differently in various circumstances, and observer error to the divergent ways of researchers to conduct research thus limiting the comparability of data. Bias refers either to the respondent saying things which does not fully capture the reality or observers interpreting answers differently. Rohrbeck (2011) in his study proposes various tactics to overcome these threats, with the use of well-informed respondents, semi-structured interview method, and the use of more than one interviewer, among others. This study has used these tactics – respondents from the top management level or people highly involved in the projects under study, semi-structured interviewing with an interview guide, and two observers both conducting interviews and analysing data – to increase the reliability of the results.

Construct validity refers to the measurement's accuracy and adequacy to measure the phenomenon under study (Scandura & Williams, 2000). It can be further divided into: (1) convergent validity (i.e. concepts used are unambiguous and all measurements point to the same direction); and (2) discriminant validity (i.e. concepts used are distinguishable from other similar and/or irrelevant concepts; Bacharach, 1989). In other words, validity focuses on the question of whether what is measured actually reflects the reality and what the researcher attempts to measure; the 'truthfulness' of research (Beam, 2006). In the case of qualitative research, validity to a great extent focuses on the issue of minimizing observer subjectivity. Execution of a case study research with face-to-face interviewing is very much dependent on the skills and competencies of the interviewer who is an active member in the process. An interviewer must have a good understanding on the research questions and propositions for being able to make good questions, and listen and interpret answers in an unbiased manner (Rowley, 2002). Using various informants and data collection methods, as well as submitting the research findings for a group of peers to discuss have been identified as tactics for ensuring research validity (Rohrbeck, 2011). This study has used all of these tactics (see Chapter 2.1.4 Research process). Furthermore, the author of this study was a member in the research projects' steering groups which met on a regular basis for a number of years, thus augmenting the comprehension of the underlying phenomena and thus, the drafting of research questions. The author of this study has years of experience working for the media industry (on the audience information systems in particular) which however does raise the question of objectivity. Nonetheless, working in close cooperation with practitioners and academics in the relevant communities and receiving constant falsification attempts does raise the reliability and validity of the results.

External validity refers to the scope at which research findings are *generalizable* from one temporal and spatial context or individual to another. It discusses

such issues as the impact of the sample or research methodology on the generalizability of results. (Rowley, 2002; Scandura & Williams, 2000) The consideration of external validity becomes central in research that attempts to build theory and emphasizes the contributions to management practice, the focus of this study. This study uses multiple case studies instead of a single case to enhance the generalizability of the results. External validity can also be increased by using more than one research method, because one method may cover the shortcomings of another method (i.e. triangulation; Scandura & Williams, 2000). This study has used interviews, archival data analysis, industry research reports, transcripts and minutes from steering group meeting and workshops, and academic papers as sources of data. Research findings have also been presented to and discussed with both business practitioners and academics in several conferences and workshops, which have given many implications as to the generalizability of the developed frameworks. For example, the critical success factors presented in Article 1 have been reported to industry representatives to follow through the national project. Also, the service-logic business model construct developed in Article 3 has been presented to industry representatives, members of the Finnish Service Alliance, and a group of scholars at the University of Cambridge. Therefore, even if there might be some concerns as to the validity of the research findings, which is inherently the case with case study research, the managerial implications are a strength of this study.

Case study research was selected as the methodology, because it 'allows for thorough and in-depth investigation over a prolonged period, taking into account of the complexities of context' and also because 'it is useful in conducting exploratory research, when the aim is to gain insight about [...] areas of organizational activity that are not yet well documented or understood and that can only be teased out through prolonged, detailed, and multi-layered scrutiny' (Doyle & Frith, 2006, p. 565). This was particularly the case with the initial research project focusing on the evolution of audience information systems, and later on in the research regarding the study on the increased service-orientation. The common challenge with case study research that focuses on particular contexts is its limitations when it comes to making adequate scientific generalizations (Doyle & Frith, 2006). However, generalization requirements on the basis of the sample are originated from the positivist research traditions and there is on-going debate whether case studies should be judged based on their insight rather than their statistical generalizability (Rowley, 2002). This refers to *naturalistic generalization* which emphasises the translation of experiences and tacit knowledge into explicit propositions (Kvale, 1996), allowing readers to interpret and internalize research findings into their experiences (Rowley, 2002). This form of generalization is relevant in the current study that applies a value-based analysis. In this study, the way of generalizing from the empirical findings is *analytical generalization*. It refers to making rational judgements whether the findings from one study can be used as an indicator for what might take place in another setting. One form of analytical generalisation is seeking precursors; it corresponds to the idea of this study of seeking such phe-

nomena in the leading media companies that in the future can be expected to become relevant in a wider scope in the entire sector. (Kvale, 1996) Analytical generalization is a common type of generalization in qualitative research and aims at generalizing to a theory of the phenomenon under study with wider applicability than the specific sampled population and case studies. What this means is that the results of a study contribute to the building of a theory of the specific phenomena, not to making statistical generalizations from the sample. Analytical generalization is made possible by raising the empirical findings to a general level. (Yin, 2003) This form of generalization corresponds to the attempt of identifying the phenomena of increased service-orientation in the magazine publishing sector, and expecting it to be relevant in the entire traditional media sector.

Recent developments in the Western European markets support this attempt; successful media companies are increasingly establishing themselves as service companies. For example, *Pearson*⁴ (UK) and *Sanoma*⁵ (Finland) have become learning companies operating in the educational sector. *Bertelsmann*⁶ (Germany) has entered into the B2B sector offering services such as data management and IT services. *Vivendi*⁷ (France) offers pay-tv and telecommunications services. *Lagardère*⁸ (France) operates in retail and distribution services market, and *Reed Elsevier*⁹ (UK) offers B2B information solutions to public and private sectors. Leading U.S. media companies reflect this development, too. One of the pioneers, *The Walt Disney Company*¹⁰, opened its first Disneyland theme park already in 1955 and offers a wide range of digital entertainment services. *Comcast*¹¹ operates in the theme park sector as well. *Twenty-first Century Fox*¹² and *Time Warner Inc.*¹³ offer home entertainment services, and *Viacom*¹⁴ operates in the educational sector, *News Corporation*¹⁵ offers a wide range of B2B services for partner organizations. However, as the sample size in this study was limited, the case studies should be validated in future studies both with bigger samples from the media industry and with new empirical studies in other industries, which is to increase the internal validity and applicability of the research findings.

⁴ <https://www.pearson.com>, retrieved 16.1.2015

⁵ <https://www.sanoma.com/>, retrieved 16.1.2015

⁶ <http://www.bertelsmann.com/#st-1>, retrieved 16.1.2015

⁷ <http://www.vivendi.com/home/>, retrieved 16.1.2015

⁸ <http://www.lagardere.com/group/home-page-site-284.html>, retrieved 16.1.2015

⁹ <http://www.reedelsevier.com/Pages/Home.aspx>, retrieved 16.1.2015

¹⁰ <http://thewaltdisneycompany.com/>, retrieved 16.1.2015

¹¹ <http://www.comcast.com/>, retrieved 16.1.2015

¹² <http://www.21cf.com/>, retrieved 16.1.2015

¹³ <http://www.timewarner.com/>, retrieved 16.1.2015

¹⁴ <http://www.viacom.com/>, retrieved 16.1.2015

¹⁵ <http://newscorp.com/>, retrieved 16.1.2015

5.3 Theoretical implications

The purpose of the following chapter is to reflect the results of this study against those obtained by others in existing research. Each research gap presented at the beginning of this study (Chapter 1.2.2) will be individually discussed to reflect how the findings of this study bring new knowledge to existing research. In specific, the attempt is to show how the findings support or contradict with previous research, or alternatively create new. Following Gummesson et al. (2010) S-D logic is a work-in-progress; it offers new concepts that need to be understood and tested in real-life organizational settings. It is 'open-sourced' (Vargo & Lusch, 2008b) to other scholars to continue the work in generating and testing it forward towards a theory, and augmenting its practical relevance. This study applies S-D logic for theory building in industry transformation with the aim of yielding both theoretical and practical relevance. Theories are valuable when they help organizations see the future consequences of their current actions (Mierzejewska & Hollifield, 2006). This study uses servitization and S-D logic as lenses to identify the anticipated consequences of the current strategies to the media industry's development in the future.

(1) The perspective of media as service has been lacking in media management studies.

The findings of this study show that the service perspective has to a great extent been absent in the media management scholarship but it can be linked to media. People do not buy media products or services for the sake of the actual medium (i.e. the TV set or printed magazine), but for the service it renders (cf. Gummesson, 1995; Norris, 1941); they satisfy specific needs and provide experiences. Media content products are the embodiments of knowledge and competencies (cf. Normann & Ramirez, 1993; Prahalad & Hamel, 1990) which is the main source of their competitive advantage (cf. Arrese Reca, 2006; Redmond, 2006; Rolland, 2003). Also, media management literature emphasizes the value-in-use of media products (Calder & Malthouse, 2004; Clement et al., 2006; Nelson, 1970), and the co-creation experience (Arrese Reca, 2006; Nienstedt et al., 2012) which create value and point to the direction of S-D logic.

This study answers to the call of challenging existing media management and research traditions with a new theoretical avenue (cf. Albarran, 2006, 2008; Mierzejewska & Hollifield, 2006). The findings show how the focus in media business is shifting from the development and delivery of mass media products, to the emphasis of strong value propositions embodied in service-dominant offerings (i.e. products, services, information, and interaction) that meet the unique and specific needs of individual customers. For example, magazines promise to solve their readers' problems and become so close that their messages are as personal as 'love letters'. This emphasizes the founding premise of S-D logic: firms cannot

create or deliver value unilaterally, but can only offer value propositions. People experience media differently, and interpret their value subjectively. The individual media experience – which is increasingly the centre of attention for media – is influenced by the user's context, past experiences, and the other resources available in his/her own network that are being brought into the service experience. This is in-line with S-D logic which suggest that the multiple relationships in the user's economic and social context contribute the value creation, and before the value can be realized, the input from the provider is integrated with other resources (Vargo & Lusch, 2011). The findings of this study show how this is very much apparent in online and offline media communities where people are empowered to engage and interact to co-create value. It is increasingly acknowledged that customers have an essential role in the success of media firms. Consequently, the authoritarian journalistic power that has yielded media products is being replaced with ecosystems thinking; media brands are co-created with customers, partners, allies, and competitors within service systems. Smaller streams of revenues are drawn from service-dominant offerings rather than solely from product and audience sales.

(2) Strong theoretical analysis on business models in the media content industries, and newspaper and magazine publishing in particular, has been lacking.

It is generally suggested that the business model approach should be verified via application (Fielt, 2012). This study uses the business model construct as a tool to understand the transition taking place in magazine publishing companies and the industry as a whole; the study thus incorporates both theoretical and empirical analysis on business models. This way of studying business models is referred to as a transformational approach where both the changes in the business model itself and the content of change in a specific context are examined (Demil & Lecocq, 2010). In specific, the results show how the various building blocks in a business model should be changed when G-D logic is replaced with S-D logic. Research on the transforming business model is particularly topical, because the field of media management is at an important crossroads in the new global competitive marketplace (Albarran, 2006).

Furthermore, research on managing change has been raised as particularly important within the media management scholarship (Küng, 2007; Mierzejewska & Hollifield, 2006). This study has used a futures studies perspective to identify the possible consequences of the current strategies to the industry's development. The futures approach has been chosen, because it enables organizations to update their strategies in response to the changing external environment (Rohrbeck, 2012). Foresight is introduced as a method or tool to identify S-D logic as an alternative way of creating value for customers (cf. Rohrbeck & Gemünden, 2011; Vecchiato & Roveda, 2010). It pinpoints how media organizations can create their own futures instead of merely reacting to the changes in the external environment (cf. Daheim & Uerz, 2008). However, the common mental models found in the

industry that may slow down change need to be identified and reshaped (Rohrbeck, 2011; Vecchiato & Roveda, 2010)

(3) Systematic applications of service-logic to business model design are only beginning.

This study integrates the business model thinking with service research. It identifies the key components of a business model based on service-(dominant) logic, and in this way answers the need to concretize S-D logic. Simultaneously, it aims to strengthen the theoretical basis of business model constructs that several researchers have considered deficient (Al-Debei & Avison, 2010; Fiel, 2012; Teece, 2010). The business model construct usually consists of four main components: resources of a firm, value proposition, market characteristics, and revenue model (Seppänen & Mäkinen, 2007). This study has opened up these components in the S-D logic framework. Following the argumentation of others (Nenonen & Storbacka, 2010a; Zott & Amit, 2010), the S-D logic based business model has been depicted to show the managerial opportunities from the *focal* company perspective. The findings of this study argue, that the previous proposals which have applied S-D logic to business model thinking have either been too complex and unable to function as managerial tools, or have not taken the focal company perspective thus lacking the central function of a business model (see for example Fiel, 2012; Rampen, 2011; Zolnowski et al., 2011).

The study includes both a generic representation of S-D logic based business model, and real-life illustrations about its implementation in the media industry (cf. Demil & Lecocq, 2010). The model replaces the value-chain view of separating the provider and the market with a service ecosystem perspective suggesting that customers and partners are important actors in both value co-creation and resource integration. The value proposition has an important role as a mediator in the continuous interaction between the two, depicting the way in which a firm aims at contributing to the value creation of its customers thus generating value and resources for itself (Vargo & Lusch, 2011). The findings of this study strongly suggest that the significance on material products and individual services has not disappeared (cf. Ramaswamy, 2011). In effect, following the empirical observations from magazine publishing, the configuration of offering has become even more important as firms aim at satisfying customer needs via an increasing number of channels (cf. Seck & Philippe, 2013). Furthermore, this study revealed some starting points for the analysis of the linkages of financial issues to the co-creation of use value in the media context. The discussion about financial issues such as productivity and profitability is only beginning in S-D logic.

(4) Research on the contribution and challenges of S-D logic in the analysis of service management and innovation has emerged only recently.

Because of the increasingly competitive marketplace, strategic and innovation management have been raised as the key research areas in the media management and economics scholarship (Mierzewska & Hollifield, 2006). The findings of this study identifies the production of service offerings and the related reformations taking place in magazine publishers' processes, strategies, and corporate cultures, as well as the central challenges and discontinuities when organizations are faced with such changes. For example, the lack of clearly defined service strategies, inability of seeing services as value-adding or their financial potential, and the challenge of making the appropriate attitudinal change were in many cases hindering the ability to seize service opportunities in the interviewed firms, thus supporting the findings in service management literature (Gebauer et al., 2005; Gebauer & Friedli, 2005; Mathieu, 2001; Oliva & Kallenberg, 2003). Also, the findings show how publishers build and maintain the infrastructure for engagement platforms which facilitate the co-creation of value, promote a positive overall media experience, and customer loyalty. An engagement platform – an online and offline community, for example – is where the actual service process (i.e. co-production) takes place. The findings similarly highlight increased resource integration from media ecosystems that cross traditional industry borders. For example, media firms are partnering with private medical clinics and brand owners to offer new services.

The findings confirm that following an increased service-orientation, new kind of skills are being emphasized (cf. Nair et al., 2013). In specific, in accordance S-D logic and the effectual approach (cf. Read et al., 2009) the findings point to the fact that a resource can be more or less valuable depending on how it is used. Moreover, the effectual approach becomes apparent in explaining the transfer from traditional R&D activity to experimental innovation and the consequent changes in publishers' corporate culture (e.g. the fostering of innovativeness and transparency in communication and work practices).

(5) Studies on servitization have generally concentrated on manufacturing and B2B contexts.

The findings of this study show how the case industry is showing resemblance to many manufacturing industries in adopting service-based strategies to remain competitive. This is largely due to the same external market forces that are shaping both B2B and B2C markets: technological development leading to increased competition, changing customer demands and needs, decreasing product margins and ability to differentiate, cyclical economic climate, and the need for new and stable sources of revenue. Media has to a great extent been protected from heavy competition in the past, which has now ended due to the changes in the markets and technological development. Media are facing fierce competition which requires new understanding on markets and competition (Albarran, 2006; Picard,

2006). Media organizations are increasingly turning to services (Picard, 2005) for gaining sustainable competitive advantage.

This study extends servitization to the B2C context away from traditional B2B manufacturing. However, the study also incorporates the approach of S-D logic which is seen to reduce the gap between the separated thoughts of B2B and B2C marketing (Vargo & Lusch, 2008c). The separation of B2B and B2C dates back to the introduction of the monetary system where people became consumers, exchanging money for the goods of producers (Wieland et al., 2012). In essence, Vargo and Lusch (2011) argue 'it's all B2B', namely, that all actors – including people and firms – involved in economic exchange are at the same time integrating and providing resources for value co-creation. This perspective makes the separation between the two extinct. The authors introduce a more generic 'actor-to-actor (A2A)' orientation, which underlines this perspective: seeing all economic exchange activity as B2B. The findings of this study support this thinking; also consumers create value for the providers in many ways. Online and offline media communities are illustrative examples of this perspective. In-line with a traditional B2B view, the end-customer using the media product can be seen as a partner co-creating the service, and not primarily as a target which is often emphasized in B2C marketing.

Studies on servitization have traditionally assumed that firms move from simple to more advanced services along with organizational cautiousness and adaptation. The findings in this study comply with recent views (for example Kowalkowski et al., 2013; Turunen, 2011) suggesting that servitization is not necessarily a sequential process. In media there is no separation between simple and advanced services, only an offering that has become more relevant to its user because of an increased service-orientation. Media firms are servitizing by introducing service dominant offerings (i.e. products, services, interaction, and information; Grönroos, 2008) around strong brands that engage consumers and partners in co-creation of value and co-production of service. This challenges the general line of thought of seeing services as value-adding activities in value propositions (Baines et al., 2009; Gebauer et al., 2005; Vandermerwe & Rada, 1988).

(6) The linkage between industry servitization and S-D logic is not always clear in scholarly discussion.

This study illustrates how the media industry is at the same adopting a new competitive strategy adding services to the total offering (i.e. servitizing) and a new value-creation perspective (i.e. S-D logic), and their implications on the business practices. In specific, it shows how one affects the other: adding services to the total offerings contributes to the awareness of the significance of consumer-orientation and value co-creation. Also, the findings elevate the understanding on the main differences between the two approaches. In particular, how servitization distinguishes between products and services and assumes that firms can create

value, and by contrast how S-D logic only sees goods as output and vehicles for service provision and assumes that value is always co-created. Following the thoughts of Kowalkowski (2010) the findings confirm that servitization and S-D logic are two separate phenomena or transitions which in the case of media are taking place simultaneously. This study however also pinpoints some of the commonalities that can be found in servitization and S-D logic research. For example, both schools of thought emphasize the need for a deep understanding on the customer needs and circumstances (Gebauer et al., 2005; Raddats & Easingwood, 2010; Vargo & Lusch, 2004a, 2008b).

5.4 Recommendations for further research

S-D logic is a work-in-progress. It is open sourced to scholars to test it in real-world organizational settings to augment its theoretical and practical relevance. (Gummesson et al., 2010; Vargo & Lusch, 2004a, 2008b) The findings of this study suggest that a change towards growing value-orientation and service-based thinking is apparent in magazine publishing. The scarcity of empirical studies on both servitization and value-based perspectives in the media management and media economics scholarship welcomes further research, but also critical discussion. Particularly S-D logic requires fundamental changes in the managerial worldviews (Lusch & Vargo, 2008; Maglio et al., 2009), thus necessitating profound discussions in the field. These two phenomena should be empirically studied outside the magazine publishing sector in other media sectors to increase the generalizability of the results in explaining media industry transformation.

Further analysis is welcomed on the implications of servitization in the media sector, since research on servitization strategies generally have concentrated on manufacturing contexts (for example Gebauer et al., 2005; Kowalkowski et al., 2012; Neely, 2008; Oliva & Kallenberg, 2003; Raddats & Easingwood, 2010). Also, the adoption of S-D logic is an area where further studies would also be of great benefit. The author encourages research into new areas when it comes to the common processes, mental models, strategies, and corporate cultures found in the media industry, which lock-in to the traditional goods-dominant thinking. This is important, because it is extremely difficult, although necessary, to depart from the old habits when adopting a service-orientation and a new value-creation perspective (Kindström & Kowalkowski, 2009; Lusch & Vargo, 2008; Payne et al., 2008). In effect, media management scholars have invited new research endeavours on changing business models and strategy processes within media organizations, especially when it comes to managing organizational change – the structure, people, and the processes (Albarrañ, 2006; Küng, 2007; Mierzewska & Hollifield, 2006).

This study introduces a service-logic business model that requires further validation and application outside the case industry. In specific, the study raises two major issues related to the specification needs of S-D logic in this context, which need more detailed research. Firstly, the findings suggest that the design of individual products and services as an integral part of the value proposition cannot be neglected even if service-provision is emphasized (see also, Ramaswamy, 2011). Secondly, the analysis on the financial aspects of organizations is only beginning in S-D logic context requiring further research. Furthermore, the study has selected the transformational approach in business model research (i.e. looking at the change of the business model itself and using the construct as a tool to address the change taking place in the context of magazine publishing; cf. Demil & Lecocq, 2010) which need further validation. In regard to the application of the developed service-logic business model, the case studies should be validated with bigger samples from both the magazine publishing industry and other industries.

The business model construct developed in this study is an attempt to answer the question how customer value is turned into profitable business. However, there is a need for a more specific research in this area. In particular, more knowledge is needed on how to measure and monetize the use value. The finding of this study suggest that media are increasingly focusing on the service experience which concentrates on the phenomenological side of value creation (see also, Helkkula, 2010; Napoli, 2011, 2012). This area of research is particularly interesting, but challenging (Chesbrough & Spohrer, 2006). For example, Maglio et al. (2009) argue that the measurement concept stems from the fundamental economics worldview, which does not comply with service-thinking. Solving this question would however increase the applicability of the new logic in the media management practice, especially in the current situation where the industry is struggling for its survival.

The findings of this study also suggest that brands have become important operant resources for media firms. However, there is still little research within the media management domain on media brands and brand management (Arrese Reca, 2006). Especially the dynamic and iterative process of co-creation of value in media brand communities is an area of research that would benefit both the media management domain and S-D logic, because brand value refers to the 'perceived use value determined collectively by all stakeholders' (Merz et al., 2009, p. 329).

Entering into service-thinking suggests that the focus is put on the distribution of competencies and connecting value propositions in value networks, or service systems (Maglio & Spohrer, 2008). Firms that adopt S-D logic need to develop new strategies and practices for managing interactions with customers and partners (Vargo & Lusch, 2004a; Vargo et al., 2008). The findings of this study confirm that service business model innovation, the distribution of resources, and value propositions connecting members in media ecosystems are especially fruitful

areas for future research. The media ecosystem should be explored, to gain deeper understanding on the different stakeholders in it and how each entity creates and captures value. Also, the capabilities related to the adoption of value and service-based perspectives are an important area of research, to give insight on the capability development needs. Strategies and practices related to the management of interactions within ecosystems, and the development of services are topics where further research is encouraged. This study has introduced only a handful of topics that assist in understanding the on-going industrial change towards service business. Therefore, new topics on business practices with further analysis are highly encouraged to better understand the usefulness of S-D logic in the analysis of industrial transformation.

5.5 Managerial implications

With the aim of advancing both theory and management practices a researcher is confronted with the basic dilemma of trying to combine the needs of academic world that rewards description driven and problem focused research with the professional world that rewards prescription driven and solution focused research (van Aken, 2004). The aim of this study is to provide answers to both needs.

The media industry is undergoing major changes due to the increasingly unpredictable business environment. This study uses comprehensive case illustrations to pinpoint why and how an alternative logic of doing business should be adopted in order to gain sustainable competitive advantage. On one hand, it proposes that media is fundamentally service, not a product. On the other hand, it suggests that a new competitive strategy based on services is being adopted (i.e. servitization). Both perspectives set completely new requirements for the firm and affect its long-term survival.

The main emphasis of S-D logic has been on the theory development. However, Vargo and Lusch (2008a) have identified some managerial implications, which will be discussed next. The empirical findings of this study indicate that these aspects have very specific meanings in the media management practice.

(1) Moving the focus from being a provider making goods or services to assisting customers in their value creation process.

Seeing media as service instead of a product is not a new concept. Digitalization is now making the service-for-service exchange, which has always been present, more visible. Media have long traditions of seeing their primary purpose as serving their audiences and the social responsibility, not necessarily maximizing their financial returns. This dates back to the ownership structures, a great deal of media firms having been owned by their founding families with less emphasis on

money and more on, say, benefits such as prestige (Picard & van Weezel, 2008; Picard, 2006). Media products are categorized as experience goods that are valued while being consumed, which pinpoints to the subjective nature of media experience, and to the direction of S-D logic. Fundamental in this mind-set is that media products and services are being bought because of the service they render. They satisfy specific needs. The media vehicle is only technology, a distribution mechanism for the provision of higher-order benefit or service and an enabler of experience. Placing a premium magazine on the coffee table gives certain pleasure to a home-décor enthusiast. Reading a weekly gossip magazine while waiting for the appointment at the dentist makes the wait more tolerable. Or waking up on a Sunday morning for the explorations of Jacques-Yves Cousteau and his crew on the *Calypso* makes some people want to stay in bed. Following an insight that was told in an interview – the opening quote of this book – the emphasis should increasingly be put on the understanding what makes a good experience enabling customer analysis based on use value of service, and less on the segmentation of customers based on demographics to offer them segmented contents to maximise exposure (i.e. seeing customers as targets to whom value is sold). Better understanding on the situational factors and context that determine the service-related experience is pivotal in a value-based view (Lusch et al., 2007). Oliva and Kallenberg (2003) suggest it is typical to change the focus from product efficiency (value-in-exchange) to the offering's effectiveness in the user's context (value-in-use) when services are added to product offerings. S-D logic emphasizes the value-in-use during the whole lifetime of the product, not only the value-in-exchange which is very much the case in valuing media. The role of the firm is to provide the context and infrastructure to which individuals bring their own unique situational contexts that shape their experiences (Prahalad & Ramaswamy, 2004).

The findings of this study confirm that the tradition of measuring, conceptualizing, and monetizing media usage (i.e. exposure) in audience information systems does not capture the subjective nature of media experience (cf. Calder & Malthouse, 2004; Napoli, 2011), and the idea of assisting customers in the value creation process. The challenge, then, becomes how to concretize, measure, and monetize the service experience and the phenomenological side of value creation. Following Chesbrough and Spohrer (2006), measuring service productivity, quality, and innovation is a great challenge. Maglio et al. (2009) further suggest that the fundamental measurement concept dates back to the economics worldview, which does not comply with service-thinking. This study makes similar observations: the traditional audience information systems – the dominant designs – are out-dated and do not fit the world of S-D logic. With the aim of providing an answer to the question of how customer value is in fact turned into profitable business, this study developed the service-logic business model construct to function as a management tool, and is described in detail in Article 3 (Chapter 4.4). The opportunities and challenges associated with the transformation to the new mind-set are described more profoundly in Article 4 (Chapter 4.5).

(2) *Seeing value as being co-created with customers and partners instead of thinking it as being produced and sold.*

The current focus in media management practice is still to a great extent on the cost-efficient management of content creation and delivery in the value chain, and on technology. The publishing industry, for example, is departing from the traditional paper and printing industries into information and knowledge content industries; that is, from the creation and distribution of printed products to the activity of gathering, creating, packaging, and storing information (Picard, 2002). However, the findings from magazine publishers in this study suggest there is a gradual shift from treating readers as audiences to gathering communities where people create value by engaging; co-creation is becoming a norm in service innovation. Entering a value-based mind-set means that the boundaries between internal business units and between the firm and the outside environment should be broken down to leverage the portfolio of competencies that exist within the external environment (i.e. partners, suppliers, customers); ideas have to be increasingly taken outside specific organizational units and outside the firm (Prahalad & Ramaswamy, 2004). The doors, behind which product and service development is still to a great extent exercised, should be opened. In fact, resources that enable service provision are drawn from the ecosystems. Within service systems the sales unit is a *flow of service*, which is a carefully considered configuration of offerings and partner networks, and payment mechanisms for providing and maintaining a certain level of service (Lusch & Vargo, 2008). Central in this practice for media is the development of strong brands with strong value propositions people can relate to, around which the service system can be built. For example, magazines brands which are considered relevant and present in their readers' life are being co-created with customers and partners. Accordingly, the traditional dualistic revenue structure is replaced with a greater number of smaller income sources co-produced with an increasing number of partners (both within and outside the traditional industry borders) in the business ecosystem.

Media products are often referred to as *cultural products* (Küng, 2007) or *public goods* (Albarran, 2002; Chan-Olmsted, 2006a; Picard, 1989; Wirtz, 2011) shaping the attitudes, behaviours, and opinions, as well as peoples' welfare (Arrese Reza, 2006; Napoli, 1997, 2003a). Media products are also seen as *information products* referring to the competencies of the individuals producing them (Mierzejewska & Hollifield, 2006), or *experience brands* referring to the feelings and experiences they render (Calder & Malthouse, 2004). Adapting to S-D mind-set inherently suggests ethical and sustainable behaviour (Vargo & Lusch, 2008c). It is suggested media firms have traditionally incorporated a strong sense of social obligation based on code of ethics and morals (Küng, 2007). Recently, however, the increased profitability expectations, concentration of ownership, and demands from advertisers are overrunning the public service concerns (Napoli, 2001, 2006). Media companies are locked in the traditional thinking of creating value which is to

a great extent based on managing cost; the firms' capabilities, behaviours, and infrastructures seem to be based on this view (cf. Prahalad & Ramaswamy, 2004).

(3) *Considering organizational resources in terms of knowledge and skills, not primarily as tangibles.*

Vargo and Lusch (2008c) argue, that a G-D mind-set treats employees as under-valued operand resources who in many cases are easily replaced. S-D logic in contrast considers employees as operant resources and key sources for innovation, who are empowered to value co-creation. Knowledge embodied in people is seen as the main source of competitive advantage and firm value (Lusch et al., 2007; Vargo & Lusch, 2008c). Thus, a firm should continuously invest in developing the specialized skills and knowledge of its workforce which is the main source for economic growth (Lusch & Vargo, 2006a). In specific, organizations should develop internal competencies and a corporate culture for being able to work with other actors openly and truthfully (i.e. *collaborative capability*), and for absorbing important information from the environment (e.g. trends and know-how) and transforming this knowledge into organizational resources (i.e. *absorptive capability*; Lusch & Vargo, 2008). Organizations should also be able to adjust themselves to the changing climates (i.e. *adaptive competence*; Lusch et al., 2007). Vargo and Lusch (2004a, 2008c) and Lusch and Vargo (2006c) have further identified transparency and symmetry of information in all exchange relations – with employees, customers, and partners – to be key when entering the service mind-set. In reality the achievement of information symmetry and transparency may prove to be a great challenge, particularly when politics and power play are involved (Kowalkowski, 2010; Napoli, 2011; Viljakainen, 2013a, 2013b). However, it is key success factor when adapting to S-D logic.

Media workers are a creative workforce and a core strategic resource for gaining sustainable competitive advantage (Caves, 2000; Lavine & Wackman, 1988; Redmond & Trager, 1998). The quality of media is dependent on the talent, creativity, idealism, and vibes of media workers, and thus, they are the most valuable resource for a firm (Arrese Recca, 2006; Mierzewska & Hollifield, 2006; Redmond, 2006). Creativity is a critical resource for media (Küng, 2007), since the process of content creation is heterogeneous and nonstandardizable (Chan-Olmsted, 2006b). Furthermore, the content's value is uniquely determined by the beneficiary (Chan-Olmsted, 2006a; Napoli, 2006) in the use context. Knowledge embodied in media content production and delivery has always been the key source of competitive advantage for media – a viewpoint emphasized by S-D logic. Nevertheless, because of the competitive pressures in today's business environment media professionals are increasingly seen as assembly line workers who are replaceable, largely because they create standardized products (Rolland, 2003).

Adapting to S-D logic will place new demands for corporate culture and leadership. For example, the interactions between management and employees in S-D

logic are based on trust, openness, and dialogue. (Lusch et al., 2007; Vargo & Lusch, 2008c) This study has made similar findings. For example, interviews with magazine publishers revealed the increased need for openness and transparency in communication and work practices. Reducing middle-management layers was suggested to open up work communities. Furthermore, top management was seen as having the responsibility to create an environment that contribute to a higher uncertainty tolerance and which inspires employees to innovate, and bring ideas forward. Fostering a culture where mistakes are allowed and new leadership skills to say 'yes' instead of 'no' to new ideas were raised as pivotal. The findings of this study also captured the need for developing capabilities that enable the firm to sense and seize opportunities and reconfigure its assets to break free from the old recipes. Adaption to value-based thinking means that knowledge should be transparent to all workers, not just top management (Prahalad & Ramaswamy, 2004).

(4) Increasing efficiency through effectiveness instead of making efficiency primary.

A goods-dominant mind-set emphasizes the primacy of efficiency (Vargo & Lusch, 2008a). S-D logic does not discard the importance of efficiency for organizational well-being, but rather, it proposes that efficiency is the result of being effective in creating customer well-being (Vargo & Lusch, 2008c). Efficiency and effectiveness are complementary, not mutually exclusive; effectiveness is the pathway to efficiency (Vargo & Lusch, 2008a). Consequently, S-D logic recommends that firms should consider financial feedback as a way to learn to get better at serving customers and not focus solely on profit maximization (Vargo & Lusch, 2004a; Vargo, 2009).

Emphasizing the primacy of efficiency and financial return does not comply well with the structures, cultures, and overall atmosphere of media organizations (Redmond, 2006). Van Weezel (2009) found in his study on newspaper publishers that outsourcing has a negative effect on company performance. Findings of this study however suggest that cost cutting is currently implemented in publishers' infrastructure and editorial staff where large investments are tied. Reusing of old material and outsourcing to increase efficiency are typical efforts to cut costs. Physical reorganizations of editorial rooms are being carried out, to increase efficiency. Redmond (2006) has shown that emphasizing the primacy of efficiency in media organizations may in fact cause considerable loss in organizational effectiveness. He further suggests that by helping employees to perceive themselves as stakeholders in the firm's success may in fact increase their dedication, and thus, the overall effectiveness of the firm. Creative media workers are seen as being especially receptive to empowerment.

(5) Seeing customers as resources, not handling them as targets.

Following S-D logic the environment is a resource that firms should benefit from and co-create with. The fundamental premise in this logic is that firms operate as part of value networks, and therefore can draw upon the collection of resources. Service provision means that resources are combined and integrated from the network (Vargo & Lusch, 2011). This means that customers, too, are resources capable of creating value by performing actions to other resources (Lusch & Vargo, 2006a). Media can no longer consider themselves as value-distributors, because of the active role of media communities where co-creation of value takes place. Consequently, the focus should be shifted from positioning the firm and managing product development in the value chain, to the thinking of how the resources in the value network can be reconfigured and mobilized. Because of the increasingly unpredictable environment the ability to recognize future opportunities based on historical data is diminished, suggesting media firms are entering into experimental development away from the traditional market research activity that focuses on consumer segmentation based on demographics (cf. Normann & Ramirez, 1993). The findings of this study suggest that media are experiencing a challenge for maintaining customer understanding, because of the dynamic nature of customer needs and wants. S-D logic nevertheless stresses that a lack of deep understanding on the customer needs and circumstances does inhibit the ability to develop economically sustainable offerings (Vargo & Lusch, 2004a, 2008b). Building and maintaining long-term customer relationships that enhance well-being, and acknowledging that customers are valuable resources who should be invested in is key when entering the S-D logic mind-set (Vargo & Lusch, 2004a, 2008c).

The findings of this study clearly suggest that media users have become active resources who create for themselves and co-create with others and this activity does not comply well with the traditional management and economics thinking (cf. Gummesson et al., 2010). Thus, the practices and mental-models should evolve. Adapting to S-D logic means that media firms need to develop new strategies and practices for managing the interactions not only with partners, but also with customers (cf. Vargo & Lusch, 2004a; Vargo, Maglio, & Akaka, 2008). Information being exchanged should be based on honesty, symmetry, and transparency as customer engagement has become increasingly important in service innovation (Lusch & Vargo, 2006a). This study argues that the tradition of measuring and monetizing media audiences represents a goods-dominant mind-set: customers are segmented recipients of media products that are seen as operating in a sequential manner (first becoming aware of a product, thereafter interested, loyal, appreciative, and finally buying the product) when presented with the right stimuli through the right channel, for a number of times. Therefore, the system should be renewed to present the insight that customers are resources, not targets.

(6) *Relating customers to the context of their networks instead of understanding them as isolated entities.*

In line with the emphasis on interaction with the environment, customers should be seen as a resource that co-creates value and co-produces the service while operating as part of his/her network. The value of the product or service is determined experientially by the customer in the use context, and is profoundly influenced by the other actors in the network, because his/her resources are integrated with those found in the network. Thus, the value propositions a firm can offer should be different from one to another. S-D logic proposes that the main role of a firm is to act as the resource integrator providing inputs into the value creation activities of its customers, which is a quite different role to which media is accustomed. The study suggests that media are adopting *service-dominant offerings* that consist of not only goods, services, and information, but also interactions which clearly reflect the necessity of network thinking. For example, the online community for Finnish *Vauva* [Baby] magazine yield network externalities (Shapiro & Varian, 1999); the more mothers discussing issues related to baby care, the more valuable the community becomes for everyone – the users, media, and the partners. Or the idea of offline services, where the service is co-produced with partners and wrapped around strong content brands, and where the service is an input for the value creation activity of the customer. For example, *Cosmopolitan* magazine is organizing beauty consultancy and fashion evenings to its subscribers. However the dominant logic in audience sales is still to a large extent the monetization of contacts – the exposure – because it is what global advertisers are accustomed to buy. The findings of this study suggest that the tendency to see customers in the context of their networks is becoming a norm in service innovation, and now it ought to be incorporated to the other functions and mental models, too.

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Appendix A: List of interview topics in Articles 1 and 2

- (1) What is the state-of-the-art of national audience information systems (AIS)?
 - What kind of AIS data exists?
 - What is the extent of comparability between AIS data?
 - How can comparability between AIS data be reached?
 - What is the basic need why comparability is sought? For whom?
- (2) Why are consumer-centric AISs being built?
- (3) How are they built? Who initiated them? Who are the stakeholders?
- (4) How did the process go?
- (5) What were the critical success factors in the building process?
- (6) What were the bottlenecks?
- (7) Who holds the power in the local advertising markets? Why?
- (8) Is the power structure changing? Why?
- (9) What are the resources and competencies of the different stakeholders?
- (10) How are resources mobilised and integrated to build new AISs?
- (11) What opportunities and threats are presented in the process, and for whom?
- (12) What kind of added value or synergy exists in integrating existing AIS data?
And for whom?
- (13) What is the strength of each AIS?
- (14) What data is needed to be able to better serve consumers and advertisers?
- (15) What is the media use data we need? Why?

Appendix B: List of interview topics in Articles 3 and 4

- (1) What are the current external trends in magazine publishing?
- (2) How are they affecting the firm? How is the business changing? Why?
- (3) What impact do they have on the organisational practices and strategies?
- (4) What is the lifespan of offerings? How is it changing?
- (5) What kind of changes are undergoing or expected in the value chains?
- (6) What is the future of magazine publishing?
- (7) What are the new revenue models?
- (8) How are new products and services being developed and launched now? In the future?
- (9) What kind of new service offerings are being developed now? In the future? For whom?
- (10) What is the impact of services to company practices?
- (11) How do publishers gather consumer insight? Have the methods changed?

ARTICLE 1

Show me the money!
The quest for an intermedia currency
in the Nordic countries

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SHOW ME THE MONEY! THE QUEST FOR AN INTERMEDIA CURRENCY IN THE NORDIC COUNTRIES

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ABSTRACT Legacy media are under threat of gradually losing a major source of their income – advertising. Consequently, media audience measurements are being developed to better suit the multimedia world in three Nordic countries: Norway, Denmark and Finland. The findings suggest that: (1) media convergence is bringing pressure to build strategic alliances among competing media that have previously operated autonomously, (2) strategic competitive alliances are not always voluntary but forced, can be formed around core resources, and may be zero-sum relationships, and (3) path dependency and dominant designs in knowledge and business processes impede change in the media industry.

Keywords Media currencies, Multimedia, Advertising, Competitive Alliances

“Until quite recently advertising was a pretty straightforward business for newspaper publishers, and often even a relatively easy one: Customers were happy to give us money and our sales representatives simply had to take orders from advertisers [...] as we have become acutely aware in the past few years, those days are gone.” (Schantin, 2011)

The World Federation of Advertisers (2008b, pp. 2) declares that, because of media fragmentation “today’s mass marketing model is under attack because it is becoming less effective. It needs to evolve or we [advertisers] will erode our ability to build brands”. With an increased selection of new media products and other alternatives, advertisers need editorial content to a lesser degree to reach their target audiences (World Federation of Advertisers [WFA], 2008a, 2008b; Waldman, 2011). As a consequence, advertisers facing a multimedia environment are putting accountability pressures on the media (see e.g. Ware & Bickel, 2011) and increasingly demanding that media sellers provide integrated and

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holistic data on cross-media reach and effectiveness in order to enable mixed media planning and budget allocations (see e.g. Callius & Masson, 2009). In essence, following the movie *Jerry Maguire* (Crowe, 1996), a radical change in the business environment and the loss of customer base has given buyers brand-new eminence in placing their demands. "What can I do for you?" asks Jerry, the seller. "It's a very personal, very important thing. Are you ready, Jerry? Here it is: Show me the money!" The ultimate objective of all advertising is to produce sales (Lavidge & Steiner, 1961).

This can be bad news for legacy media. Legacy media include those media that were distributed before the introduction of the internet (print, radio, television) and media companies originally doing business with pre-internet media (Miel & Faris, 2008). In the case of Finland, in 2011 advertising expenditure reached €1.4 billion and it is the main income source for most types of media. In effect, with the exception of magazines, advertising income represents over half the total revenue of commercial media (Table 1). Spending in advertising follows the cycles in the economy; in the peak of a boom, the growth in advertising spending exceeds economic growth, and during a downturn, advertising spending cutbacks exceed the contraction in the economy. The financial crisis in 2008 accelerated the gradual shift of advertising spending from traditional media towards online media in most Western-European countries. (See, e.g. Antikainen et al., 2009)

Table 1: Advertising Revenue by Medium in Finland

	<i>Media ad spending 2008, mill. €¹</i>	<i>Media ad spending 2011, mill. €²</i>	<i>Share of total media ad spending 2011, %³</i>	<i>Share of ad revenue in total revenue, %⁴</i>
Newspapers	605	503	36.0	50-60
Free papers	83	77	5.5	100
Magazines	203	157	11.2	25-29
TV	268	283	20.3	57-80
Online	152	220	15.8	50-90
Outdoor	44	44	3.1	100
Radio	51	57	4.1	95-100

Media currencies are established rates set for buying and selling media audiences (Napoli, 2011). The tradition of measuring the reach and effectiveness of each media with separate media currencies is often referred as to the 'silo' approach. For example, national readership surveys are the official currencies for print media; they portray

¹ TNS Gallup Media Intelligence; Finnish Advertising Council

² Ibid.

³ Ibid.

⁴ Statistics Finland (2006) 'Finnish Mass Media'; Association of Finnish Advertisers

readership figures for newspapers and magazines. TV audience measurements offer the official viewing figures for TV programmes, breaks, and spots. To illustrate, Table 2 depicts the four official media currencies in Finland with differing levels of precision, research methodologies and ownership of data. The advantage of the silo approach is that there are very detailed, specialized, and commonly accepted documentations on the reach of each media vehicle. The downside is the lack of comparability, which makes it impossible to measure the net reach and gross impact of different types of media in cross-media campaigns. The Finnish media audience measurements have been studied in the work of Viljakainen et al. (2010).

Table 2: The Four Official Media Currencies – Case of Finland

	<i>The National Readership Survey, NRS</i>	<i>TV Audience Measurement, TAM</i>	<i>The National Radio Listening Survey</i>	<i>Outdoor Impact</i>
Official currency	Readerships of publications	Viewing figures for programmes, breaks and spots	Listening figures for quarter-hour and longer time bands	Visibility Adjusted Contact (VAC)
Measured media	190 national and 250 regional publications	70-80 TV channels, including cable channels	All Finnish radio stations	Billboards, buses, trams, metro, city backlights, panels, etc.
Annual sample size	24,000 persons	Panel size: 1,100 TV households (~2,300 persons)	18,000 persons	Travel survey: 2,300 persons
Data collection method	Computer-assisted telephone interview (CATI)	People meter data	Diaries	Computer-assisted personal interview (CAPI), questionnaire, eye movement tracking, classification
Frequency of reporting	Twice a year on a continuous basis one year at a time	Continuous 24-hour measurement of in-home viewing, daily reports at 7 am	Continuous every day measurement, reporting throughout the year	Static modelling executed in 2006 (incl. travel survey, traffic flows, visibility study, and panel classification)
Survey data owner	The Finnish Audit Bureau of Circulations (FABC)	Finnpanel Oy	Finnpanel Oy	Outdoor Finland
Tool for data processing	NettiKMT, MediaPlanner	Arianna, AdvantEdge	Telmar RBP, CrossTab, KRTOOnLine	CAFAS

The holistic and synergistic multi-media behaviour of specific target groups cannot be measured with separation of data (WFA, 2008b).

Global trend in audience measurements practices in recent years has been towards mixed methodologies because of emerging new media content and new measurement techniques (Page, 2011). The widely adopted method for providing cross-media data and increasing the comparability of media is to integrate existing media data already accepted in the market (Viljakainen et al., 2010). This has been a logical and viable option, because both media sellers and buyers have adopted media currencies. Due to the path-dependent (David, 1985) nature of media audience measurements, these function as dominant designs in media buying.

Creating common knowledge from existing knowledge gives rise to interorganizational collaboration between competitors. In this study, the term 'competitor' follows Bengtsson and Kock's (2000, pp. 415) definition: competitors are "actors that produce and market the same product". Here, actors are commercial legacy media companies that finance their operations with revenues from advertising sales. Thus, media advertising, regardless of media type, is considered to be the same 'product', without making a distinction as to the varying efficiencies of different media as an advertising medium, because the scope of this research was to pinpoint the main elements and forces behind buying and selling media audiences in an evolving advertising market. Each audience measurement is owned and controlled by the respective media, which is a generally agreed practice in advertising markets due to practical reasons and cost issues. Given that advertising revenue represents a major source of revenue for all media, cooperation between competitors with various interests is challenging. Media companies are obliged to cooperate in an area that has strategic significance – it impacts their future position and competitiveness. It may redistribute advertising investments. Thus, while the aim of an alliance is to strengthen the competitiveness of partners against competitors outside the alliance (such as Facebook or Google), it may simultaneously weaken the competitive position of a firm vis-à-vis its rivals in the alliance (cf. Hamel, Doz, & Prahalad, 1989). Transparency of information shifts the concentration of power from media sellers to media buyers.

The aim of this study is to investigate *why* holistic media measurements that require interorganizational cooperation are being built, and *how* strategic alliances between rivalling competitors are formed. The scope of the study is the development of an intermedia currency in an advertising market, using the Nordic countries as a case study. The paper takes an exploratory research approach in describing, explaining, and predicting the phenomenon in Norway, Denmark, and Finland. These countries are selected as the scope of this survey because their media markets show many similarities. Also, it is seen as a relevant scope by the project financier. Empirical case study research is chosen as the strategy to understand the phenomenon in its context. The underlying motivation is to understand the problem, not only to describe it. This work attempts to discover the forces pushing forward holistic

media audience measurements, and explain why change is necessary. It also tries to identify the critical success factors that enable the construction of multimedia measurements. Academic literature is used when it supports, explains, or contradicts with empirical evidence.

RESEARCH METHODOLOGY

The empirical findings in this study were collected using the semi-structured interview method. Semi-structured interview is a method where the interviewees are asked to respond to fairly specific topics and a list of questions that are the same in each interview. However, the interview process is flexible because interviewees are given a great deal of freedom to respond, and the interviewer makes additional questions based on what is being said. (Bryman & Bell, 2011) Interviews were executed in two parts. The first set of interviews was conducted in Finland in the spring of 2010 and the second set in Denmark and Norway in the spring of 2012. The two year gap in data gathering has minor influence on survey results, since at the time of the Danish and Norwegian interviews the author of this paper was in contact with the Finnish interviewees in a project where the preconditions for building a multimedia survey to the Finnish markets were sought. As suggested by the results in this paper, building a multimedia survey to a media market is a long and heavy process. In effect, the three sets of interviews gave insight into the entire process: Finland still negotiating to initiate a multimedia survey, Norway in the verge of launching a survey, and Denmark with a few years of experience using a survey. Altogether, 39 people were interviewed. Interviews were carried out in organizations representing media sellers, media buyers, consultants, and research institutes. Each person interviewed was closely involved in the projects where multimedia surveys were built. Most of the project leaders and initiators were interviewed, strengthening the validity of the results. Each interview lasted from 60 to 90 minutes, and interviews were taped and transcribed. The interviewees were asked to describe their thoughts in respect of the following themes:

- The preconditions that made it possible for multimedia surveys to be built
- The participants, roles, processes, bottlenecks, initiation and leadership of the projects
- The problem-solving mechanisms, level of cooperation, trust, and knowledge transfer during the project
- The modes of governance in the project and the end product
- The critical success factors of the project

In addition to the interviews, the author of this paper was involved in the project where preconditions for building a multimedia survey of the

Finnish media markets were sought. The author attended altogether thirteen steering group meetings organized in Finland during 2010 – 2012.

A qualitative research approach was chosen in order to study the subject in depth and across many organisations to find patterns in the data. The qualitative research method implies a greater subjectivity in describing and understanding, as the world is seen as something that evolves and changes, the researcher having a subjective ontological assumption (Gephart, 2004). Case study research is a strategy where each case represents a unit of analysis for gathering qualitative empirical evidence in order to build theory (Yin, 1994; Eisenhardt, 1989). Units of analysis are selected on the basis of their distinctive properties to bring new insights. It is a phenomenon-driven research that is used when the existing theories fail to offer answers to the research question at hand. (Eisenhardt & Graebner, 2007)

RESULTS AND DISCUSSION

“We know for a fact that most of the methods we use for audience measurement are inherently flawed. Average Issue Readership, Pageviews, Visibility Adjusted Traffic Counts, Radio Diaries and People Meter data do not tell the (whole) truth [...] During the past 35 years or so, much research effort has been put into creating currencies which are valid, fair, credible and acceptable to all parties. The audience count determines the amount of money the media owner can ask for a specific vehicle. This is the basic question for the media owners. They need the answer in order to be able to survive [...] but advertisers and media agencies are increasingly looking for new consumer ‘touchpoints’.” (Faasse, 2007)

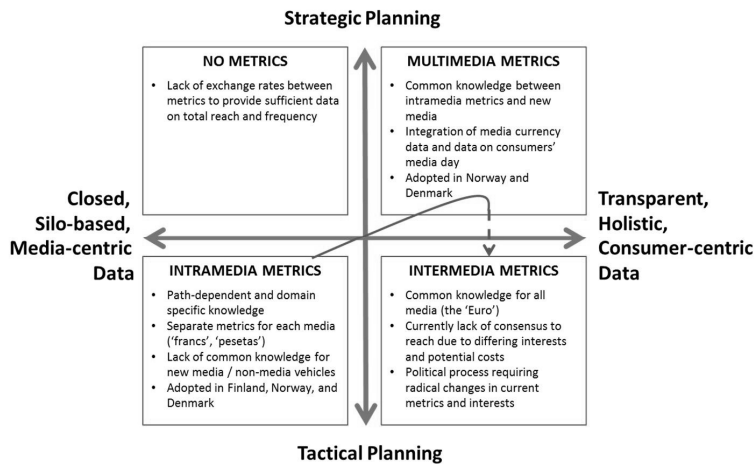
From Intramedia to Intermedia Metrics

The empirical findings on the industry forces shaping media selling and buying activity in respect to media audience measurement data are constructed in a model and presented in Figure 1.

The *horizontal dimension* elaborates change from the media sellers' perspective, since the funding of audience research comes from media owners. The motives for media sellers to integrate media data are to retain advertisers and advertising income in legacy media by providing a common language and accountability to media metrics, to enrich media data with qualitative elements for gaining a more comprehensive image of cross-media use, and to better testify the net reach and gross impact across all platforms. Forming alliances with other media provides the conditions for economies of scale (Zineldin, 2004; Gulati, Nohria, & Zaheer, 2000; Mohr & Spekman, 1994), lower costs (Zineldin, 2004; Bengtsson & Kock, 2000), and efficiency (Amit & Zott, 2001) in joint data collection, management, analysis, and reporting. (Viljakainen et al.,

2010) Advertisers are pushing forward holistic measurement practices and transparency of information among all the players in the media industry. Focus in media audience research is shifting from the media-centric silo-approach to a consumer-centric approach, looking at consumers' touch points to media. As suggested by an interviewee: "You're sort of creating a picture instead of just an exposure." (Director, research institute, Denmark)

Figure 1: Development of Media Audience Measurement Metrics



"Historically, a great deal of emphasis has been placed on looking at the media from the perspective of media silos. But to advertisers, marketing communications or advertising is one single entity. Because of the current situation, they are forced to look at this through separate pipelines. There are no silos in the world of marketing. People may encounter a marketer's message, but they're certainly not going to remember where this encounter took place." (Marketing Director, representative of media, Finland)

The *vertical dimension* incorporates the media buyers' perspective. From this perspective, the driver for building common metrics is to anticipate and verify the net reach and gross impact of different types of media individually and in combination in cross-media campaigns. A media agency perspective is chosen, because media agencies to a large extent select and buy media advertising space and airtime on behalf of advertisers. According to Rossiter and Danaher (1998, pp. 1-6), the two dimensions of media planning can be divided into (1) *strategic planning* (i.e. media strategy, that is how to deliver a message to meet a brand's advertising objectives), and (2) *tactical planning* (i.e. implementation of

the media strategy by selecting media channels). Strategic planning decides the reach (that is “the number of target audience individuals exposed to the advertising or promotion, in an advertising cycle”) and frequency (that is “the number of exposures per individual target audience member, in an advertising cycle”) of campaigns. Based on the media strategy, multiple planning software is used in tactical planning to distribute the marketing budget across media types (e.g. newspapers, TV, radio, magazines, outdoor, websites) and media vehicles (e.g. TV programmes, magazine titles, radio stations). As a consequence of augmented accountability pressures, media fragmentation and use of new media and non-media vehicles in marketing, strategic planning has increased in significance in marketing investment decisions. Furthermore, the focus is more and more on consulting supported by strategic planning, as tactical planning is becoming a less profitable business, as suggested in the following quote:

“The whole fee of the media agency, in theory, is paid by the advertiser. The advertiser’s focus is on how big is the [commission fee] [...] For the big advertisers, [it’s] maybe 2-3 per cent of their total turnover. It’s lousy. Terrible! It’s a known fact that no media agency can do business with less than 3.5 per cent [...] I think many media agencies are beginning to focus more on the way they can help their customer, and less and less on the percentage of the total turnover. Their business has changed.” (Director, representative of advertisers, Denmark)

The two market forces give rise to three levels of media audience measurements, namely, (1) intramedia, (2) multimedia, and (3) intermedia metrics. *Intramedia metrics* (i.e. media currencies) is the general state, the point of departure: each media has specialized knowledge and a unique path-dependent proprietary dominant design standard embodied in the official media currency. Media currencies are initiated to serve their respective mediums, and differ greatly in terms of precision of measure, methodologies, sampling, sample sizes, as well as reporting tools and frequencies. Each media provides separate quantitative documentation (i.e. the silo approach) focusing to a large extent on media vehicle (or in some cases advertisement) exposure, which serves tactical planning (Sandvik et al., 2011; Callius & Masson, 2009; Viljakainen et al., 2010). An analogy can be made with the era before the European Monetary Union (EMU), where each intramedia currency of readerships of publications, viewing and listening figures, and contacts represent the ‘francs’, ‘pesetas’ and ‘liras’ (Viljakainen et al., 2010). There is little dependence between knowledge, instead, each media has its own domain-specific knowledge, which are gathered, operated and updated in its own cycles. A great deal of investment – both time and resources – has been put into creating the specialized knowledge, and they serve as common knowledge in the market (Carlile, 2002, 2004). Media currencies function as basic standards for media

buying and selling. The silo problem of metrics and in most cases the lack of depth makes intramedia metrics insufficient for strategic media planning. Thus, to exaggerate, there is *no metric* in the upper left hand corner. As such, strategic media planning involves a great deal of tacit knowledge and explicit knowledge gathered from mixed sources.

As a consequence of media convergence (i.e. the blurring boundaries between previously separate sectors of media, telecommunications, and information technology; cf. Küng et al., 2008; Storsul & Stuedahl, 2007), customers are laying down new requirements for knowledge: a common lexicon is needed to pinpoint both the differences and dependencies between domain specific knowledge (Carlile, 2004). Marketers want to assess advertising effectiveness not only in traditional channels, but also in new media and non-media vehicles (WFA, 2008a, 2008b). Media sellers require new knowledge because media brands adopt multi-platform strategies. The transition is towards *multimedia metrics*⁵, where media currencies (the ‘francs’ and ‘pesetas’) are scaled against one another using exchange rates. (Viljakainen et al., 2010) According to Carlile (2004), common knowledge is created to enable communication across specific domains: tacit knowledge is turned into explicit knowledge to create common meanings (‘externalization’). This creates a challenge, since the different meanings in domain-specific knowledge have to be translated and negotiated, and make trade-offs between actors with differing interests (Wenger, 1998; Brown & Duguid, 2001). In effect, in order to achieve a multimedia metric the parties involved must adapt their products (derive common identifiers to media currencies) and share information and experiences with competitors. The challenge of moving from an intramedia to a multimedia metric is identified by Carlile: (2004, pp. 557): “when novelty increases, the path-dependent nature of knowledge has negative effects (Hargadon & Sutton, 1997) because the common knowledge used in the past may not have the capacity to represent the novelties now present (Carlile & Rebentisch, 2003)”. As suggested by Faasse (2007), audience measurements do not necessarily tell the (whole) truth. Shifts in standards and organizational routines are, however, difficult to change once established (Nelson & Winter, 1982). Intramedia currencies yield network externalities (Shapiro &

⁵ Multimedia metrics are single-source surveys that generally combine data from two databases: (1) consumers’ media week survey database, and (2) integrated industry media currency database. The first, often called a ‘Hub survey’, is a survey where respondents record their daily activities every half an hour over a seven day period about their day and their media use. The data collection is generally performed with PDA-like devices, or internet diaries. The second is an integration of media currency data using data fusion methods (such as the TAM+TGI-like fusion). A multimedia survey is an integration of the two databases using fusion, probability calculations, profile matching, and calibration techniques. Media use data on media that do not have official currencies (such as new media) or media refusing to submit their currency data for this purpose are collected in and integrated from the hub survey. Multimedia metrics provide data on cross-media exposure (place, time, sociality, and purpose of exposure) and enable the calculation of coverage and frequencies for individual and combined media channels. (Viljakainen et al. 2010)

Varian, 1999), i.e. they have a large number of users, which makes them valuable for everyone to use. Thus, in the multimedia world intramedia metrics still function as standards for tactical media planning, and these metrics are updated following their own cycles and methodologies.

“It’s impossible to make one figure that fits all. Because media are totally different. You buy TV in a different way you buy a newspaper. You don’t buy a page between six and seven o’clock in the newspaper, but you do that in TV. So it’s impossible.” (Director, representative of a research institute, Norway)

The need for *intermedia metrics* arises, when a new translation of the common lexicon is needed to serve both tactical and strategic planning. Following the analogy to the European Monetary Union, an intermedia currency (the ‘Euro’) would be developed to rate and evaluate media equally. An intermedia metric examines the calculatory comparability between media. Media currency integration enables intermedia comparison by having common measurements (e.g. GRP, coverage, and/or frequency) and giving weights to each media based on the measurement of contact in each media (i.e. enabling measurement of contact in one media against contact in another). (Viljakainen et al., 2010) According to interviewee estimates, the development of an intermedia metric (or equivalent holistic measurement) occurs only when intramedia metrics become obsolete as a consequence of growing media fragmentation and media convergence. Technological development in data collection methods may speed this transition. According to Afuah (2000, pp. 389), “in the face of a technological change, a firm’s ability to embrace and exploit the change becomes a function of the extent to which the change renders the firm’s existing capabilities obsolete”. As long as the current measurements are critical in ensuring advertising income, and thus, future competitiveness, there is little chance they will be replaced. There is a “curse of knowledge” (Carlile, 2004) because participants are unwilling to abandon their specialized knowledge. In this kind of setting, Carlile (2004) argues that as long as actors (i.e. in this case different media and their lobbying associations) are not able to negotiate and change the knowledge and interests in their own domain, creating common meaning is **not** possible. The difficulty of change is illustrated in the following quotation:

“If we had gone to creating a buying [tactical planning] instrument, we would never ever have been able to go through with it. Because media for sure would have started to quarrel about the currency discussion [...] this was a way of being able to start on the process, but it’s not necessarily the end of what we should do. But it’s getting on the right track [...] At least we have started on a journey. We have kind of tried to do what is at this moment politically and technically possible.” (CEO, representative of advertisers, Norway)

Negotiating and defining common interests to create common knowledge (i.e. multimedia or intermedia metrics) is a political process, because of the differing interests and potential costs to each party in transforming the standards. As in any political setting, those with most power have the tendency to try to determine the direction to avoid losing their domain-specific knowledge (Carlile, 2004). Lock-in to dominant standards in media sales results from switching costs (see e.g. Shapiro & Varian, 1999); switching to new standards is expensive because intramedia data users have invested in long-range trend data, data processing systems, and proprietary tools. The costs of retraining users for new data are significant. Also, there are sunk costs in intramedia metrics. Actors may feel that new common knowledge will be unequal in that it will not adequately embrace their specialized knowledge and interests. What makes this a particularly political endeavour is that, once the translation between different media metrics has been done, there is no turning back. Increasing transparency on the reach and effectiveness of different media shifts power from media sellers to media buyers.

To conclude, the empirical findings suggest that the ultimate overreaching goal in integrating existing media audience data is to build a common vocabulary for a media market. In this endeavour the path-dependent nature of knowledge (Carlile, 2004) and dominant designs in business processes (Amit & Zott, 2001) become evident. Once dominant designs (in this study the intramedia currencies) are born with a set of standard core components, further design changes and quality improvements are carried out in peripheral components, not the core. New dominant designs do not emerge easily because of sunk costs in development and economies of scope in previous designs. (Murmah & Frenken, 2006) Academic literature supports these findings. Lamberg and Tikkanen (2006) have shown in their study of the Finnish retail industry how organizational structure, technical and systemic properties, and prevailing ideologies impede firms' abilities to change their strategies and compete in a radically changed business environment. In their research on Finnish newspapers, Amburgey, Kelly, and Barnett (1993) observe that as newspapers age, they are less likely to make changes. There are a number of studies of newspaper populations showing how the mortality hazards rise when core changes are made (Carroll, 1984; Miner, Amburgey, & Stearns, 1990; Dobrev, 1999). Changes made to the procedures of advertisement sales could potentially impact the revenue of media companies, and thus would certainly represent a core change. Therefore, changing the core logic of media sales in an industry due to the unique historical basis is a struggle. The historical conditions and path-dependency (David, 1985) have built the basis of each firms' resources (Gulati, 1999). Firms are guided by routines that are hard to change once established (Nelson & Winter, 1982; Amburgey, Kelly, & Barnett, 1993; Gulati, 1999; Zaheer &

Venkatraman, 1995). Thus media are primarily seeking improvements to those existing routines or standards that are the basis of their competitive advantage. Future development activities are affected by investment decisions made today (Penrose, 1959). Increasing transparency and comparability of media metrics is an irreversible, path-dependent course of action.

Critical Success Factors

Based on these findings, factors relevant for understanding who gets locked into old dominant designs, and who builds new ones are: (1) the motives of the participants, (2) the sequence of actions, and (3) the mechanisms that enable exchanges (cf. Amit & Zott, 2001).

Motives of the Participants

"The key issue here is that for each and every one this is about business; not to hand over their data at a bargain price to someone else. Each party has built and invested a great deal: media, research agencies, and media agencies. Everyone is safeguarding their own interests." (Director, representative of media, Finland)

Building a common metric for media in principle requires that all media are present. The benefits gained from joining resources are greater than those any one partner could attain on their own (Mohr & Spekman, 1994). However, media currencies are financed by groups of principals who expect for returning benefits when giving up resources that have major commercial value. A common metric is not equally appealing to everyone. In effect, there are great differences between media in the levels of *reciprocity* and *sense of fairness* in building multimedia metrics. As suggested in the literature, equity (Ring & Van de Ven, 1992) and equality (Kanter, 1994) are important success factors in business alliances; each party is willing to give something when receiving something valuable in return at fair rates of exchange. Media are willing to join together, when integration of data enriches their own media currency data, and when there is an anticipated increase in advertising income. Especially the small media expect more benefits in their hopes of cannibalising the bigger media types. The motives to participate range from anticipated benefits to minimizing the risk of missing a rare opportunity, and to making sure interests are not jeopardized. Kanter (1994) has made similar findings.

An equal *distribution of control and power* is seen as a key success factor in competitive alliances (Bengtsson & Kock, 2000; Hoffman & Schlosse, 2001). Power (technical, political, financial, or emotional power) and dependence between the parties are sources of conflict, because increased dependency on another partner increases organisational vulnerability (Zineldin, 2004). The findings in this study suggest that the latter is especially the case in multimedia measurement alliances,

because partners make irreversible, specialized, and asset-specific investments. The fundamental setting in a multimedia project is, however, an unbalanced power structure; both among different media and between media sellers and media buyers. It seems that media that have historically collected bigger shares of advertising investment have more central positions and more power than those with smaller shares. Initiation of a multimedia measurement may come from media buyers, research institutes, and as in the case of Denmark, from media sellers – the newspaper association. Unlike in Denmark, in Norway the initial effort of newspapers to build a multimedia survey was rejected by the media community, because of issues related to impartiality. In some of the countries surveyed media buyers exhibit more power to force media sellers into these relationships. In effect, a major success criterion for building a common metric is that *representatives of advertisers and media agencies* are behind the sales effort ‘forcing’ or publicly supporting the project, as illustrated in the following:

“What we actually did is that we just said that if they [media] are not able to find one common way of measuring, then we are going to force them. Because we have the advertisers’ voice [...] Media wouldn’t dare to say no. It’s more like having an atom bomb, but never actually defusing it.” (Director, representative of advertisers, Denmark)

Compared to Finland, in Norway and Denmark data collection of media currencies is more centralized. When *expertise* is more *centralized*, there is less need for knowledge transfer, and information spreads throughout the network (Robinson & Stuart, 2006) because the central agents are aware of the fundamental similarities and differences of domain-specific knowledge (Carlile, 2004).

The incentives for organizations to participate are strongly embodied in the *financial structures* of the multimedia project. In accordance with the findings presented by Kanter (1994), financial investments function as tangible signs demonstrating long-term commitment and willingness to connect the fates of media. Parties involved pay an initial symbolic fee to signalise the market that they are supporting the project. This puts pressure on all the players to participate. Building a multimedia metric is a costly project. Thus, a critical success factor is to have sufficient funds to begin with. In Norway two thirds of the project funding came from media buyers – associations representing media agencies and advertisers – and one third from media owners’ initial fees. In Denmark, half of the funding came from the newspapers’ funds, and the other half from media agencies, outdoor media, and postal services. In Finland, the main funding for the pre-project came from the Finnish government.

Sequence of Actions

"It's like a snowball. Because you start small, and then you have victory number one. It's not a full victory but you have to have some on-board before you can persuade the next one to come on-board. You have to pick up small victories along the way. Otherwise it's very, very, difficult." (Director, representative of research institute, Denmark)

The development of a multimedia metric is a *long-term evolutionary process* that progresses step by step to increase the levels of commitment and trust between partners. The process from initiation to launch took three years in Norway and two years in Denmark. In Finland, the discussions have been going on for over two years. In this respect, the findings suggest typical features of competitive business relationships (cf. Zineldin, 2004). Academic discourse distinguishes *trust* as the key in building successful non-zero sum competitive relationships (Håkansson & Johanson, 1987; Zineldin, 2004; Bengtsson & Kock, 2000; Kanter, 1994; Sheth & Parvatiyar, 1992). Trust refers to "the confidence that a partner will not exploit the vulnerabilities of the other" (Gulati, Nohria, & Zaheer, 2000, pp. 209).

In order to increase the level of commitment and trust, a great deal of *sales effort and openness* is needed. In one of the surveyed countries altogether forty meetings were arranged with media companies to see the interests, barriers, demands, level of commitment and critical success factors in establishing a common metric, and to collect money for financing a pre-project. A pre-project was arranged in two of the three countries surveyed, and the purpose was to explore whether a multimedia or an intermedia metric could be established, and under what conditions. The pre-project groups had representatives from nearly every media type, in order to ensure the establishment of a *common understanding on the goals and targets*. These findings comply with the extant literature that stresses the importance of goal-setting and common visions in competitive alliances (Zineldin, 2004; Chin et al., 2008; Bengtsson & Kock, 2000). Participation in *agreements for roles, expectations and responsibilities* is especially important in cases where the actions of one partner influence the competitiveness of the other partners (Mohr & Spekman, 1994).

Exchange Mechanisms

The extant literature stresses the importance of *management and leadership* to ensure competitive alliance success (Zineldin, 2004; Kanter, 1994; Sheth & Parvatiyar, 1992). The governance of R&D alliances is particularly difficult because of the challenge in writing all-exhaustive ex-ante contracts (Robinson & Stuart, 2006). As suggested by Kanter (1994, pp. 99), "collaborative relationships draw largely from the optimistic ambition of their creators". According to the findings, this is a crucial success factor in multimedia alliances. The process of building

multimedia metrics has been personified to a few *trusted key individuals* with strong visions about the future, who are respected and supported by the rather small media communities to act as authorities. To ensure media neutrality, these individuals represent media buyers (media agencies, advertiser associations), research institutes, and/or are external consultants with long employment relations with the media.

According to the literature on *governance structures*, transaction cost economics (Williamson, 1975, 1985) suggests that when the assets of the parties are specialized (i.e. in this case the media currencies), outcomes are uncertain (i.e. potentially a zero-sum relationship), transaction costs are high (i.e. asset-specific and irreversible investments made by each partner) and hierarchical governance structures come into place (Zaheer & Venkatraman, 1995; Gulati, Nohria, & Zaheer, 2000). Hierarchical governance structures lessen the likelihood of opportunistic action, especially when the perceived level of risk is high and the level of trust among the partners is low (Ring & Van de Ven, 1992). Sheth and Parvatiyar (1992) argue that the governance mechanisms in competitive alliances are generally bilateral, whereas strategic alliances between non-competitors can be governed by consortiums. These arguments are only partly supported by the findings. In effect, it seems that building multimedia metrics in national media markets involves three kinds of governance mechanisms; *bilateral contracts, consortiums, and relational control mechanisms*. These mechanisms evolve during the process. Bilateral contracts are essential to guarantee transfer of domain-specific data. Data owners sign bilateral contracts on data transfer with neutral third party actors that execute data fusions. These *third party actors* do not have a commercial interest in multimedia measurements – a critical success factor. Both hierarchical and relational governance mechanisms are present in the initial phases of the project, where a few key individuals act as authorities, selling the idea one by one to the market. According to the literature, trust and common goals are acknowledged as important governance mechanisms in competitive alliances (Powell, 1990; Håkanson & Johanson, 1992), and higher levels of trust reduce the need for hierarchical governance (Zaheer & Venkatraman, 1995). When a common vision and goals are established, trust increases and uncertainties decrease and the governance is gradually shifted to networks of organisations, or consortiums, which take the form of task forces and joint industry committees.

Task forces are composed of experts representing different media, and their task during the project is to work jointly to solve specific questions, such as research methods, level of precision, technical solutions, financial models, or training. *Joint Industry Committees (JICs)* are common in media markets, representing the supreme authority in initiating, managing and shaping media research and measurements activities. These committees are business networks comprising media owners, media agencies, and advertiser representatives. (WFA, 2008a). JICs are generally owned by the founding members. Joint industry

committees and task forces alleviate politics and make sure that the project of building multimedia metrics is industry-led, while maintaining media neutrality (Viljakainen et al., 2010).

Network forms of organizations enable the exchange of domain-specific knowledge and skills (Powell, 1990), because they allow the credible dissemination of costly and private information between partners (Robinson & Stuart, 2006). The use of media currencies involves a great deal of tacit non-codified knowledge acquired through experience, which makes this knowledge complex and difficult to transfer (cf. Hansen, 1999; Nelson & Winter, 1982; Powell, 1990). *Knowledge transfer* in this kind of setting asks for strong ties between the parties involved (Hansen, 1999). The consideration of reputation and refraining from opportunistic behaviour (cf. Gulati, Nohria, & Zaheer, 2000) is relevant in small media markets, where the networks of peers are small, and the prospects of repeat business and personal interaction are likely. Based on the findings of this study, it seems that, over time, hierarchical control mechanisms are supported or even replaced by relational control mechanisms that relate to the web of interpersonal connections and interorganizational trust (Kanter, 1994; Zaheer & Venkatraman, 1995) in transferring knowledge in task forces and joint industry committees. These control mechanisms are illustrated in the following quote:

“The next boss in our organisation, I’ll probably have him by the hand for half a year, I’ll take him around and I’ll show him my network, and tell him how to do things in that network. If he were any good, they would trust him like they trust me. And they probably let him in. Because I say so. You build it up. This is a very small country. Don’t f--- up.” (Director, representative of advertisers, Denmark)

Reflections on the Theory on Interorganizational Collaboration

Academic discourse on interorganizational collaboration in the fields of entrepreneurship and strategic management research distinguishes, among other things, the resource-based view (*RBV*) of the firm (e.g. Penrose, 1959; Schumpeter, 1934; Pfeffer & Salancik, 1978) and strategic network theory (e.g. Gulati, Nohria, & Zaheer, 2000; Afuah, 2000). The *resource-based view* sees resources that are not imitable or readily substitutable as key in building organizational competitive advantage (Pfeffer & Salancik, 1978; Gulati, Nohria, & Zaheer, 2000). An organisation enhances (or maintains) its value by utilising and combining resources that are owned or controlled by the firm, or alternatively by building networks with organisations possessing valuable resources (Eisenhardt & Schoonhoven, 1996; Gulati, Nohria, & Zaheer, 2000). *Strategic network theory* looks at interorganizational ties in value creation (Amit & Zott, 2001). Strategic networks consist of “interorganizational ties that are enduring, are of strategic significance for the firms entering them, and include strategic alliances, joint ventures, long-term buyer-supplier partnerships, and a host of similar

ties” (Gulati, Nohria, & Zaheer, 2000, pp. 203). Firms enter into strategic networks to improve their competitive position in the market (Zaheer & Venkatraman, 1995), because networks open doors to information, resources, markets or technologies (Gulati, Nohria, & Zaheer, 2000).

In the field of organizational theory, study of interorganizational collaboration is presented in the *knowledge-based theory* (Carlile, 2002, 2004; Grant & Baden-Fuller, 1995). This line of thought looks at interorganizational cooperation from the point of view of utilizing and integrating specialized knowledge in order to create added value. Knowledge – be it information, technology, knowhow, or skills – is a key resource. (Grant & Baden-Fuller, 1995) The premise of the theory is that each party entering a cooperative relationship has invested in and accumulated different amounts and types of knowledge, as well as different levels of experience, terminologies, tools, and incentives. Thus, knowledge is “at stake” when cooperation involves giving and receiving knowledge. (Carlile, 2002, 2004)

Competitive alliances are horizontal business ventures among strong rival companies that form partnerships on specific strategic areas relating to their core business (Sheth & Parvatiyar, 1992; Kanter, 1994). Competitive alliances enable the transfer of information and resources (Gulati, Nohria, & Zaheer, 2000; Bengtsson & Kock, 2000), knowledge and complementary skills (Mohr & Spekman, 1994), as well as technologies and capabilities (Hamel, Doz, & Prahalad, 1989; Bengtsson & Kock, 2000). *Coopetition* refers to horizontal relationships where competing organisations cooperate in areas of common interests in order to create added value and achieve mutual goals, but remain competitors outside that relationship (Nalebuff & Brandenburger, 1996; Bengtsson & Kock, 2000; Zineldin, 2004; Sheth & Parvatiyar, 1992). It is a paradox where “competing organizations cooperate to create a bigger business pie and simultaneously compete for bigger pieces” (Nalebuff & Brandenburger, 1996). The ultimate goal of a cooperative relationship is to generate beneficial exchanges and added value for all parties (Zineldin, 2004). An alliance is built upon interdependency when each party of the relationship benefits from the exchange and is fairly compensated for any loss of autonomy (Mohr & Spekman, 1994).

The general line of thought in discussing interorganizational collaboration and competitive alliances is that firms enter into these relationships voluntarily. For example, Zineldin (2004) argues that a precondition for a successful competitive alliance is that it is voluntary, that actors are motivated to participate, and that it yields profit for all partners. Moreover, “each party is free to accept or reject the terms and conditions of exchange that will leave them better off (or at least not worse off) than before the exchange” (Zineldin, 2004, pp. 781). Thus, participating organizations are motivated for the reciprocal sharing of resources. Sheth and Parvatiyar (1992) argue that partners entering competitive alliances are highly committed to cooperation. A narrower line of thought sees that the formation of a competitive alliance may be

built as a result of external pressure. For example, Bengtsson and Kock (2000) argue that vertical buyer-seller relationships are often formed voluntarily because of common interests, whereas competitors with conflicting interests are often forced or mandated to build horizontal relationships. However, even if it is acknowledged in the literature that horizontal relationships entail conflicts of interest and may be established because of external coercion or pressure, it is commonly stated that alliances are not formed around the same core area where there are conflicts of interests. Oliver's (1990, pp. 254) study of interorganizational relationships concludes that "joint ventures will not be undertaken to increase market power if the potential partners anticipate long-term threats to their competitive advantage". Furthermore, Bengtsson and Kock (2000, pp. 421) clearly state that "it is not possible to both cooperate and compete around the same unique resource within one and the same activity". The findings of this study disagree with these arguments. In effect, the findings suggest that, under external pressure, firms may enter into competitive alliances that may threaten their future competitiveness. Furthermore, long-term cooperation may occur for the same unique resource around which the parties compete fiercely outside the relationship. The explanation of why this is the case lies in the radical changes in the external business environment. There is a paradigm shift in media business, changing the way companies compete and cooperate with one another.

CONCLUSIONS

The aim of this study was to investigate why holistic media audience measurements are being built, and how strategic alliances between rivaling competitors are formed. The research scope is the development of intermedia currencies in advertising markets, using three Nordic countries as a case study. The findings suggest that, as a consequence of media convergence and fragmentation, media buyers have created increased accountability pressures for media sellers. There is a need for a common language in media buying and media selling. The transfer is from silo-based measurements to holistic media audience measurements. Not only is it important to understand how many people have been exposed to a certain media, but also who have been exposed to the advertising message, and more importantly, what was their response to the message. Those media that are able to verify that advertisers' objectives are being met will be the winners.

Standards, i.e. the media metrics, have strategic importance to the media industry, because they impact the future competitiveness of media owners. The development of media convergence is creating pressures to build strategic networks among organisations that have previously operated autonomously (Gulati, Nohria, & Zaheer, 2000). The basis for cooperation is the heterogeneous, complementary, specialized and non-imitable resources in the media markets, as suggested by the resource-

based view (Amit & Schoemaker, 1993; Amit & Zott, 2001). According to the strategic network theory, new value is created by forming alliances between the proprietors of complementary and specialized resources and knowledge (Amit & Zott, 2001). Also, in accordance with the knowledge-based view (Grant & Baden-Fuller, 1995), knowledge (comprising information, technology, knowhow and skills) embodied to the media currencies is the key resource to be transferred.

Advertisers are pushing forward holistic measurement practices and transparency of information in the surveyed advertising markets to get a better picture on the net reach and gross impact of different types of media individually and in combination in cross-media campaigns. Media companies are forced into cooperation where competing organizations cooperate to create a bigger business pie and simultaneously compete for bigger pieces (Nalebuff & Brandenburger, 1996). The motive for media sellers to cooperate is to retain advertising income in legacy media by providing a common language and accountability to media metrics, to enrich media data with data on cross-media use, and to better testify the net reach and gross impact across all platforms. In effect, media companies are attempting to preserve (or even increase) advertising investments in legacy media, while each is striving for a bigger share of the total investments. Media are cooperating in a strategic core area, which is potentially a zero-sum game. It may lead to a smaller market rather than a bigger market. As such, building a multimedia metric from the point of view of media is a struggle. Furthermore, lack of media comparability makes consulting a profitable business for media agencies. Thus, the biggest winner in all of this is the advertiser, which is why they are the ones pushing it forward.

“We [advertisers] have not been sitting in the car; not in the back seat but way behind. Kind of just accepting everything that has been put on the table. So, from the advertiser’s perspective this was at least an improvement on the current situation with media currencies. To kind of get your hands on the wheel.” (CEO, Norway)

Industry rules are changing rapidly. However, path dependency of knowledge and dominant designs in business processes embodied in media currencies impede change. To date, media currencies have been critical in ensuring advertising income. Media are unwilling to abandon their specialized knowledge because it has not yet rendered their capabilities obsolete (cf. Afuah, 2000). Multimedia measurements are a step forward to a common intramedia currency or equivalent holistic measurement. At this moment multimedia measurements are technically and politically possible. Denmark and Norway has taken this path. The path of Finland is still open. It may very well be a different path. However, the current measures will not be the measures of the future because of increasing media fragmentation. Thus, integrating media currencies will not be the ultimate answer. As a consequence of a

radically changed business environment, the taken-for-granted assumptions should be questioned to disrupt established industry logic.

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ARTICLE 2

From product to service categories and the transformation of audience research

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From product to service categories and the transformation of audience research

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ABSTRACT

Technological development is changing the logic how media firms operate their business and perceive their audiences. The business models and audience research are experiencing a transfer from provider-centricity to customer-centricity as firms enter into service business and adopt new value creation perspectives. The transfer is from a goods-dominant logic (GDL) that sees value as being the property of media products distributed by media firms, towards a service-dominant logic (SDL) that emphasizes the importance of customers in the process of value creation. It makes the traditional audience information systems that measure basic exposure obsolete because it shifts the focus from value that can be determined by the firm in financial terms, to value that is determined phenomenologically by the customer in the use-context. However, changing the practices in advertising markets is a struggle due to the path-dependent nature of audience measurements and the strategic importance of advertising revenue for the future competitiveness of each media.

Keywords: Audience research; Audience evolution; Media business; Business models; Service-dominant logic; Co-creation of value

1. INTRODUCTION

Media convergence, i.e. the blurring boundaries between the sectors of media, telecommunication, and information technology, has challenged the traditional business models in the media industry (Küng, Picard, & Towse, 2008). The media markets are experiencing a major technological change that transforms media consumption habits, causing media and audience fragmentation, and audience autonomy. Media fragmentation refers to the increasing array of distribution platform and content options, audience fragmentation to the dispersion of audience attention across the content options, and audience autonomy to the increased control of the audience over what, when, where, and how media are consumed. (Napoli, 2003, 2011) The possibilities to affect the choices of consumers are diminished.

Following these developments traditional media is now competing for the major source of their income – advertising revenue – with an increasing number of new competitors from both within and outside the traditional media business. At the same time understanding advertising impact across media platforms and comparable audience measurements has become the bases for making intelligent marketing investment decisions. (see, e.g. World Federation of Advertisers WFA, 2008) As a consequence of media and audience fragmentation the traditional measures of media audiences, the exposure-based ‘media currencies’ (i.e. established rates set for buying and selling media audiences), are however no longer sufficient conceptualizations of audiences (Napoli, 2011, 2012). Advertisers facing a multimedia environment are increasingly putting accountability pressures on the media (Taneja & Mamoria, 2012). Not only is it important to understand how many people have exposed to a certain media, but also who have exposed to the advertising message, and more importantly, what was the response to the message.

The term ‘media’ refers to technologies (print, radio, television etc.) through which the content created for groups of consumers is moved and organized. Firms in the media industries are thought to act as packagers of materials that utilize those technologies. (Küng et al., 2008) Following to a large extent a goods-dominant logic (GDL), value has been seen as the property of media products that are created by

media firms, and distributed to consumers. The tradition of audience information systems to measure basic exposure (see, e.g., Ang, 1991; Napoli, 2011) supports this thinking: is the particular media product that we deliver actually consumed, and if so, how many did we reach?

The technological change that transforms media consumption habits and causes fragmentation is not only changing the logic how media firms perceive their audiences but also the way they operate their business models. A business model can be defined as 'the rationale of how an organization creates, delivers, and captures value' (Osterwalder & Pigneur, 2009, pp. 14). In effect, the focus in media business is moving from making goods or services to assisting customers in their value creation process. The rationale for creating, delivering and capturing value is shifting from treating consumers as audiences for media content, to sustaining communities where people create value by engaging. Value is increasingly being co-created with customers and partners instead of being produced and sold. (Viljakainen, Toivonen, & Aikala, 2013) This sets completely new requirements for media audience measurements. However, changing the 'institutionalized audiences' (i.e. the conceptualizations of audiences constructed by members in the media industry) is not only a technological process, but also a legal, economical, and political process (Napoli, 2011).

2. RESEARCH METHODOLOGY

This study is based on a variety of sources. A wide range of academic literature and industry research reports have been studied. Also, findings are based on research work in projects including, for example, projects financed by the Next Media Program and the Finnish Funding Agency for Technology and Innovation during the years of 2010 to 2012. The study includes empirical findings from two sets of interview data. The first set of interviews was conducted in Finland in the spring of 2010 and in Denmark and Norway in the spring of 2012. The aim of these interviews was to investigate why and how multimedia surveys that require interorganizational cooperation between competitors are built to national advertising markets. Altogether, 39 people were interviewed. Interviews were carried out in organizations representing media sellers, media buyers, consultants, and research institutes. The second set of interviews was conducted in spring of 2011 in Finland and Norway. The data consists of 11 interviews with magazine publishing professionals mainly from the top management level in both horizontally integrated media conglomerates and small- and medium-sized enterprises (SME's). The aim of these interviews was to understand the evolving business models in the magazine markets, with a particular focus on the change towards service business. A qualitative research approach was chosen in order to study the subjects in depth and across many organisations to find patterns in the data, and the units of analysis were selected on the basis of their distinctive properties to bring new insights (Eisenhardt & Graebner, 2007). All interviews were performed using a semi-structured interview method (Bryman & Bell, 2011). Semi-structured interview is a method where the interviewees are asked to respond to fairly specific topics and a list of questions that are the same in each interview. However, the interview process is flexible because interviewees are given a great deal of freedom to respond, and the interviewer makes additional questions based on what is being said. Each interview lasted from 60 to 90 minutes, and interviews were taped and transcribed.

3. THEORETICAL BACKGROUND

One of the most influential new approaches in scholarly marketing debate in recent years has been the service-dominant logic (SDL) developed by Vargo and Lusch (2004, 2008). SDL focuses on the process of collaborative value creation highlighting the important role of customers and the ecosystems nature of the market. SDL focuses on the concept of 'service', that is, the process of using one's competences for the benefit of another party (not 'services' (plural), which are particular types of goods). SDL criticizes the traditional goods-dominant logic (GDL) that dominates both academic and managerial thinking, in that the tradition sees value as being the property of goods that are created by firms and then distributed to consumers. In the goods dominant logic partners are seen as being part of a supply chain, not as actors in the value-networks. SDL argues that the main task of a firm is to provide inputs (i.e. specialized skills and knowledge integrated from the value-networks) into the value creation activities of the customer, because a firm cannot deliver value but can only offer value propositions. Put another way, a firm cannot create value but value is co-created together with the beneficiary. SDL moves the focus of providers making goods or services to assisting customers in their value creation process. Customer is seen as a resource, not as a

target. Goods are seen as only distribution mechanisms or vehicles for service provision. In effect, when the concept of value creation becomes the focus of attention, the distinction between goods (tangible products) and services (activities) becomes irrelevant. SDL emphasizes the phenomenological side of value: actors perceive and determine value uniquely and experientially in a specific context. SDL shifts the focus from a provider-centric view, to a customer-centric view on how to collaborate with and learn from customers and adapt to their dynamic needs. Central views and concepts distinguishing the differences between the goods-dominant and the service-dominant logic are summarized in Table 1.

	<i>Goods-dominant logic (GDL) views</i>	<i>Service-dominant logic (SDL) views</i>
Unit of exchange	Goods	Application of specialized skills and knowledge
Role of goods	End products produced and distributed by firms	Vehicles for service provision
Value of goods	Value-in-exchange (i.e. market value or price)	Value-in-use (i.e. economic, functional, and psychological dimensions of value)
Organizational resources	Tangibles	Knowledge and skills
Role of customer	Target: recipient of goods (customers are seen as segmented and isolated entities)	Resource: co-creator of value and co-producer of service (customers are related to the context of their networks)
Meaning of value	Determined by producer (value as produced)	Determined uniquely and phenomenologically by the customer (value as co-created)
Concepts in focus	Products, features, attributes Price Profit maximization from output sale Supply chains Promotion	Experiences, solutions Value proposition Financial feedback, learning to become better Value-creation networks Dialogue

Table 1: Views and concepts distinguishing the differences between GDL and SDL (adapted from Vargo & Lusch, 2004, 2008; Kowalkowski, 2010)

4. RESULTS AND DISCUSSION

SDL shifts the focus from a producer to a customer and utilization perspective, and thus, is particularly suitable for the study on the evolution of audience research. SDL is used as a theoretical framework in this study to explain the transition in media business and the evolution of audience measurements.

Following a study (Viljakainen et al., 2013) on two Nordic magazine publishing markets (Finland and Norway) there is an evolutionary change towards service business, which to a large extent is pertinent for the entire traditional media business. As a consequence of audience fragmentation media firms need better understanding of how value is co-created with each customer segment, because the value propositions for each customer segment is different. To be able to reach their customers, both people and businesses, media firms are entering into cooperative agreements with key partners in their value-networks both within and outside the traditional publishing industry. The technological change that transforms media consumption habits and causes fragmentation of audiences, is at the same time changing the logic how media firms perceive their audiences. In effect, the rational of capturing value in media business is shifting from treating people as audiences for media content, to gathering and sustaining communities were like-minded people

are empowered to become active. The transfer is from authoritarian journalist power to crowdsourcing. The value-in-use potential of a media community comes from engagement and the mutual and reciprocal nature of value creation; both participants and media firms get something out of it. It also builds a more intimate relationship between the people and the media brand. Media firms are able to deliver better value propositions by interacting with customers in co-production of service.

The following sections will be divided as follows. Section 4.1 describes the general metrics measuring the effectiveness of media and advertising. Section 4.2 explains how the transition towards service business is changing the media business models and the audience measurements thereof. And finally, section 4.3 elaborates the issues of power and politics behind the re-conceptualization of media audiences, and introduces the critical factors enabling change.

4.1. Dimensions and metrics in audience research

The objectives of advertising (Table 2) may be cognitive (i.e. to provide information or facts) or affective (i.e. to change attitudes and feelings), however, the ultimate objective of all advertising is to produce sales (Lavidge & Steiner, 1961). Having the right media mix is getting increasingly complex. Marketers value media vehicles on the basis of their effectiveness as an advertising medium. The original Advertising Research Foundation's (ARF) 'Model for Evaluating Media' was introduced already in 1961. Since then, the model has been updated to gain a more human-centric approach. Currently, the eight *planning metrics* that relate to media effects are: (1) vehicle distribution (having access to the medium), (2) vehicle exposure (having an opportunity to see the medium), (3) advertising exposure (being exposed to the media vehicle and its advertising), (4) advertising attentiveness (being exposed to and focused on advertising), (5) advertising communication/engagement (having processed and retained information after advertising exposure), (6) advertising persuasion/ impact (advertising communication has produced a shift in intentions), (7) advertising response (reaction to advertising, such as clicking on an online ad or visiting a store), and finally (8) sales response (purchasing the advertised product or service in response to advertising). (Romaniuk & Gugel, 2010) At present, the levels of precision in media currencies differ in respect to the effects of media as an advertisement medium. For example, print media surveys generally provide data on vehicle exposure (Average Issue Readership, AIR), and TV audience measurements on advertising exposure (people meter data). New media in many cases portray documentation on advertising response. Increased accountability requirements from media buyers' puts pressure on media sellers to move forward from the traditional exposure model, and escalate on the media effects 'ladder'. (see, e.g. Futsæter, Sandvik, & Østnes, 2009; Sandvik, Holbæk-Hanssen, & Futsæter, 2011) The ARF's media model is, given that it's developed by an interest group, strongly representing the needs of advertisers.

<i>Advertising objectives (def.)</i>	<i>Advertising effects</i>	<i>Media effects – the planning metrics</i>
Conative (stimulate or direct sales)	Purchase Conviction	Sales Advertising response
Affective (change attitudes and feelings)	Preference Liking	Advertising persuasion/impact Advertising communication/engagement
Cognitive (provide information and facts)	Knowledge Awareness	Advertising attentiveness Advertising exposure Vehicle exposure Vehicle distribution

Table 2: The general metrics for measuring advertising and media effects (adapted from Lavidge & Steiner 1961; Futsæter et al., 2009; Romaniuk & Gugel, 2010; Sandvik et al., 2011)

Napoli (2011) on the other hand presents a sequential model on audience behaviour, and suggests we have entered a 'post-exposure audience marketplace' where media audiences are institutionalized along dimensions related to engagement (Figure 1). He contends that that the dimensions of *awareness* (i.e. a person being aware that a content exists), and *interest* (i.e. evoked response from awareness) precede *exposure* in audience behaviour. The author also ties the dimensions of *attentiveness* (i.e. time spent per

exposure) and *loyalty* (i.e. the frequency of exposure) to exposure, and as central elements in the notion of *engagement*. In effect, the author argues that all dimensions that follow exposure are in fact being related to the notion of engagement: *appreciation* and *emotional response* (i.e. emotional level reactions after being exposed to content), *recall* and *attitude* (i.e. enduring consequences of appreciation and emotion), and *behavioural response* (i.e. tangible responses to exposure, such as product purchase or content creation).

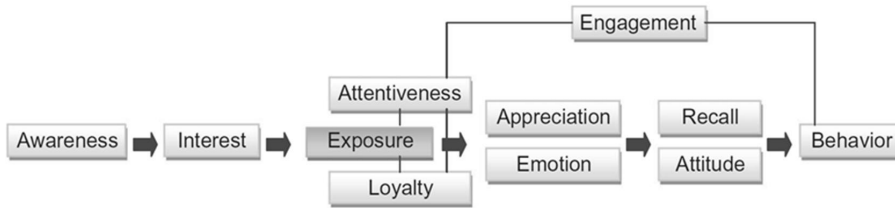


Figure 1. Napoli's Audience dimensions (Napoli, 2011, 2012)

Despite the arguments that both the ARF Model and Napoli's model incorporate a human-centric approach and integrate the dimension of engagement to the context of measuring media effectiveness, they however still to large extent represent a goods-dominant logic. Customers, even if put at the centre of research activity, are still perceived as targets: segmented recipients of media products that operate in a sequential manner when presented with the right stimuli through the right channel. The aim is to induce desired effects towards media content (and advertising) that is distributed by the media firm. The purpose of measurements is to find the value-in-exchange value, i.e. the price of contact. Special interest is put on the features and attributes of media vehicles that cause consumer engagement (i.e. loyalty, appreciation, emotion etc.) to media products and the advertising they contain. The dimension of engagement, however, is a step forward towards SDL.

4.2. SDL and the evolution of audience research

For a firm to move towards a service-dominant logic, two distinct dimensions in the transition path can be identified (Figure 2): (1) strategic repositioning in a market by adding *services to core offering* (i.e. the product-service transition), and (2) adopting a *new value creation perspective* (i.e. transition from GDL to SDL) (Kowalkowski, 2010). The following section will explain how the transition between these two dimensions is applicable to the discussion on the evolution of media business and of media audience research.

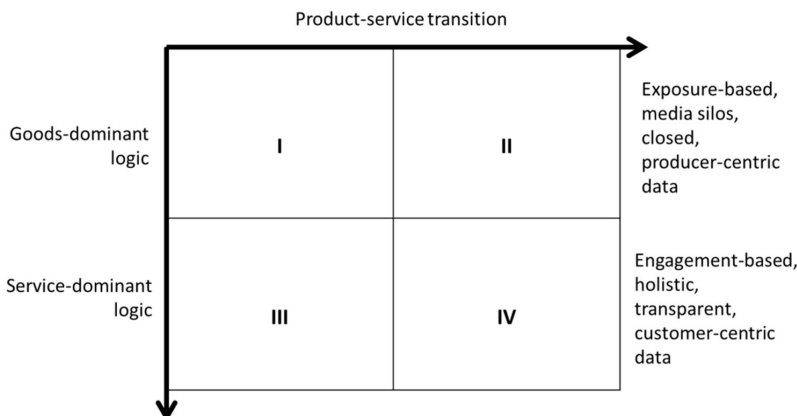


Figure 2. The transition of media business and media audience data (adapted from Kowalkowski, 2010)

4.2.1. GDL and producer-centric data

Goods-dominant logic in respect to media business denotes that media products represent the core unit of exchange. Media products (both goods and services) are produced at the professional end, and then distributed to media audiences. The value of the media product or service is determined by the media firm, and then calculated in terms of market value; i.e. how many products are sold or the amount of advertising revenue. The focus is on maximizing the sale of products and audiences. The customer, then, is a recipient of goods. Customers, both consumers and businesses, are seen as isolated entities that are segmented and then targeted specialized product offerings. It is a unidirectional business model, where producers are centralized distributors and audiences passive receivers of (mass) media content. Media products and the appropriate measurement metrics are produced to respond to the needs of consumers (i.e. entities buying products) and advertisers – it has a commercial undertone.

GDL incorporates, to a large extent, the traditional audience research emphasizing quantitative measures: audiences are sold in terms of their exposure to media. The aim is to maximize exposure in targeted audience segments. Each medium have their own media currencies built on the basis of their own needs and interests that are not comparative to one another (i.e. the closed silo approach) (see, e.g., Viljakainen, 2013). Media currencies function as the basis for tactical planning (i.e. selecting media channels to meet a brand's advertising objectives; Rossiter & Danaher, 1998) in media buying. The business model in the GDL is a traditional one: media firms make money from product sales and advertising income. Cell I pinpoints the old-school media firms where goods (i.e. cross-media products) and advertising sales (CPTs/GRPs) are the core business. A strategic repositioning to Cell II means that a media firm starts to offer new services, but lacks a customer-centric mindset. For example, marketers are offered low-cost bulk subscriptions of magazines or special advertising solutions such as sponsorship. Here, the focus is still provider-centric: the aim is to boost circulation/viewership/listening/contact figures and thus, increase advertising income.

4.2.2. SDL and customer-centric data

Entering into a service-dominant logic (Vargo & Lusch, 2004, 2008) means that a media firm cannot create value by itself, but value is co-created with the beneficiary. The competencies (knowledge and skills) of media professionals and the customers become the main source of value, not a media product. In effect, the role of customers in the success of media firms becomes essential, because customers are co-producers of service and co-creators of value. Customers are not isolated and segmented entities, but rather, they operate as part of their own networks and communities in creating value. Role of goods is to function as the vehicles for the service provision, and the value is determined uniquely and phenomenologically (experientially) by the customer in the use-context economically, functionally, and psychologically. The business model moves on from the dualistic (media product sales – advertising income) revenue model into a model with a large number of small streams of revenue.

When firms enter SDL the focus shifts from provider-centric toward customer-centric value co-creation. It involves the co-production of service in online communities and in offline services where the services are wrapped around the value proposition of a strong media content brand. Value propositions are collections of products and services that create value to a customer by solving customer problems or satisfying customer needs (Osterwalder & Pigneur, 2009). In Cell III value is co-created by using specialized skills and competencies. For example, developing online magazines or mobile apps in close cooperation with selected advertisers, licensing strong media brands within and outside the media business, or providing media content and other information to be distributed and cashed in partners' channels. Entering Cell IV most clearly reflects the service-dominant logic: the service is seen as an input for the value creation activity of the customer. It is also usually co-produced with partners. For example, offering doctoral services or nutrition consultation to health magazine subscribers or shopping evenings to fashion magazine subscribers. Event production has become an essential practice in commercializing strong content brand, and potentially a significant new source of income.

Entering into SDL sets new requirements for audience research. In effect, it transfers the focus from provider-centricity towards customer-centricity, and to audience behavior. Citing Napoli (2011, pp. 46) when entering the new era, the exposure-based model becomes less feasible, since it 'is much more reflective of the needs and interests of the content providers and advertisers than it is of the needs and interests of the

audience (Ang, 1991; Meehan, 1984).’ When media business focuses on building and commercializing strong media brands with strong value propositions, the focus can no longer be solely on exposure data. The notions of media experience and engagement become to the fore, because the interactivity with audiences has both financial and strategic value for media firms (cf. Napoli, 2011; Viljakainen et al., 2013). A better understanding is needed on the customers’ usage contexts in which the value is created. Thus, methods and tools are to be created for media audience research to be able to pinpoint the potential value-in-use of media. The ‘silo-based’ representations of data are replaced with holistic data, looking at consumers touch points to media and motives for media use. A requirement is set for the transparency and comparability of information, as in SDL the key is to collaborate with customers based on truthful information (cf. Kowalkowski, 2010).

4.3. The power balance and change enablers in transforming media audience research

The transfer toward service business and the evolution of audiences requires new comparable measurement systems that portray understanding on the differing needs and behaviour of audiences. Recognizing the significance of value co-creation with customers and partners in both service offerings and measurement will have tremendous effects on monetizing media audiences. However, it is a struggle to change the core logic of media sales due to the unique historical basis. In effect, mortality hazards rise when core changes are made (see, e.g., Miner, Amburgey, & Stearns, 1990; Dobrev, 1999). The historical conditions and path-dependency of each media have built the basis of each firm’s resources (see, e.g., Gulati, 1999) and media currencies reflect the needs and interest of each media (Napoli, 2011; Viljakainen, 2013). Media firms are primarily seeking improvements to those existing routines and standards that are the basis of their competitive advantage (see, e.g., Nelson & Winter, 1982; Amburgey, Kelly, & Barnett, 1993). In effect, it seems that a widely adopted and cost-efficient method to provide transparent and comparative cross-media data is to integrate existing media data already accepted in the market (see, e.g., Viljakainen et al., 2010). This is due to the network externalities (Shapiro & Varian, 1999) of existing media measurements – the value of measurements relates to the fact that both media sellers and buyers have adopted them, thus, yielding value for each user. Due to the path-dependent nature of media measurements, at present, this seems to be the only viable option (Viljakainen et al., 2010).

Increasing the transparency and comparability of media metrics is an irreversible path-dependent course of action. Current standards have strategic importance to the media industry, because they affect the future competitiveness of firms monetizing media audiences. An attempt to change the dominant metrics leads to stakeholder resistance and is in fact only possible after extensive negotiations between the various counterparts, because re-conceptualizations of audiences is not equally appealing to all media (Napoli 2003, 2011; Viljakainen, 2013). Everyone is safeguarding their own interests, because it is business.

Viljakainen (2013) has conducted research on how negotiations to increase the transparency of media data are followed through successfully in a marketplace, despite extensive resistance. According to her findings from three Nordic countries, the development of a holistic multimedia survey (i.e. a survey that combines data from consumers’ touch points to media and media currency data to provide information on cross-media exposure) to an advertising market is possible, when a number of critical factors are present or followed. The critical success factors relate to (1) the motives of the participants (i.e. managing the differing levels of reciprocity and sense of fairness), (2) sequence of actions (i.e. managing a long-term evolutionary sales processes and building common understanding on goals, targets, and roles), and (3) mechanisms that enable exchanges (i.e. project leadership, bilateral contracts, consortiums, and relational control mechanisms). Her findings also suggest that marketers have now taken a much stronger role in guiding the development path of audience information systems. Thus, as a consequence of media and audience fragmentation and movement toward service business, not only is power transferring from media to consumers, but also to advertisers. This will potentially have far-reaching consequences on the media advertisement markets, and thus, on the future of media.

5. CONCLUSIONS AND MANAGERIAL IMPLICATIONS

The technological development that is changing media consumption habits and causing media and audience fragmentation is at the same time changing the logic how traditional media companies operate their business models and perceive and measure their audiences. Business models and the 'audience information systems' (Napoli, 2003, 2011) are experiencing a transfer from provider-centricity to customer-centricity. There is an evolutionary change towards service business when media companies are adopting new value creation perspectives. In effect, the transfer is from a goods-dominant logic (GDL) that sees value as being the property of media products created and distributed by media firms and monetized in terms of their value-in-exchange (i.e. price), towards a service-dominant logic (SDL) that emphasizes the role of customers in the process of value creation and the value-in-use (i.e. value that is determined uniquely by the customer in the use-context) of the service provision. There is a shift in focus from making media products to developing and commercializing strong media brands with strong value propositions manifested in a number of platforms (i.e. physical products, online, mobile, and offline services) and networks. (cf. Viljakainen et al., 2013) Consequently the traditional questions such as 'How do we increase product sales / the size of our audience / advertising income?', or 'How do we monetize journalistic content?' are increasingly replaced with the question of 'How do we turn customer value into profitable business?'

As a consequence of these development, the traditional audience information systems that are silo-based (i.e. each media have their own developed to their own needs) and closed (i.e. there is a lack of transparency and comparability between the systems), and that measure basic exposure (i.e. quantitative measure on the reach of a media vehicle) are becoming outdated (see e.g., Napoli 2003, 2011; Viljakainen, 2013). Advertisers are increasingly demanding data on consumers' touch points to media, the role of different media in consumers' experiences and their impact on purchasing behavior. The evolution is from exposure- and provider-based models effective in the GDL towards engagement- and customer-based models that presents the perspectives of the SDL. Winners will be those able to concretize, measure, and monetize the *service experience* that concentrates on the phenomenological side of value creation (see Helkkula, 2010). However, this is not to say that the current audience information systems are to be replaced, but rather, they should be deepened with the new measurement methods and customer understanding. In effect, increasing the transparency and comparability of media audience data in advertising markets is a technical, financial and political struggle due to the path-dependent nature of audience measurements. As long as advertising revenue is a strategic issue because it impacts the future competitiveness of media companies, the dominant media currencies that emphasize the needs of advertisers are not likely to be replaced. (cf. Napoli, 2011; Viljakainen, 2013) However, the dualistic revenue model (i.e. sales of media products/services and advertising revenue) of traditional media companies is gradually being replaced with a model that incorporates a number of small streams of revenue gathered from a variety of sources, emphasizing the SDL perspective. This will put pressure on media audience systems to evolve accordingly, and operate alongside new measurement practices.

This paper has identified some managerial implications in respect to audience information systems: (1) As long as the current measurements are critical in assuring advertising income, and thus, future competitiveness of media, it is very unlikely they will be replaced in the near future. (2) Current practices are persisting, because they are valuable to both the sellers and buyers of media audiences; buyers too need to internalize the SDL and become experienced in valuing and purchasing something other than contacts. (3) A first step towards holistic and transparent data is to start from existing media audience data, because at present it is the only economically and politically viable option. (4) An effort to make changes in an advertising market is a struggle, but possible, when the differing motives of market players, the sequence of actions, and the exchange mechanisms are properly managed. (5) Co-creation of value is increasingly becoming the centre of attention in media business, thus, it should also be present in audience measurements. The key is to concretize how and what is measured and how it will be monetized. The transfer from GDL towards SDL will be one of the main drivers transforming the media currencies and the sales of media audiences.

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ARTICLE 3

**Industry transformation
towards service-logic:
A business model approach**

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Industry transformation towards service logic: A business model approach

Anna Viljakainen, Marja Toivonen and Maiju Aikala

This is a working paper.

Why this paper might be of interest to Alliance Partners:

This article tackles the issue of industrial transition into value- and service-based business, and offers a managerial tool on how customer value is turned into profitable business. It suggests a new business model construct based on the service-dominant approach that analyses customers as value co-creators, not as targets of selling. The aim is to depict the managerial opportunities to influence value co-creation. The article starts from the well-known business model canvas by Osterwalder, which is modified to include the active role of customers. The modification has been carried out step by step in four main components of a business model: the resources of a firm, value proposition, market characteristics and revenue model. The new construct points out the importance of the understanding of customer context and the fostering of collaborative interaction with customers. It also highlights an effectual way of using a firm's resources: one and the same resource can be more or less valuable depending on how it is used.

The new business model construct is applicable in both service and manufacturing firms. It is particularly useful in servitizing manufacturing, i.e. in the companies that include services in their total offering while having material products as their business core. The broadening repertoire of services contributes in these companies to the awareness of the significance of value co-creation. The empirical material of the article illustrates this development in the media sector, more specifically in magazine publishing. Companies in this sector increasingly aim to be present in their readers' life and encourage the emergence of communities that support the value creation of participants and function as platforms for idea generation.

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Industry transformation towards service logic: A business model approach

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This article contributes to the integration of two views that are relevant for the development of research in service management: the business model framework and the approach of service (-dominant) logic. Both approaches apply a value-based analysis, but until now the business model framework has focused on goods production and technological contexts. The integration with service logic brings to the fore the important role of customers and highlights the process of value co-creation. It broadens the application possibilities of business model thinking in service sectors, and supports the increasing customer-orientation in manufacturing. Also service logic benefits from this integration which pinpoints how customer value is turned into profitable business. Based on the literature, the article suggests a new business model construct consisting of four main components: value co-creation, resource integration, value proposition and configuration of offerings, and financial aspects. The application of this construct is illustrated in the publishing industry.

Introduction

The perspective of value creation through the lens of the customer is becoming increasingly prominent in service research (Edvardsson, Gustafsson, & Roos, 2005). In addition to the analysis of services (plural) as offerings, there is a growing interest in service (singular) as a phenomenon whose core is the support provided by one party for another party's practices and processes. The approaches of *service logic* (Grönroos, 2006, 2011) and *service-dominant logic* (Vargo & Lusch 2004, 2008) have elaborated this perspective in particular. Both approaches emphasise that production and value creation are separate processes and value is created in customers' processes as value-in-use. Both approaches also recognise the phenomenon of *co-creation of value* and separate it from *co-production* – a service characteristic highlighted by several researchers (e.g. Gallouj & Weinstein, 1997; Lengnick-Hall, Claycomb, & Inks, 2000).

Some differences in emphases exist at a more detailed level: service-dominant logic (SDL) analyses co-creation of value as a ubiquitous phenomenon but restricts the role of the provider to value propositions (Vargo & Lusch, 2004). Service logic argues that co-creation depends on co-production: value creation belongs to the sphere of the customer in the first place, but via actual interaction the provider can become a part of customers' value creation processes (Grönroos, 2011). In this article, we mainly use the more straightforward expression 'service logic' but take the different



emphases into account when they influence our analysis and conclusions.

The value-based view, with service as a mediating factor in the process of value creation, opens up new opportunities for suppliers to develop their business strategies in ways that previously were unique to service firms only (Grönroos & Ravald, 2009; Grönroos, 2011). In recent years, the business model concept has gained ground as a way to concretise the most important components or 'building blocks' derived from and reflecting the strategy (Nenonen & Storbacka, 2010). The value-based view is a typical ingredient in business models: the aim of the description of the building blocks is to produce a proposition that can generate value for customers and thus for the organisation (Demil & Lecocq, 2010). However, researchers have noted that there is a need to strengthen the theoretical underpinning of the business model concept (Al-Debei & Avison, 2010; Fielt, 2012; Teece, 2010). In particular, systematic applications of service logic in business model design are only beginning (Grönroos, 2011). This is the first research gap that we aim to narrow in the present article.

Business models can be constructed in several ways. Demil and Lecocq (2010) identify two basic approaches: static models and transformational models. A *static* model focuses on a blueprint which coherently links together the core components and describes how an organisation functions and generates revenues. This kind of a model synthesises a way of creating value in a business; it assists managers to conceptualise the mechanisms of value creation and the different activities that their company employs to generate value. An alternative is a *transformational* approach, where the business model is regarded as a concept or a tool to address change, either in the organisation, or in the business model itself. This kind of an approach is important for the examination of *innovations, some of which can concern whole industries*. In the present article, the last mentioned approach is our starting point. We focus on the publishing industry, which is part of the media sector and interesting from the viewpoints of both business models and service logic. The business model thinking emerged along with the IT revolution (Fielt, 2012), which has essentially influenced publishing; however, this influence has not been analysed as a change of the industry's business model. A change towards growing value-orientation and service-based thinking is apparent in publishing. The industry is also 'servitizing' (Vandermerwe & Rada, 1988), i.e. companies provide service offerings in addition to material products.

Within the transformational approach, we follow the footsteps of Demil and Lecocq (2010) by reconciling the two aspects of this approach: we analyse *the change of the business model itself* and use this model as a tool to illustrate *the content of the change in a specific context*. We start from 'a goods-based' business model and examine how each of its building blocks should be modified when the theoretical principles of service logic are applied in them. Thereafter, we analyse the findings of our comparative case study to illustrate how the business model of the publishing industry has changed as the result of the adoption of value- and service-based thinking. We provide both a generic representation of a business model based on service logic and real world instances about its implementation in an industry (cf.

Demil & Lecocq, 2010). Thus, we also contribute to narrowing another research gap – verification of the business model approach via application (Fielt, 2012). We propose two groups of research questions to guide our work:

- (1) *How do the different building blocks of a business model change when service logic is applied instead of goods-based logic? Which aspects of service logic need specification to make this framework applicable as the basis of a business model?*
- (2) *What kinds of changes are going on in the business models of the publishing industry as the result of the adoption of service logic? How do these changes contribute to the understanding of service-based business models more generally?*

From now on, we have structured the paper as follows. In the second section, we analyse the literature on business models, first generally and thereafter focusing on service-based business models. In the third section, we develop our own model and discuss the specific issues that the application of service logic implies in each of its building blocks. 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 which also includes suggestions for further studies.

Summary of the literature on business models

Literature on business models started to accumulate in the mid-1990s along with the rise of the digital economy which changed the earning logic of companies in many ways (Ghaziani & Ventresca, 2005; Hedman & Kalling, 2003). However, the approach has older roots: discussion on the importance of a clear ‘business idea’ and its structural elements emerged almost twenty years earlier (Normann, 1977). In this section we first summarise the basic understanding of the business model construct and thereafter describe exercises that have aimed at combining service logic with business models.

Basic understanding of the business model construct

Research into business models has included a strong motivation *to develop the managerial activities of companies*. Several scholars have pointed out that every company has a business model, whether that model is explicitly articulated or not (Chesbrough, 2006; Teece, 2010). However, companies typically lack understanding into the dynamics and processes of business model development in general. If this lack is combined with unawareness of the company’s own business model, leveraging the model is occasional and change needs are not recognised. (Johnson, Christensen, & Kagermann, 2008)

Due to the managerial emphasis, profound analysis of the theoretical roots of the business model construct has been missing in many studies. However, the majority of them are implicitly linked to the frameworks of *strategic management and*



entrepreneurship. An example of systematic pursuit of combining these two research streams is the study by Amit and Zott (2001). This study identifies five theoretical approaches that have contributed to the business model thinking: the value chain framework, innovation theory, the resource-based view of the firm, strategic network theory, and transaction costs economics. While each of these approaches has examined value creation from a specific perspective, the business model construct can be used as a unified unit of analysis that captures value creation arising from multiple sources (ibid.).

Formulating the definition of the business model around *the value logic* has been typical in other studies, too (e.g. Afuah & Tucci, 2003; Chesbrough & Rosenbloom, 2002; Johnson et al., 2008). Some definitions emphasise value capture in terms of the revenue model or competitive advantage. This emphasis is clearly visible in the definition by Morris, Schindehutte and Allen (2005, 727): 'A business model is a concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets'. Increasingly, however, the definitions highlight that customer value is a necessary precondition for the emergence of business value. The definition by Teece (2010, 173) exemplifies this view: '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.' (For a broader comparison of various business model definitions, see Nenonen & Storbacka, 2010.)

A business model has been usually conceptualised as an activity system (Zott & Amit, 2010) that is made up of components, linkages between the components, and dynamics. Correspondingly, the actual construction of a business model has included the identification of *key components* as a central task. The way in which different authors structure the business model varies to some extent. For instance, Teece (2010) lists the following components: technologies and features to be embedded in the product/service, benefit to the customer, market segments, available revenue streams and mechanisms to capture value. Johnson et al. (2008) recognise customer value proposition, profit formula, key resources and key processes as four main elements of any business model. Despite these differences, the basic idea seems similar. As Seppänen and Mäkinen (2007) summarise, the components of business models have consisted of objects from both the demand and supply sides, such as *the resources of a firm, value proposition, market characteristics and revenue model*. We also apply this four-part division in the present article.

In addition, to tackle our research task – the inclusion of service logic in the business model – we need a more detailed framework that reveals the central issues and creates the basis for the structuration of the sub-elements within the four main constituents. This framework has to be flexible enough to allow new interpretations, and due to the complex bundle of possible variables, intuitive comprehensibility is important. Based on these criteria (cf. Bouwman, Faber, Haaker, Kijl, & De Reuver, 2008; Zolnowski, Semman, & Böhmman, 2011), we have selected the canvas model of

Osterwalder (2004, Osterwalder & Pigneur, 2010) as the starting point whose building blocks we modify towards service-based thinking (Figure 1). Because the model is strongly managerially oriented, we supplement our analysis throughout with other theoretical approaches. The model itself is not service-oriented, but recently some efforts have emerged to develop it in this direction. Before presenting our own suggestion, we review these efforts together with other studies which have aimed to integrate service logic with business models.

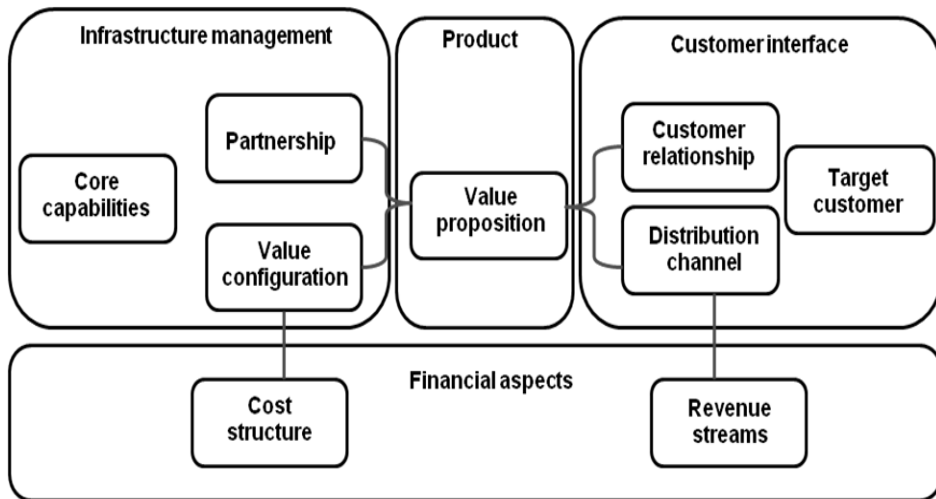


Figure 1. The original business model canvas (Osterwalder, 2004)

Business models including a service perspective

Business model constructs have been applied in the service environment, particularly in the context of IT services, but most models have lacked the attributes that are characteristic of service logic (Zolnowski et al., 2011). However, recently the first attempts to create such models have emerged. Most of them use the framework of service-dominant logic (SDL) developed by Vargo and Lusch (2004, 2008). We can identify two types of contributions: 1) conceptualising some of the foundational premises of SDL in the business model context and 2) developing a service-dominant logic-based modification of an existing business model construct.

The studies by Nenonen and Storbacka (2010) and Maglio and Spohrer (2013) exemplify the first approach. Both of them discuss the development of business models in a systemic context. In line with the general focus of SDL, a service system – consisting not only of the provider and customer but also of other stakeholders, (including competitors) – is seen as the locus for value co-creation. Nenonen and Storbacka (2010) aim at developing a business model that would be suitable for value co-creation in this kind of a networked environment. They rely strongly on the idea of *resource integration* that plays a central role in SDL. The model contains three types of components: design principles, resources, and capabilities. The design



principles guide the organisational capabilities in such a way that resources can be optimally integrated in the value co-creation processes. The authors specify further the proposed components in four dimensions: market, offering, operations, and management. As the result, the final configuration includes 12 interrelated elements. Maglio and Spohrer (2013) focus on the *value-proposition design*, which according to them can be seen as the systematic search for business model innovation: it enables adaptive advantages that improve existing offerings, create new offerings, or reconfigure the value-creating ecosystem. The argument derives from the view that the relationships between stakeholders in a service system are based on value propositions. At its core, a value proposition defines the pattern of shared access to resources among stakeholders over time (cf. Anderson, Kumar, & Narus, 2007). Besides resource types, stakeholder concerns and access rights, the improvement of service systems depends on symbolic processes of valuing and communicating (Maglio & Spohrer, 2013).

Whereas the above-mentioned approaches have started from one specific aspect in the SDL argumentation on which they have built a broader view, the modifications of existing business models have taken the whole model under the spotlight. Thereafter they have analysed the implications of service-based thinking to individual building blocks in a more or less detailed way. The canvas model suggested by Osterwalder together with his colleagues (Osterwalder & Pigneur, 2002a, 2002b, 2010; Osterwalder, 2004; Osterwalder, Pigneur, & Tucci, 2005) has been the starting point in these modifications – thus, the basic aim is similar to our approach. Two modifications have been presented recently: Fielt (2010) and Rampen (2011). They have not yet been published in academic journals, but as blog discussions. However, the authors have written academic papers on the background thinking of these models (Fielt, 2012) and the models have been analysed in academic conference papers (Zolnowski et al., 2011).

Fielt (2010) extends Osterwalder's model in a way that makes the role of customers and partners in co-creation more visible. The building block of customer segments (target customers) is divided into customers' activities and resources, and correspondingly, the building block of key partners is divided into partners' activities and resources. The cost structures of both customers and partners have been added as new building blocks. As a result, the number of sub-component grows from nine in the original model to thirteen in the revised version. In addition to the increase of complexity (cf. Zolnowski et al., 2011), *the nature of business model as a managerial tool becomes blur*. The new building blocks are first and foremost awareness-raising: they may motivate the focal company to take into account their customers and partners more carefully, but they do not tell much about the ways in which this should be done.

In the model suggested by Rampen (2011), the customer's experience is the central building block. The market characteristics are conceptualised in terms of customer's resources, customer's journey and customer desired outcomes. Also the other building blocks emphasise strongly the customer's perspective. The value proposition has been transferred to the same main block with key resources and key

capabilities and interpreted as the customer's interpretation of the company's promise. Key capabilities include understanding the customer's desired outcome and journey, and developing the company's own resources to improve the customer's experience. Key resources consist of the network or ecosystem required by the company to support customers. The cost structure and the revenue model are replaced with the total customer engagement value and customer value-in-use. The former refers to the value created for the parties involved (e.g. the customer's lifetime value and network value); the latter consists of the customer's perception of the realised outcome and journey in comparison to the desires and expectations.

This model goes even deeper than Fiel (2010) to the description of the prerequisites that the focal company has to understand in order to implement service logic. However, the secondary role of the company's own activities and interests – the removal of the revenue logic in particular – means that the model is no more an actual business model. This end result reflects a general challenge included in the integration service logic and business models: *the 'translation' of the phenomenon of co-creation into business thinking of the focal company*. A business model does not describe the phenomenon of co-creation, in which the focal company and its customers and partners are equal actors, but takes the perspective of the focal company. This perspective should, however, be enriched with insights about the essential role of customers and partners. We now move to tackling this challenge in our own alternative.

Suggestion for a new service logic -based model

As mentioned above, the generally recognised main components of a business model are the resources of a firm, value proposition, market characteristics and revenue model (Seppänen & Mäkinen, 2007). In the construction of our own suggestion, we use them and the sub-categorisation of Osterwalder (2004; Osterwalder & Pigneur, 2010) as the starting point. The illustration of the model is also based on Osterwalder's canvas (2004); however, we have changed the positions of building blocks and added connecting lines between them to make their relationships explicitly visible. Our research task focuses on *modifying the contents of sub-categories to correspond the service logic*. We also modify the main components to some extent. Figure 2 presents our suggestion for a service-based business model.

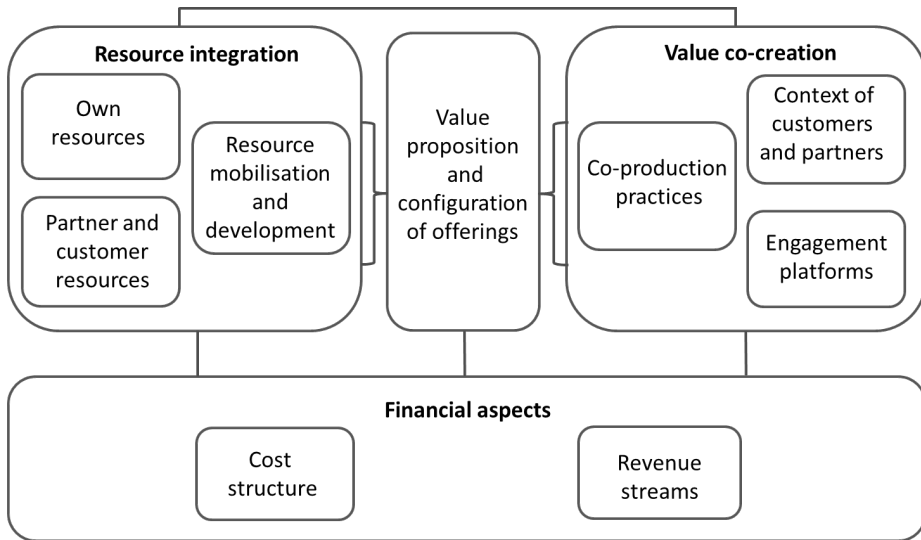


Figure 2. Integration of service logic with the business model construct

In our model, value co-creation and resource integration play a central role. In line with service logic (Grönroos 2006, 2011) and service-dominant logic (SDL – Vargo & Lusch 2004, 2008), we consider *value co-creation to be the core of market characteristics of the business model* and name this main component accordingly. Instead of the simple identification of the resources of a firm as the second main component, we want to highlight *the integration of resources*, which SDL has pointed out to be a central activity of all stakeholders involved in service relationships. Before the value can be realised, a single input has to be integrated with other resources (Vargo & Lusch, 2011). This means that the main components of value co-creation and resource integration are mutually interlinked, which we have illustrated with a connecting line in Figure 2.

The main structural change that we have made compared to Osterwalder’s canvas is the location of *customers and various groups of partners as important actors in both value co-creation and resource integration*. The canvas model, like many other business models, is based on the value chain view in which resources (‘infrastructure’ in Osterwalder’s terms) are the realm of the provider and its subcontracting partners whereas market characteristics (‘customer interface’ in Osterwalder’s terms) concern customers and delivering partners (cf. Zolnowski et al., 2011). In our model, also customers offer resources to the provider and also subcontractors as well as delivering partners are value co-creators. On the other hand, we again highlight that the focus is not on the activities of customers and partners *per se*, but the model has to depict the managerial opportunities for the focal company to influence value co-creation (cf. Nenonen & Storbacka, 2010; Zott & Amit, 2010).

Within the main component of value co-creation, we identify the context of customers and partners, the engagement platforms and co-production practices as



the sub-components. They replace respectively the building blocks of target customer, distribution channels and customer relationships of Osterwalder's model. *The context of customers and partners* refers to the situational factors that determine the service-related experience and that the focal company has to understand (Lusch, Vargo, & O'Brien, 2007). This understanding enables customer analysis (e.g. segmentation) based on the use value of service, instead of the view that customers are targets to whom value is sold. A corresponding attitudinal change is included in replacing the distribution channels with *engagement platforms*. The concept has been introduced by Ramaswamy (2011) to describe the means that facilitate the co-creation of value by allowing on-going interactions among firms, their customers and network partners. The engagement platforms may revolve around the offering, websites, physical stores, private and public community spaces etc. *Co-production practices* describe the actual service process, in which the customer relationship is active: customers engage themselves with the firms' production processes (Lengnik-Hall et al., 2000; Auh, Bell, McLeod, & Shih, 2007). By referring to 'practices', we want to highlight that the amount and nature of firm-customer interaction, included in co-production, vary and should be discussed as part of the business model. Grönroos (2011) has pointed out that the utilisation of this interaction is a unique opportunity to the provider to influence the customer value.

The main component of resource integration in our model consists of own resources, partner and customer resources, and resource mobilisation and development. Deviating from Osterwalder's canvas, this component ('infrastructure' in Osterwalder's terms) includes the resources of all actors, but not value configuration which is an indispensable part of value co-creation. Instead of it, we consider necessary to add a sub-component which highlights *the using of resources and separates it from the having of resources*. SDL provides a good starting point for the discussion of different aspects of resource integration. In particular, it emphasises the importance of fostering knowledge and skills which it sees as fundamental sources of competitive advantage (Lusch et al., 2007). SDL is also closely linked to the approach of effectuation (Lusch & Vargo, 2012), which has developed a model of expanding cycles of resources. The model includes *an iterative process consisting of the identification of own resources and acquisition of stakeholder resources* (Read, Dew, Sarasvathy, Song, & Wiltbank, 2009). This process forms the basis, not only for the integration of resources for everyday business, but also for *the fostering of innovation*. Both SDL and effectuation highlight that any given resource can be more or less valuable depending on how it is used (Read et al., 2009; Vargo & Lusch, 2004). This argument is near to the resource-based view of the firm (Penrose, 1959; Barney, 1991) and to the concept of dynamic capabilities linked to it (Teece, Pisano, & Shuen, 1997).

Value proposition is located in the middle of our model – a solution seemingly similar to Osterwalder's canvas. However, whereas the original canvas relies on the value-chain thinking, we analyse *value proposition as a mediator in the continuous interaction between resource integration and value co-creation*. Positioning the value proposition in the middle also depicts its central role in the business model: value proposition crystallises the way in which the focal company aims to contribute to the



value creation of the customer, and consequently to generate value and new resources for itself (cf. Demil & Lecocq, 2010; Vargo & Lusch, 2011). In our model, *configuration of offerings is seen to be tightly linked to value proposition*. A similar linkage can be found in some canvas versions (Osterwalder, 2004) and in some of its service-based modifications (cf. Zolnowski et al., 2011). Following the argumentation of Ramaswamy (2011), we point out that the design of goods and individual services cannot be neglected even though the importance of co-creation is emphasised. A successful customer experience is based on carefully planned prerequisites that include, among others, a prototype of the co-production process (Edvardsson, 1997). In the main component of financial aspects, we have kept Osterwalder's original building blocks: cost structure and revenue streams. Discussion about financial issues (e.g. productivity or profitability) on the basis of service (-dominant) logic is only beginning. At a general level, the founders of SDL have recommended the increasing of efficiency through effectiveness instead of making efficiency primary (Vargo, 2009). Fiel (2012) has defined a service logic -based revenue model in more detail. According to him, this model consists of the economic considerations (possibly also non-financial ones) related to the bringing the customer, value proposition and architecture together. Fiel leaves open whether the model focuses on the way in which the focal organisation makes money or whether it includes the financial consequences to other organisations, too. We suggest the consideration of the total financial benefit gained by different stakeholders (to the extent it is possible to evaluate), but highlight again that the benefits of the focal company and of its customers and partners do not play an equal role in the business model – the former is primary but the latter essentially influences it.

Case context and methodology

As mentioned in the introduction, the publishing industry is an interesting example of a change towards value- and service-based business models. Within this industry, we have carried out empirical research concerning magazine markets in particular. This research provides an illustrative application of our modified canvas model. In the present section, we first briefly describe our research context and thereafter the methods used in the collection and analysis of data.

Central characteristics of the magazine markets

Several phenomena are today changing the logic of magazine markets: media convergence, changing media use habits, increasing global competition with new entrants, and the volatility of the advertising markets. Media convergence, i.e. the blurring boundaries between the sectors of media, telecommunication, and information technology, puts pressures to build strategic networks among organisations. Magazine publishers are entering into partnerships not only within the media sector, but also outside it (Küng, Picard, & Towse, 2008; Hsueh, Lin, & Li, 2010). Technological developments change the way people access information. The needs of consumers develop along with the growing opportunities, and the differing media-use habits cause fragmentation of audiences (Napoli, 2011, 2012). Media

convergence accelerates this trend.

Tightening global competition is another consequence of convergence. Big international players such as Google and Facebook take an increasing share of consumers' time, and advertisers' money (Picard, 2011). Consequently, advertising in the printed media is progressively transferring to online media. Here, the revenues are not sufficient to compensate for the decline in print. Advertisement spending is also highly sensitive to economic fluctuations. Decrease in advertisement income is a serious long-term threat for the viability of magazine publishers.

At the same time, there are factors that slow down changes. Especially large and old magazine publishers show typical features of structural inertia and resemble in this respect the newspaper business (Amburgey, Kelly, & Barnett, 1993). This business has revealed the risks of change: the mortality hazards rise when core changes are made (Dobrev, 1999). It is important to take into account that the history and path-dependency of actors have built the basis of their resources (Gulati, 1999).

Despite the contradictions of development, the magazine business is anticipated to change dramatically during the next decade. In our study, we focus on Nordic countries, where magazine circulations and readerships are yet at a high level. However, the magazine markets in Nordic as well as in other countries will experience gradual erosion due to increasing competition (Statistics Norway, 2010). The heavy-users of printed products are ageing and the younger generation appreciates less print media (Küng et al., 2008). Our study illustrates how magazine publishers aim to innovate new business models to survive amongst the changes.

Data and Methods

Qualitative research approach was chosen to study the subject in depth. Even though qualitative research implies subjectivity in describing and understanding the world, it is useful for examining phenomena that evolve and change (Gephart, 2004). We carried out a multiple case study which is particularly suitable in this kind of a research setting (Eisenhardt, 1989; Yin, 1994). Finding patterns of behaviour across organisations improves validity and enables some analytical (even though not statistical) generalizability (Kvale, 1996).

We conducted our study in two Nordic countries: Finland and Norway. The sample included ten case companies and two lobbying organisations. The companies represent both horizontally integrated media conglomerates and small- and medium-sized enterprises (SME's). Together they include all key players in the magazine markets of the above-mentioned countries; in other words, they are the largest publishers of consumer magazines in terms of circulations and readerships. All selected publishers also operate outside their home markets.

The main data consists of face-to-face interviews in the case organisations. The interviewees represented mainly the top management whose concern the issues of the business model are. In one company we interviewed two respondents, resulting



in the total number of thirteen interviews (nine from Finland and four from Norway). We applied a focused (semi-structured) interview method: the themes of interest were decided beforehand but within them the respondents were given a great deal of freedom (Bryman & Bell, 2011; Fontana & Frey, 2005). Our theme structure included general change mapping in the magazine markets, and more specific questions about the business model change and the transformation towards increasing service orientation. Each interview lasted from 60 to 90 minutes, and was recorded and transcribed. Archival and statistical data on the general change indicators – for instance, magazine readerships and circulations, audience and subscription sales, and magazine revenues – were used as supplementary material.

In the analysis and interpretation of the empirical data, we did not use a coding tool, but aimed to form a more holistic understanding based on the interviewees' responses. The quotations in the results section illustrate the level at which we picked up extracts from the material. Our technique was a modification of a matrix format, whose purpose is to derive meanings from data and reduce the amount of data (Huberman & Miles, 1994). Here, constructs are placed on one axis, and occurrences on the other, to enable the analysis of complex qualitative data. In our study, the building blocks of the business model formed the constructs and the expressions of the increasing service orientation formed the occurrences. We started the analysis using the original business model canvas (Osterwalder et al., 2005; Osterwalder & Pigneur, 2010), which we considered general enough to be compatible with service logic. Step by step – along with our deepening theoretical knowledge – we realised the existence of apparent contradictions that led us to develop a modified model.

Our analysis procedure followed the steps introduced by Bryman and Bell (2011). The set of interview transcribes was handled four times. In the first round, the material was read through to get a general picture (without making any interpretations). The second round focused on notes about the business model change and transformation towards increasing service orientation; the notes were placed in the above-described matrix using the original canvas (Osterwalder et al., 2005; Osterwalder & Pigneur, 2010). In the third round, we made the first revisions in the canvas model; the purpose was to solve the most apparent incompatibilities with the service logic that we perceived essential for the explaining of our empirical results. The fourth round consisted of a deeper theoretical analysis, the development of a more radically modified framework (presented in the third section of the present article) and the re-coding of data to enable an empirical illustration of this framework.

Research results

In the reporting of our findings, we apply the structure of our service logic -based business model (Figure 2). The following sub-sections have been organised according to the four main components of this model; individual building blocks are discussed within the respective main component. In line with the transformational approach (Demil & Lecocq, 2010), we analyse *on-going changes towards service logic*,

not prototypical business behaviour. Due to the rich data, we have made a restriction in the analysis: collaboration with end-users (readers) is discussed in the context of value co-creation, whereas collaboration with partners (advertisers) is discussed in the context of resource integration.

Value co-creation

Our study revealed increasing service orientation in the magazine markets regarding all three building blocks that we identified as the elements of value co-creation in our theoretical model. The emphasis on media experience reflects the awareness of the importance of customer context. Multiple channels and one story across them is the way in which magazine publishers foster engagement platforms. Empowerment of reader communities and interaction with them is an example of co-production practices.

The first building block – customer context – plays an important role in the magazine markets: our interviewees emphasised that *media experiences* have to be taken into account, not only in offering the ‘right’ content, but also in designing the use context to fit the customer’s mind-set. Magazines are increasingly developed to be present in their readers’ life and customer segmentation reflects this idea. For example, a Finnish magazine *Olivia* aims to solve problems of women in their early thirties: ‘Am I in the right profession?’ or ‘Do I want to have a child?’ or ‘Should I take a mortgage for the next thirty years?’.

The pressure to understand the customer context concerns the audience research, too: concretization, measurement, and monetization of the service experience have become central. The following quote elaborates the changing needs in audience research towards better customer understanding:

‘The consumer is increasingly put in the centre of research activity telling about his/her sentiments in the media use context. It gives us the qualitative aspects [...] We need to understand the depth of each media and their role in consumers’ everyday lives [...]’ (Director, magazine publishers’ interest group, Finland)

The importance of *engagement platforms* – the second building block of value co-creation – is linked to the increasingly active role of customers in shaping their experiences. In the magazine markets, the simultaneous consumption of various forms of media – media multitasking – is a specific feature that the publishers have to take into account. Our results indicate that building one story across many platforms is a way with which the publishers aim to promote a positive overall experience from the ever increasing array of media options. Fostering the customer contact also continues well beyond the actual product purchase from a retail store or telemarketing – in reading a printed magazine, engaging in the online community, or attending an offline event. Synchronization of different platforms also opens up doors for new consumer segments. For example, augmented reality application in printed media or online/mobile content may interest digital natives and bring

younger audiences.

Our respondents pointed out that publishers of legacy media are increasingly pushed to follow the rules of new media and *empower readers to become active in communities*. In other words, it is not enough to provide engagement platforms but the publishers also have to develop various co-production practices – the third building block of value co-creation. Via these practices, the publishers support the value creation of participants, and the communities on the other hand support the value creation of publishers: they function as platforms for idea generation and co-development. The following quote confirms the importance of interaction:

'Magazine concepts live from conversations and connections between people. Concepts are the result of what people have achieved together.'
(CEO, SME, part of Nordic media enterprise, Finland)

According to our interviews, crowdsourcing (as well as amateur professionalism and other manifestations of reader engagement) is becoming a norm when online and offline communities around media brands are being created. Crowdsourcing is a novel practice, which means that a part of the design work is outsourced to an unknown crowd on the internet (cf. Brabham, 2008). Online magazine communities are mostly based on the assumption that everyone can participate in content production, generating a more intimate relationship between the reader and the media brand. However, prominent bloggers with large audiences are also hired by media.

Resource integration

Our study indicates that a strong brand is the core resource of the publisher. The other two building blocks within resource integration illustrate the basic ideas of service-dominant logic: partner resources are obtained from the ecosystem surrounding the company, and resource mobilisation and development reflect the approach of effectuation (cf. Lusch & Vargo, 2012).

Strong content brands were considered to benefit the company through the increase of commitment among both end-users and advertisers. The interviewees mentioned that multiple channels promote this commitment further. Besides the publisher itself, also customers benefit from strong brands. Based on them, customers can expect that their needs (such as relaxation or self-indulgence) become satisfied (cf. Ha, Janda, & Muthaly, 2010). The following quote confirms the increasing role of brands in the magazine business:

'We don't make magazines, we make brands. Our readers need to be in love with and committed to our brands. They need to trust our brands.'
(Director of R&D, MNE, listed company, Finland)

On the other hand, our interviewees told that the significance of editorial content is diminishing among advertisers. This requires new ways of acquiring commitment



from them. Solution oriented practices have turned out to be successful. An example is a shopping guide app that encourages readers to make purchases on advertisers' websites. Similarly, print and digital magazines are supplemented with interactive technologies (such as the Shortcut application or a QR code) that guide readers to purchase the advertised product, see videos related to media content, or enter online music services. Traditional long-term contracts are also being replaced with shorter-term and agile collaboration that cost-effectively creates new business solutions.

Ecosystems with border-crossing are a central element in the second building block – partner resources. Our findings confirm that the publishing industry that has previously operated autonomously is opening up rapidly and starting to build strategic networks. Partners' products, services, channels, brands, and competencies are becoming potential resources. Magazine publishers are establishing new touch points and transferring from own to partners' channels to reach their fragmenting audiences. An example presented in our interviews is to compile information on TV programs to internet service providers. Another example is to license a magazine brand (e.g. the *Elle* magazine) from an international publisher, or to publish a title from outside the publishing business (e.g. the *Weightwatchers* magazine). Publishers also seek new opportunities from printing houses and paper producers. Finally, partnerships are formed between competitors (e.g. the cooperative agreement between Bonnier Publications and Microsoft's *MSN* portal).

In resource mobilization and development, new kinds of skills are emphasised and combined with *the effectual approach*. The core in skills development is increasing service-orientation (cf. Nair, Paulose, Palacios, & Tafur, 2012), which in the media context means a transfer from the authoritarian journalist power to the appreciation of skilful customer engagement. Our interviewees had also observed a change in the corporate culture, which is becoming more open: transparency in communication and work practices is fostered. The effectual approach (Read et al., 2009) was implicit in the description of a transfer from traditional R&D to more experimental innovation activities. Changes in the competitive environment force publishers to radically shorten the time-span of launching new products and services. The interviewees highlighted that media companies use many ways to foster innovativeness: people are rotated across editorial rooms and ideas are co-developed with readers and advertisers.

Value proposition and configuration of offerings

The first observation based on our interviews was that the role of value propositions is very important in magazine business. Secondly, the focus of these propositions is transferring from producing printed magazines to mass markets to answering specific customer needs and solving customer problems in niche markets – often in a co-productive way. Our respondents considered that the publishers are nowadays quite skilful in the development of attractive value propositions based on the segment-specific customer understanding they have acquired:



'Magazines know their audiences so well and are so rigorously targeted, that it's like they [publishers] are sending love letters to their readers [...]. It's a personal relationship without any distractions.' (CEO, large family-owned Nordic media company, Finland)

The one and same value proposition is manifested in print products and product extensions, and increasingly in product-related services (cf. Zähringer et al., 2011). Thus, our results provide an illustrative example of a central argument of the service-dominant logic: products and services are vehicles for service provision (Vargo and Lusch, 2004, 2008). On the other hand, our study highlights that *the significance of material products and individual services does not disappear*. In magazine markets, expertise in the configuration of offerings is even more important than before, because customer satisfaction is pursued via multiple channels (cf. Seck & Philippe, 2011).

The interview notions on different media products and services can be summarised as follows: *the printed product* is a 'lean-back' medium – as opposed to 'lean-forward' interactive digital media – in building the story across platforms. *Print extensions* often include 'daughter' or 'sister' publications on a specific niche area to reach new audiences. Much emphasis in new launches is put on *online services*, which most often refer to online magazine communities operating under the same brand name with the printed product. Online communities are built using viral and social media channels, such as Facebook. Also *offline services* are gaining popularity. They reflect clearly the idea of providing an input to the value creation activity of the customer, as the following quote shows:

'It's necessary that we develop services for the readers. For example, for women in the middle segment [...] time is crucial. Then what about apps that give food recipes and a shopping list as a subscription based thing [...].' (Director of R&D, large family-owned Nordic media company, Norway)

Other examples of offline services are doctoral consultation to health magazine subscribers, shopping evenings to fashion magazine subscribers, mobile clubs and applications, lectures, parties, sporting events etc. Event production is an essential practice in commercializing strong content brands.

Financial aspects

The increasing service orientation also affects the financial aspects of magazine markets. This is reflected in the publishers aim to provide attractive value propositions to different audiences despite the growing cost pressures. These pressures are due to diminishing circulations and advertising revenues, rising paper and distribution costs, and the needs for up-keeping and renewing editorial systems. The following quote illustrates the challenges of *reconciling the value-driven and cost-driven business*:



'10-15 years ago the magazine market was a goldmine because of high circulations and advertising income. We have to try harder today, turn every stone to make little improvements all the way through.' (Director of R&D, large family-owned Nordic media company, Norway)

Collecting the revenues of small streams is typical in today's magazines and complies with SDL thinking about the ecosystems nature of markets. According to our study, brand licensing is becoming common both within the publishing industry and across the industry borders. Based on alliances, publisher's own website is used to drive traffic to another website. Selling magazines for companies that distribute them to their clients is also generalizing. Recycling old published content is a trend for which data banks and archives are built. Magazine publishers also aim to enrich and cash customer register data, which helps in targeting product and service offerings. These offerings may very well be from outside the publishing business – such as travelling services.

Additional revenue streams are sought based on the new forms of customer behaviour and collaboration with customers. Our interviewees expected that on-demand-printing becomes relevant, when consumers are able to tailor content based on their own interests, i.e. to create personalised magazines. The increased usage of e-reading devices and applications such as *Flipboard* that enable tailoring will accelerate this development. Another new practice revealed by the interviews was customer accounts that some publishers are building: customers pay an annual fee to access all products and online and offline services. In the online context, freemium services are a new type of offering in which part of the content is free and a premium is charged for advanced features (cf. Kangas et al., 2007).

Concluding discussion

In this article, we have suggested a new business model construct based on the approaches of service logic (Grönroos 2006, 2011) and service-dominant logic (Vargo and Lusch, 2004, 2008) – for the simplicity reasons, we have used the expression 'service logic' when a clarification is not needed. In addition to value- and service-orientation that are the core of these approaches, we have focused on two research needs that have been identified in the literature: strengthening the theoretical basis of business model constructs and verifying them in practice. Correspondingly, our research questions concern both theoretical issues and application. We have applied our construct in the publishing industry, in which growing service-orientation is a topical phenomenon.

Our first theoretical question concerns the changes that should be made in the different building blocks of a business model when service logic is applied in them. In order to answer this question, we started with a summary of the basic understanding of the business model construct and thereafter described a few recently emerged exercises that have combined service logic with business models. We concluded that the generally recognised main components of a business model are the resources of a firm, value proposition, market characteristics and revenue model (cf. Seppänen &



Mäkinen, 2007). For a service-based model, we suggest that the component of market characteristics is replaced with *value co-creation*, and the resources of a firm with *the integration of resources*. In this way, the business model becomes firmly based on the core concepts of service logic and service-dominant logic. *Value proposition is a mediator* in the continuous interaction between value co-creation and resource integration.

For the detailed examination, we have used Osterwalder's canvas model (2004; Osterwalder & Pigneur, 2010) as our framework. However, we have replaced the value chain -thinking included in this model with a view according to which *customers and various groups of partners are important actors in both value co-creation and resource integration*. On the other hand, we agree with the authors who have highlighted that the focus is not on the activities of customers and partners *per se*, but *a business model has to depict the managerial opportunities for the focal company* (cf. Nenonen & Storbacka, 2010; Zott & Amit, 2010). Within the main component of value co-creation, we have identified the context of customers and partners, the engagement platforms and co-production practices as the sub-components. The importance of context and co-production is a core argument in service logic, whereas the engagement platforms are a new concept that we have adopted from Ramaswamy (2011). It replaces the earlier concepts of distribution channels and customer interfaces with a view that emphasises the active role of customers and stakeholders and highlights the facilitation of this role. The main component of resource integration in our model consists of own resources, partner and customer resources, and resource mobilisation and development. The first two sub-components are modifications of earlier business model constructs, but the third component is new. In line with service-dominant logic, and the effectual approach that has developed a model of expanding cycles of resources (Read et al., 2009), we point out that *resources are more or less valuable depending on how they are used*.

For our theoretical analysis, we also posed a question of which aspects of service logic need specification to make this framework applicable as the basis of a business model. We identified two bigger issues in addition to the general needs for further, more detailed research. First, it seems that the strong emphasis on service as a support provided by one party for another party's practices and processes has led to the neglect of goods and individual services. In our model, we have returned back to more traditional analyses of service logic (e.g. Edvardsson, 1997) and suggest that *configuration of offerings should be tightly linked to value proposition*. Second, analysis of the main component of *financial aspects of the business model* is only beginning in the service logic context.

The necessity of further work in both of these areas is a central finding in our empirical study, in which we mapped the changes that are going on in the business models of magazine publishers as the result of the adoption of service logic (the first part of the empirical research question). Thus, in addition to the illustration of our service-oriented business model construct, this study also provided insights for the understanding of service-based business models more generally (the second part of the empirical research question). The interviews indicated that *the broadening*



repertoire of service offerings contributes to the awareness of the significance of value co-creation. For instance, offline services (consultation, clubs, lectures, events) were seen as an important input for the value creation activity of the customer. All in all, a change towards growing value-orientation and service-based thinking was apparent among the interviewed magazine publishers. They aim to be present in their readers' life and encourage the emergence of communities that support the value creation of participants and function as platforms for idea generation. Simultaneously, financial issues – *reconciling the value-driven and cost-driven strategies* – turned out to be a big problem.

We have applied a transformational approach to the business model: we have analysed *the change of the business model itself* and used this model as a tool to illustrate *the content of the change in a specific context* (cf. Demil and Lecocq, 2010). Both aspects need validation in further research. Regarding the former, our research indicates that the integration of the views of service logic and service-dominant logic is beneficial in the development of the business model construct. Despite the apparent similarities, they emphasise different aspects. For instance, SDL opens up resource integration in particular, whereas service logic contributes to the analysis of co-production and the configuration of offerings. Continuing their integration at a more detailed level is one direction in which future research could be fruitful. As regards the applications, our case study should be validated both with bigger samples in the publishing industry and with new empirical studies in other industries.

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ARTICLE 4

**The futures of magazine publishing:
Servitization and co-creation of
customer value**

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The futures of magazine publishing: Servitization and co-creation of customer value



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ABSTRACT

This study incorporates the futures studies and foresight perspectives in analysing an industrial change towards service business, with the magazine markets as the case context. It illustrates how the industry is adopting a new competitive strategy via services that are added to the total offering, and how it is simultaneously developing a deeper understanding of the service relationship as value co-creation. The work identifies seven trends in this context and analyses their impacts and discontinuities. Three trends are linked primarily to the business environment: a dispersing customer base, changes in media use habits, and erosion of product business. Four trends describe the behaviour of companies: the shifts from products to value-adding brands, from R&D to innovation, from autonomy to partnering and sharing in an ecosystem, and the changing resource and capability needs. The contributions of this work are twofold. First, studying media as service has been rare in scholarly literature. Second, applying the service perspective to the trend analysis in the media sector is topical due to the increasing competition and unpredictability of the business environment.

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1. Introduction

A central challenge in today's business strategy is the unpredictability of the operational environment. However, in order to recognize successful ways of doing business, market actors need anticipatory information on the development of their surroundings and on the consequences of their current actions. This paper aims to contribute to the accumulation of this information by analysing one topical phenomenon: an industrial change towards service business. It aims to reveal trends that reflect this development—with the magazine markets as the case context.

The perspective of value is becoming increasingly prominent in both research and practice (Vargo & Lusch, 2004). An influential new approach is *service-dominant logic (SDL)*, which sees co-creation of value between the provider and the customer as the core phenomenon of service (Vargo & Lusch, 2008). SDL posits that using one's competencies for the benefit of another party is the primary purpose of economic exchange, and thus knowledge is the main source of competitive advantage. From the viewpoint of concrete offerings, *servitization* (Vandermerwe & Rada, 1988) is a topical phenomenon; an increasing number of companies provide service products in addition to material products (Baines, Lightfoot, Benedettini, & Kay, 2009; Neely, 2008). This paper analyses how the media industry is simultaneously applying service-orientation (in the sense of value co-creation) and servitizing (adding services to the total media offering).

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Many successful cases reflect this development. In Europe, for example, *Pearson* (UK) and *Sanoma* (FIN) have established themselves as learning companies with the purpose to educate people. *Bertelsmann* (GER) too is expanding into the educational sector, as well as into B-2-B services. *Axel Springer* (GER) is expanding into the digital publishing sector with a corporate venturing strategy. *Lagardère* (FRA) operates in the retail and distribution services, and *Reed Elsevier* (UK) has become a B-2-B information solutions provider for both the public and private sectors.

Media management is a relatively new research area: it emerged along with the transformation of media firms into media conglomerates in the 1980s. Since then, the literature has focused on the industry structure and competition, internationalization, and business models and strategies (Picard, 2006). Central observations are, for instance, that media industries differ from other industries with respect to the perishable nature of the product; having a creative workforce as the key resource; the societal and cultural role of media; and the distinctive organizational structures of media firms (Lavine & Wackman, 1988). However, the scholarship is rather small and scattered (Küng, Picard, & Towse, 2008) and many studies are carried out as part of general organization studies. This is problematic because the distinctive characteristics of the media industry remain hidden in this context (Chan-Olmsted, 2006).

The perspective of *media as service* has been rare in media management studies. On the other hand, since the 1970s it has been highlighted that media products are actually 'experience goods' which can only be valued while being consumed (Nelson, 1970). Even though media products have both immaterial and material components (the content and the platform/medium), their central characteristic is the ability to satisfy specific client needs related to the content's informative, persuasive, or entertaining value (Arrese Reca, 2006). The knowledge embodied in the content – not the medium – has always been the main source of competitive advantage for media companies. People do not experience media products as isolates, but interpret their value as tightly linked to their unique life situations. Thus, we can conclude that the service-orientation is inherent in the media sector in terms of its interest in the use context and in customer collaboration.

However, this orientation has not been *explicit*, which is an apparent hindrance for the analysis of topical phenomena in the sector. Applying the service and value perspectives is particularly important in the analysis of *the futures of media*. As a consequence of technological, economic and societal changes, the boundaries between the sectors of media, telecommunications, and information technology are converging (Küng et al., 2008). Together with technological opportunities, the changes in consumer behaviour have resulted in tightening competition for audiences and advertising revenue. A number of new competitors have entered the field from within and outside the business.

This paper incorporates the *futures studies* perspective to magazine publishing by acknowledging that today's decisions and actions influence future developments (de Jouvenel, 1967; Irvine & Martin, 1989; van der Duin & den Hartigh, 2009). The analysis of future prospects improves organizational responsiveness to the changing environment and improves the ability to update the strategy accordingly (Rohrbeck, 2012). Broad societal drivers impact on the industrial infrastructure, sources of competition, and the way in which firms create value to their customers (Castorena, Rivera, & González, 2013; Vecchiato & Roveda, 2010).

Since the 1980s the predictability of development has radically decreased because of globalization and digitalization. Hand in hand with futures studies, the approach of *foresight* has gained ground and highlights the need to explore multiple futures and 'make the future' rather than predict (Godet, 1986; Irvine & Martin, 1989; Rohrbeck & Bade, 2012). Foresight is increasingly used in organizations and networks to anticipate changes, to respond to them (Day & Schoemaker, 2004), and to 'make sense of the present' (Liebl & Schwarz, 2010, p. 313). At the practical level, foresight can be used for identifying new business models and alternative business logics (Rohrbeck & Gemünden, 2011). Foresight studies can focus on either the actual interaction of the stakeholders creating their own futures (Daheim & Uerz, 2008), or on the detection of factors that *encourage futures activities*. We apply the latter approach: we explore the trends that characterize the futures of the publishing industry (Coates, 2004) and analyse the drivers behind them (Castorena et al., 2013). We hope that our findings support the reshaping of mental models which at present hinder the adaptability of actors to environmental changes in this industry (Prahalad, 2004; Rohrbeck, 2011; Vecchiato & Roveda, 2010).

Our study includes an empirical part which is a qualitative trend analysis based on expert interviews among magazine publishers in two Nordic countries (Finland and Norway). The following research questions guide our empirical study:

- (1) What kinds of trends in the development of magazine publishing indicate the emphasis on a new competitive strategy based on service offerings (servitization) and on the service-oriented mind-set (value co-creation)?
- (2) What kinds of internal and external factors (drivers) support the future development of these trends and what are the potential sources of discontinuity?

From now on, we have structured the paper as follows. In the second section, we present our theoretical framework on the service-orientation. The case context and methodology of our empirical study are presented in the third section and the results in the fourth section. We finish our paper with a concluding discussion which includes some implications for the development of the industry and for managerial practice.

2. Theoretical background

In this section we first discuss the nature of servitization and why and how firms adopt it as a competitive strategy, and then move on to the adoption of a value-based perspective interpreted in terms of service orientation.

2.1. Servitization

Servitization is a phenomenon recognized in the industrial context over two decades ago as a way to create new value by adding services to products (Neely, 2008; Vandermerwe & Rada, 1988). Research on servitization usually assumes that industrial firms initially offer products, and start adding more and more advanced services to their total offering as they accumulate experience in service business (Oliva & Kallenberg, 2003). This research stream makes a clear distinction between products and services and assumes that firms can create value and then deliver it to customers. In the media context, servitization has meant for example the offering of web-based shops or actual events that encourage readers to purchase advertisers' products.

The literature has identified three general motives behind servitization: (1) economic reasons, (2) user needs, and (3) competitive motives (Baines et al., 2009; Neely, 2008; Oliva & Kallenberg, 2003; Raddats & Easingwood, 2010). The *economic* motives include the pursuit of higher profit margins and stability of income (Gebauer & Friedli, 2005; Wise & Baumgartner, 1999) due to the resilience of services to economic cycles (Oliva & Kallenberg, 2003). The *changing user needs* relates to the fact that customers increasingly demand a variety of services (Vandermerwe & Rada, 1988); in the B-2-B context, focusing on core competencies is an additional reason for the need for external services (Oliva & Kallenberg, 2003). As regards to the *competitive advantage* of servitization, one of the main arguments is that services are difficult to imitate due to their invisible and labour-dependent nature (Gebauer & Friedli, 2005; Oliva & Kallenberg, 2003). Services reduce the need to compete on the basis of cost (Neely, 2008).

Adopting a service-based strategy requires amendments to organizational processes, strategies, and corporate culture (Oliva & Kallenberg, 2003). A clearly defined service strategy is critical for seizing opportunities, executing appropriate organizational arrangements (Gebauer, Fleisch, & Friedli, 2005), and recognizing financial potential (Mathieu, 2001; Oliva & Kallenberg, 2003). A corporate culture with emphasis on innovation, customization, and flexibility must be nurtured (Gebauer et al., 2005) to support the attitudinal change required to give a central role to user needs in service business (Gebauer & Friedli, 2005). Seeing services as value-adding, not as add-ons, is an ingredient of the service culture (Gebauer et al., 2005). On the other hand, managing the relationship with manufacturing values such as efficiency, economies of scale, and standardization is also important.

2.2. The value-based approach and the service-dominant logic (SDL)

In today's business, the focus is increasingly on use value, which highlights the role of customers. According to this view, companies obtain competitive advantage and profitable growth by offering clients new value that goes beyond the conventional context. The value offerings arise from redefining clients' problems and discovering hidden demand (Kim & Mauborgne, 1999; Matthyssens & Vandembemt, 2008). Supplementing own resources with resources from partner networks across industries is at the core of creating new customer-centric solutions (Normann & Ramirez, 1998).

The service-dominant logic (Vargo & Lusch, 2004, 2008) goes deeper in this direction: it highlights *the value-creating nature of consumption*. It points out that customers evaluate the value of goods and services not one by one, but holistically based on the combination of commodities: one commodity purchased from one provider is meaningful only when it is linked to other commodities. This process of *resource integration finalises the value creation* (started in the production process) and makes the customer a value co-creator in a fundamental sense. The creation of value during the consumption process may take place in direct interaction with the provider (e.g. creating content together with media professionals), but it can also take place indirectly (e.g. reading a printed magazine). Thus, SDL separates value co-creation from co-production: the actual interaction between providers and customers is not necessary from the value point of view.

In addition to this fundamental (theoretical) view, SDL can be applied as a managerial mind-set (Lusch & Vargo, 2008), which posits that sustainable competitive advantage is not obtained if the focus is on the delivery of individual products and services. Instead of that, both material and immaterial offerings should be understood as vehicles in a deeper process: *service, which is actually another expression for value co-creation*. Firms cannot unilaterally create value but value is always co-created in collaboration with customers – and increasingly with partners, which means that resource integration is important in the case of the provider too (Lusch, Vargo, & Tanniru, 2010). In the media sector, online communities are an illustrative example of the application of this thinking: the media firm does not work on behalf of customers but provides together with partners a context in which customers and media professionals engage and shape their own experiences.

SDL also stresses the ecosystem nature of the market and the firm (Lusch et al., 2010). A service ecosystem can be defined as 'relatively self-contained, self-adjusting systems of resource-integrating actors connected by shared institutional logics and mutual value creation through service exchange' (Lusch & Vargo, 2014, p. 161). An ecosystems perspective enables the investigation of the relationships and interdependencies between actors and the way in which actors adapt to, evolve, and collapse due to environmental changes (Frow et al., 2014).

3. Foresight approach, context and methodology

In this section we first discuss trend analysis as a foresight approach. Thereafter we briefly describe the general development in our empirical context: the magazine markets. This description is elaborated in more detail in the trend analysis. Finally we describe the data collected and the data analysis methods applied.

3.1. Trend analysis as a foresight approach

Our aim is to provide market actors with meaningful information that can be used for mirroring the firm-specific strategies and actions against the general development of the media industry. Our work depicts development trends that indicate magazine publishing becoming service-oriented; this is an approach referred to as *issue driven foresight* (Rohrbeck, 2011). As with all economic sectors, the media sector is tightly linked with general societal development. At the sector level, several *driving forces* – such as digitalisation, increasing global competition, and economic insecurity – impact on decision-making and important choices. They influence *the sector specific trends*, which can be defined as the general directions found in the long-term development of the sector (von Groddeck & Schwarz, 2013).

Trends have a past, present, and future which make it possible to use a foresight approach in their analysis (von Groddeck & Schwarz, 2013). In the managerial context, *trend analysis* enables the identification of business opportunities and factors that influence a firm's development activities (Castorena et al., 2013; Daheim & Uerz, 2008). It is used for identifying, predicting, and interpreting change (Rohrbeck, 2011). Focusing on future trends is particularly appropriate when the aim is to understand the shift to a new contextual phenomenon (von Groddeck & Schwarz, 2013) – the situation characterizing our case.

3.2. Case context: magazine markets

Several on-going phenomena are changing the magazine markets: media convergence, changing customer needs and media use habits, and the volatility of the advertising markets. Media convergence has challenged the traditional magazine publishing business (Küng et al., 2008) putting pressures to build strategic networks among organizations that have previously operated autonomously (Gulati, Nohria, & Zaheer, 2000). Publishers are entering into partnerships within and outside the traditional media sector in order to regain their competitiveness (Küng et al., 2008).

The media field is becoming fragmented with tightening global competition (Napoli, 2011). Media are faced with new competitors and new technologies, which take an increasing share of consumers' time and advertisers' money (Picard, 2011). These changes and the volatility of the advertising markets have essential impacts on the viability of the magazine publishers who have traditionally operated on a dualistic revenue model with subscription/single copy sales and advertising income. At the same time there is gradual erosion in print magazine readerships and circulations, as the content and advertising are progressively transferring to online media (Finnish Mass Media, 2012). Publishers are increasingly looking for new sources of revenue and ways to create value for their customers.

3.3. Data collection and data analysis

Qualitative research approach was chosen to study in depth our subject that is evolving and changing (Gephart, 2004). We carried out a multiple case study which is particularly suitable in this kind of research setting, where the aim is to find patterns across organizations (Eisenhardt, 1989; Yin, 1994). Each organization has been considered as a case that represents a unit of analysis. The organizations were selected on the basis of their distinctive properties to bring new insights. The organizations selected (10) are publishers of consumer magazines in the Finnish and Norwegian markets, which represent both horizontally integrated media conglomerates and small- and medium-sized enterprises (SME's), and their lobbying organizations (2).

The main data consists of interviews with publishing professionals mainly from the top management level. A semi-structured interview method was used where the focus and the themes of interest were decided beforehand by the interviewer (Fontana & Frey, 2005). Interviewees were asked to respond to quite specific topics, but at the same time they were given a great deal of freedom to respond (Bryman & Bell, 2011). The number of interviewees was altogether 13, nine from Finland and four from Norway. Each interview lasted from 60 to 90 min, and interviews were recorded and transcribed.

A qualitative trend analysis (Coates, 1996) was carried out as a dialogue between empirical results and literature. Our analysis began with identifying the main trends in magazine publishing. The criteria for a main trend were that *all interviewees raised same or similar observations, and that the trend has been discussed in literature* (Albarran, Chan-Olmsted, & Wirth, 2006; Küng et al., 2008; Napoli, 2011; Picard, 2011). After the identification, we examined the possible impact of the trends on service development and on the firm, and finally their potential source of discontinuity. In these topics, the detailed opinions of the respondents varied. Table 1 summarizes the trends and also includes the number of respondents who mentioned each specific observation.

We did not use a coding tool, but aimed at a holistic understanding via several systematic and thorough analysis rounds of interviewees' responses. The quotations in the results section illustrate the level at which extracts were picked from the material. We applied a technique which is a modification of a matrix format (Huberman & Miles, 1994), whose purpose is to derive meanings from data and reduce the amount of data. Here, constructs are placed on one axis, and occurrences on another, to enable the analysis of complex qualitative data. The trends table (Table 1) formed the basis for data analysis: trends formed the constructs and their impacts and discontinuities formed the occurrences. To increase the reliability and validity of the results, data collection and analysis were executed by two researchers (cf. Bryman & Bell, 2011).

4. Results and discussion

In the interpretation of the results, we have operationalized servitization and value co-creation/service-oriented mind-set as follows. Servitization is identified as concrete production of service offerings and as related reformations taking place in magazine publishers' processes, strategies, and corporate cultures. The adoption of a value- and service-oriented mind-set is identified in phenomena that highlight customer value, customer collaboration, and knowledge as a main resource in value creation. Among the trends that we have identified, the first three trends reflect mainly the developments in the business environment, while the latter four trends are mainly linked to intra-firm managerial issues. However, these two aspects are interlinked – in the integration of resources in particular. Thus, the detailed trend-by-trend analysis includes both business behaviour of the companies and external factors that drive this behaviour. The following sub-sections have been organized according to the identified seven trends (Table 1).

4.1. Dispersing customer base

Our findings confirm that technological development is causing media fragmentation (an increasing amount of platforms and contents) and audience fragmentation (dispersion of attention across the options). It is also causing audience autonomy (increased ability to choose the time and place of media use), leading to a dispersing customer base (cf. Napoli, 2011). Consequently, value propositions differ from one customer segment to the next and a better understanding is needed on how value is co-created with each segment.

Fully capitalizing the changing needs of smaller audiences with new concepts is a great challenge. In line with the SDL mind-set, our interviewees highlighted that success is not achieved by producing and delivering content for target groups, but by co-creating value with customers via the right offering, at the right time, on the right platform. Technological development enables reaching new consumer segments. New business can also be generated from Business to Business (B-2-B) relationships. In a number of interviewed organizations, servitization is used as an opportunity: separate event production and partnership units are being established to yield increased profits and revenues from services (cf. Albarran et al., 2006; Oliva & Kallenberg, 2003). These include brand licensing, online magazine shops, special advertising and marketing solutions, and the sales of media content and information, to name a few. However, our findings suggest that the lack of sufficient financial returns from B-2-B services and the inability to recognize their financial potential (cf. Mathieu, 2001; Oliva & Kallenberg, 2003) still hinder the development of new business, as elaborated in the following quote:

'We constantly think about how much effort and resources should be put to our partnerships unit to develop these added value services that everyone is asking for [...] The unit should constantly come up with ideas here, there, and everywhere. In principle we could do that much more, if only we would make money. We can't do it for free!' (Director of R&D, MNE, listed company, Finland)

4.2. New media use habits

Differing consumer needs and media-use habits came clearly out in our interviews (cf. Napoli, 2011). The online world is changing the way people access information, and makes users more critical towards ready-made content. The companies seek consumer understanding for service development and sales. The SDL mind-set is visible in questioning the tradition of measuring media products in terms of value-in-exchange. Less obvious criteria of success are coming to the fore. Emotional needs and experiences (cf. Payne, Storbacka, & Frow, 2008; Ulaga & Reinartz, 2011) are now used to evaluate the offering's effectiveness in the use context.

Both SDL and servitization researchers emphasize the need for a deep understanding of customer needs and circumstances (cf. Gebauer et al., 2005; Raddats & Easingwood, 2010; Vargo & Lusch, 2004, 2008). Based on our findings, the achievement of this goal is challenging because of the dynamic nature of customer wants and demands. Decision-making is still very much based on intuition, and the gathering and analysis of relevant data are in its infancy. The following quote illustrates that magazine publishers are aware of the need to move ahead in this respect:

'We are obviously too weak in listening to consumers [...] We need to know a lot more about their behaviour, their needs and wants [...] What they read about, what is the tone of voice they recognize what kind of pictures are they comfortable with.' (Director of R&D, large family-owned Nordic media company, Norway)

4.3. Gradual erosion of product business

Several interviewees pointed out that printed magazines will experience gradual erosion in the years to come. This pushes the sector towards servitization and is due to both general and sector-specific drivers. In addition to tightening competition and the fragmentation of audiences mentioned above, the heavy-users of printed products are ageing and the younger generation appreciates less print media (cf. Küng et al., 2008). The big circulation magazines have had a major role in financing the more experimental titles, but their share in total revenue will decrease. The focus is shifted from targeting general magazine titles to mass markets into serving niche markets around special interests.

Table 1
New trends and their impact on publishing companies based on an increasing service-orientation (figures refer to the numbers of respondents who mentioned each specific phenomenon).

The trend	The main contents of the trend	Impacts on media as service, new services	Impact of services on the publisher	Sources of discontinuity
Dispersing customer base	Increasing array of platforms and content options (13). Dispersion of audience attention across content options (13). Consumers gaining more power (8).	Entering into segmented niche markets with stronger value propositions. Technological development opens up doors for new consumer segments.	Establishment of B-2-B customer base. Co-producing the right content/service, at the right time, through the right platform, in the right form, to the right mindset.	Traditional media has fewer opportunities to affect consumers' choices. Limited growth opportunities in B-2-C markets. Fully capitalizing the changing needs of smaller audiences with new concepts is a great challenge.
New media use habits	Increasing array of options causing differing consumer needs and media-use habits (12). Changes in the way people access information (6). Consumers becoming more critical towards ready-made content (4).	New consumer understanding for service development and sales of audiences. Emphasis on media experiences and customer value formation. Focus from product effectiveness to the offering's effectiveness in user's context.	Digital media setting new standards to speed up processes and reaction times. Establishment of new organizational structures, units, and processes. Increases in tools and methods for better understanding customer behaviour, needs, and wants.	Increasing array of content and platforms to be updated and managed at different sequences. A deep understanding on the customer needs and wants crucial for service development, but hard to obtain. Decision-making intuition-driven, rather than data-driven. Income from online and offline services only fraction of product sales. Losing advertising income is a serious long-term threat. Customer needs and the current strategies, organizational processes, and cost structures seem incompatible.
Gradual erosion of product business	Gradual decrease of print media readerships (13). Revenue from 'cash cows', the big circulation magazines, decreasing (8). Volatility of the advertising markets (12). Advertising spending from traditional to new media (7).	Improving accountability for delivery as marketers demand more value for money. Increased focus on providing sustainable value for B-2-C and B-2-B customers.	Increased focus on cost-efficiency, organizational flexibility, and agile processes. Departing from a dualistic revenue structure into a greater number of small revenue streams.	Changing the logic of magazine publishing is a challenge due to path dependencies, organizational inertia, and lock-in effects. Challenges to recognize the financial potential in service business. Lack of service strategies inhibits the ability to seize service opportunities. Buyers too would need to adopt a SD mind-set. Allocated resources for systematically developing new offerings diminished. Small size of the markets and turbulent economic climate are limiting development resources. Resources to a large extent put on product development. Services support the product business that still brings the majority of turnover.
From printed products to value-adding cross-media brands	Commercialization of strong content brands for B-2-B and B-2-C customers (12). Readers becoming increasingly committed to and trusting to selected media brands (5). Brands increasingly vital in attracting advertisers (6).	Comprehensive magazine concepts and strategies built around brands with stronger value propositions. Magazines developed to be present in their readers' life. Introduction of a service-dominant offering: goods, services, information, and interactions.	Close cooperative relationships with partners and selected advertisers. Corporate culture and structure, human resources management, and service development processes critical in service strategies.	Strategic networks established among organizations that have previously operated autonomously. Strategic competitive alliances formed under external pressure may lead to zero-sum relationships.
From product development to service innovation	Focus from R&D to innovation (5). Increasing experimental development activity (5). Changing innovation speed and cycles, decreasing the financial risks (8).	Building and maintaining communities as platforms for engagement, idea generation and co-development. Deeper understanding on the user experience and engaging readers.	Increased emphasis on processes, tools, and corporate culture that support innovation and accelerate the pace of commercialization. Fostering pilot trial mentalities. Bringing otherwise disconnected people together to generate ideas.	The corporate culture, sales orientation, and sales commission practices still highly product-centred. Authoritarian journalist power rooted in culture. Core capabilities enable but also hinder innovation. Values and corporate culture are very hard to change.
Alliances across borders	The value network in publishing is opening up and changing rapidly (6). New entrants in the media ecosystem coming from within and outside traditional media business (11). Consumers, entrepreneurs, and businesses starting to work collectively (7).	New service offerings enabled by partnering to co-produce value. Media content published and cashed in own channels and channels provided by key partners.	Building (strategic) alliances with competitors and non-competitors across industrial borders to develop new business opportunities. Resource mobilization and integration from the media ecosystem to create value for customers.	
Changing key resources and capabilities	Increased need for dynamic capabilities in service innovation with customers and network partners (6). Transfer from authoritarian journalist power to the appreciation of skills of customers and professional amateurs (such as fashion bloggers) (8).	Endorsement of multi-platform publishing and service creation, reader engagement, crowdsourcing, co-creation, and amateur professionalism. Different sales skills needed for product and service sales. Introduction of 'service journalism' which benefits and adds value to the reader.	Changes in corporate culture and processes, management, and hierarchies. Building dynamic capabilities by integrating and reconfiguring resources.	

Following these developments, the editorial content is becoming less attractive to marketers who to a large extent focus on value-in-exchange, the reach and price of contact, and accountability of delivery. At the same time publishers are seeking for more stable sources of revenue, and the dualistic revenue structure is being replaced with a number of smaller income sources that are based on collaboration with a number of partners in the business ecosystem – a phenomenon highlighted by SDL.

Our findings indicate that there are incompatibilities between customer needs, expected returns, and cost structures. The publishing industry that was previously less concerned with cost is inevitably shifting towards a cost-driven model, because of diminishing circulations and advertising revenues and rising paper and distribution costs. Large investments are tied in infrastructure and editorial staff, where cost cutting is currently implemented. Also, we identified the reuse of old material, outsourcing, and physical reorganizations to increase efficiency and cut costs. Our study showed that organizational flexibility and agile processes are not only sought internally, but in all network relations: with paper producers, printing houses, and logistics.

4.4. From printed products to value-adding cross-media brands

Publishers are increasingly developing and commercializing value-adding cross-media brands. Our interviews revealed that the focus has shifted from printed products to solutions – a typical development in advanced servitization. This implies an increase in the importance of brands (cf. Normann & Ramirez, 1998). The objective is to create stronger identities and new revenue sources. A magazine brand is a strong value proposition: based on it, customers can expect that their needs become satisfied. Magazine brands are developed to be present in their readers' life and co-created with customers – both viewpoints highlighted by SDL. Consequently, the readers are increasingly committed to selected media brands. The following exemplifies the importance of strong brands:

'Strategy will be the key in the future [...] how flexible you are, how well you know your target audiences, respond to their needs, and make them commit. Survivors are the ones that have strong enough brands around which new revenue sources can be built.' (CEO, SME, part of Nordic media enterprise, Finland)

Our interviewees also described how magazine publishers are adopting service-dominant offerings (cf. Grönroos, 2008) by including value propositions in *goods, services, information and interactions*. In goods, this development is manifested in printed 'sister' publications to online magazines in specific niche areas to new target audiences. In services, it includes brand licensing within and outside the publishing business, online magazine shops, B-2-B sales of low cost bulk subscriptions, special advertising solutions, and smartphone apps, among others. In information, it means that content is distributed and cached in partners' channels. In interactions, it can be found in online communities and offline services. Online communities enable people's participation in content production, engagement and building their personalized media experiences. Offline services are often co-produced with partners and wrapped around strong brands (e.g. medical services offered to health magazine subscribers). Here, the SDL perspective is apparent: service is an input to the value creation activity of the customer.

Simultaneously with the advancement of the brand based business, we also recognized obstacles in the progress because of the past record of stable and high revenue from product sales. Also the small market size in our case countries turned out to be a problem. Finally, our interviews suggested that the transition into service business is slowed down by the lack of a service mind-set among the buyers.

4.5. From product development to service innovation

The increasingly unpredictable nature of the business environment favours the shift from R&D to a broader view of innovation: the utilization of experimentation instead of extrapolation based on historical data and market research (cf. Moorman & Miner, 1998). This change is also a reasonable answer to the problem of diminishing resources: personal enthusiasm, as well as trial and error, is needed more than before. Also changes in the competitive environment are forcing publishers to radically shorten the time-span for new title launches, which typically require a longer process in the case of printed products than in digital media. One interviewee described the new challenges as follows:

'Our problem in the magazine business is that we make memos, not demos [...] Online media and TV make demos in a pilot trial mentality [...] but here, we polish a concept idea for so long that a trend will pass us by.' (CEO, large family-owned Nordic media company, Finland)

Our findings indicate that much emphasis is put on processes and corporate culture that support innovation. Idea generation has to be done in an environment of increased risk-aversion. Ideas have to be tested in a shorter time span and terminated sooner if they do not work. In this kind of milieu, a large number of ideas are needed to generate new innovations. Ideas that previously would have been ignored as too small are now being scrutinized. Here again, we can identify the adoption of the SDL mind-set: ideas are co-created in communities together with readers and major advertisers, and the change of attitudes is sought in the partner relations to promote genuine innovation.

Our interviewees described examples of tools developed for spotting trends and taking good ideas forward. In some of the case companies, specific time is reserved for innovation, disconnected people are put together to generate ideas (e.g. by rotating people across editorial rooms), task forces are established to commercialize good ideas, and hiring policies that

emphasize flexibility are introduced. However, the progress is not straightforward: a great deal of development work is still exercised 'behind closed doors' for fear of leaking ideas to competitors. Many times services are also considered as 'add-ons', and publishers try to avoid risk by investing resources on the development of products whose outcomes are more easily calculable (cf. Gebauer et al., 2005).

4.6. Alliances across borders

Magazine markets are opening up, and new service offerings are increasingly co-developed (cf. Agarwal & Selen, 2009; Windahl & Lakemond, 2006). In our interview responses, this trend was manifested in the business partnerships that publishers are forming with collaborators and competitors across industrial borders. For instance, brand owners organize shopping events or beauty consultation to fashion magazine subscribers, or city runs to health magazine subscribers. Relevant in this development is the mobilization and integration of resources from the media ecosystem to create new value – a phenomenon that SDL considers being of crucial importance. The opinion expressed in the following quote illustrates the development:

'We're extending our service concepts. For example the subscribers of [a health magazine] get discount on doctoral services – from home visits and counselling over the phone. So we've partnered with [a private medical clinic]. We also offer nutrition counselling within 24-hours. So we have nutrition professionals working for us.' (Marketing and Market Research Director, large family-owned media company, Finland)

Our findings, however, indicate that resource integration in the ecosystem is challenging because media organizations are accustomed to operating autonomously in a silo manner: each medium has had its own dominant recipes and procedures (cf. Gulati et al., 2000). Further, entering into cooperative relationships with competitors may be forced by media buyers and around strategic core areas that may lead to zero-sum relationships (cf. Payne et al., 2008).

4.7. Changing key resources and capabilities

A stronger market orientation and customer focus in publishing has led to changing requirements with respect to competencies, corporate culture, management, and hierarchies. Dynamic capabilities – the ability to sense/seize opportunities and reconfigure assets – have increased in importance (cf. Coates, 1996). Our respondents highlighted that publishers experience the need to step down from their attitudes of traditional journalist authority and embrace new forms of reader engagement, such as crowdsourcing and amateur professionalism. Customers are understood to be co-creators of value (a central point in SDL) and co-producers of service (an essential phenomenon in servitization). The following quote illustrates the development:

'Magazine concepts live from conversations and connections between people. Concepts are the result of what people have achieved together.' (CEO, SME, part of Nordic media enterprise, Finland)

As regards the need for new knowledge resources, our interviews highlighted openness and transparency in communication and work practices. Reducing managerial hierarchies was seen as promoting openness. Uncertainty tolerance and an inspiring environment were considered important in encouraging innovativeness among employees. Fostering a culture where mistakes are allowed and leaders are responsive to new ideas was seen as essential. Today's reality is contradictory here, like in the case of many other trends. In some companies, the corporate culture and practical processes are still highly product-centred. Transfer to service-orientation requires attention to multiple organizational capabilities: knowledge, skills, systems, values, and norms. Our interviewees also remarked that it is crucial to take into account the intensity of efforts needed when existing values and corporate culture are changed (cf. Gebauer et al., 2005; Leonard-Barton, 1992).

5. Conclusions and managerial implications

This paper has analysed the change of magazine markets towards service-oriented business. We have used the approaches of futures studies and foresight to produce scientifically grounded and applicable insights into the prospects of the sector. Our empirical findings, based on a multiple case study, suggest that a change towards value-based and service-oriented thinking is apparent in publishing. The industry is also servitizing (Vandermerwe & Rada, 1988), i.e. companies provide service offerings in addition to material products.

We have analysed these two developments in more detail through the identification of seven main trends. Three trends are linked primarily to the business environment: the dispersing customer base, the changes in media use habits and the erosion of product business. Four trends describe the behaviour of companies: the shifts from products to value-adding brands, from R&D to innovation, from autonomy to partnering and sharing in an ecosystem, and the changing resource and capability needs. Behind the trends we have found several supporting drivers that include both pull factors (the general increase in the variety of customers' desires and needs) and push factors (tightening competition and diminishing revenue from product sales).

From the managerial viewpoint, a crucial issue is the extent to which the publishers are responsive to changes and to what extent they are able to take concrete actions in response. A genuine service orientation requires several new practices in different areas of business. The value creation process should be understood more broadly than before: the use context should be seen as an essential part. This means that pioneers in the media sector are those actors who engage customers and aim to increase understanding of their everyday life. A primary insight linked to these practices is that value-in-use cannot be first produced and then sold, but the consuming process is an indispensable part of value creation. Another important area is the understanding of customers as members of their networks instead of handling them as isolated entities. Here, pioneering practices are platform services that encourage customers to form communities and work together with professionals in these communities. An ecosystems view that also includes business partners is a natural extension of this practice (cf. Vargo & Lusch, 2004, 2008).

Industrial renewal is closely linked with innovation. Thus, an interesting question is how service-based strategies are related to innovation strategies in media companies. Our empirical findings indicate both a growing need for individual innovativeness and a change in the nature of the innovation processes. In the service context, R&D type processes are rare and usually replaced by broader empowerment of employees (Sundbo, 1996). SDL suggests that instead of linear R&D processes, intra-firm entrepreneurship with gradually broadening resources (effectuation) is a better comparison point when innovation is pursued for value co-creation (Read, Dew, Sarasvathy, Song, & Wiltbank, 2009). Interestingly, we found both of these innovation practices – broad empowerment and effectuation – in our case companies.

As three trends in our study are linked to the business environment of media companies, the broader societal and economic developments have also to be taken into account. Researchers have pointed out that the advancement of individual companies in a specific sector may be buried under the inflexible and old-fashioned practices of the majority in that sector (Dator, 1999). This phenomenon highlights the importance of networking and the rapid dissemination of novel practices.

Because our study followed the case study approach, it does not allow generalization in a statistical sense. However, an analytical generalization is possible, and means that linkages and patterns identified across phenomena can be used as an indicator for what might take place in other settings (Kvale, 1996; Yin, 1994). Thus, the increasing service-orientation in the magazine publishing sector may indicate a change in the entire traditional media sector and media markets. In order to validate this hypothesis, further studies are needed with bigger samples from the media industry and material from different countries.

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Title	Exploring the transformation of media sector through the lens of service-dominant (S-D) logic
Author(s)	Anna Viljakainen
Abstract	<p>This thesis explores the on-going change in the media sector, using service-dominant (S-D) logic as a lens to explain it. The starting point is the basic premise of S-D logic: value co-creation between customers, partners, employees, and competitors. The novelty in this work is the application of (S-D) logic in the context of industry transformation. Another aim is to introduce service management to the field of media management and economics. The study also offers tools for media professionals in their search for sustainable competitive advantage.</p> <p>Two research questions structure the work: (1) how does a transfer from a goods-dominant to a service-dominant logic manifest itself in the current business practices and future trends in the media industry, and (2) what are the central topics to understand better the on-going change in the media sector. Case studies have been carried out with face-to-face semi-structured interviews (n = 50).</p> <p>The main result is that the traditional media industry is transforming towards growing value-orientation and service-based thinking. The industry is also 'servitizing': the companies provide service offerings in addition to material products. A central driver is technological change, which modifies media consumption habits and causes fragmentation of media and audiences. A change is also taking place in the way in which media firms perceive their audiences and the opportunities for value creation. Media business is an illustrative example of the shift to assisting customers and to sustaining communities where people create value by engaging. In this new world resources are being mobilized and integrated from a service ecosystem that crosses industry borders. On the other hand, traditional media is heavily goods-oriented and the adoption of the new perspective is challenging.</p> <p>Two theoretical constructs summarize the findings: (1) a trend analysis, and (2) the business model approach. The trend analysis shows the opportunities available for media companies in the creation of their own futures - instead of merely reacting to external changes. The business model construct crystallizes the industry transformation towards S-D logic. Both can be used for deepening the research in media management. A contribution to S-D logic is the integration of its core idea of value co-creation with the design of individual offerings.</p>
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Nimeke	Palvelukeskeinen logiikka näkökulmana mediatoimialan muutoksen tutkimuksessa
Tekijä(t)	Anna Viljakainen
Tiivistelmä	<p>Tämä väitöskirja tutkii ilmiöitä, jotka liittyvät mediateollisuuden siirtymiseen tuotelähtöisestä palvelukeskeiseen ajatteluun. Muutosta kuvataan palvelukeskeisen logiikan (service-dominant logic) avulla lähtien sen perusoletuksesta: arvo luodaan yhdessä asiakkaiden, yhteistyökumppaneiden, työntekijöiden ja kilpailijoiden kanssa. Työn uutuusarvo on palvelukeskeisen logiikan soveltaminen toimialamuutoksen kontekstissa sekä palvelututkimuksen soveltaminen mediajohtamisen ja mediatalouden tieteenaloilla. Väitöskirja tarjoaa myös työkaluja, jotka tukevat mediaryityksiä liiketoiminnan kehittämisessä kohti kestäväää kilpailuetua.</p> <p>Väitöskirja keskittyy kahteen tutkimuskysymykseen: (1) kuinka siirtymä tuotelähtöisestä palvelukeskeiseen logiikkaan ilmenee mediateollisuuden nykyisissä käytännöissä ja tulevaisuuden trendeissä, ja (2) mitä keskeisiä aiheita pitäisi analysoida tarkemmin, jotta vallalla olevaa media-alan muutosta voidaan paremmin ymmärtää. Työn tulokset pohjautuvat tapaustutkimuksiin ja teemahaastatteluihin (n = 50).</p> <p>Työn keskeinen väite on, että perinteinen mediateollisuus on sisäistämässä uuden tavan tuottaa arvoa asiakkailleen eli palvelukeskeisen logiikan. Samaan aikaan ala on palveluistumassa (servitization): mediaryitykset lisäävät tarjontaansa palveluita. Keskeinen ajuri muutokselle on teknologian kehitys, joka muuttaa median kulutukseen liittyviä tottumuksia ja pirstaloi mediaa ja yleisöjä. Median liiketoiminta on erinomainen esimerkki muutoksesta, jossa asiakasta autetaan ja arvo luodaan yhdessä yritysten ylläpitämissä yhteisöissä. Tämänkaltaisessa uudessa liiketoimintaympäristössä resursseja etsitään ja yhdistetään toimialarajat ylittävissä ekosysteemeissä. Maailmankuva medialiiketoiminnassa on kuitenkin edelleen voimakkaasti tuotelähtöinen, mikä tekee siirtymisen uuteen logiikkaan haasteelliseksi.</p> <p>Väitöskirjassa käytetään kahta teoreettista lähestymistapaa, jotka kiteyttävät löydökset tarkemmalla tasolla: (1) ennakoivia ja trendianalyysejä sekä (2) liiketoimintamallia. Ennakointia käytetään menetelmänä tunnistaa keinoja, joilla mediaryitykset voivat luoda omaa tulevaisuuttaan eikä vain reagoida muutoksiin ulkoisessa ympäristössä. Liiketoimintamalli toimii työkaluna tunnistaa toimialan tasolla tapahtuva muutos kohti palvelukeskeistä logiikkaa. Palvelukeskeisen logiikan osalta työ korostaa yksittäisten tuotteiden ja palveluiden suunnittelua arvon yhteisluonnin lisäksi.</p>
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Exploring the transformation of media sector through the lens of service-dominant (S-D) logic

This thesis explores the on-going change in the media sector, using service-dominant (S-D) logic as a lens to explain it. The starting point is the basic premise of S-D logic: value co-creation between customers, partners, employees, and competitors. The novelty in this work is the application of (S-D) logic in the context of industry transformation. Another aim is to introduce service management to the field of media management and economics. The study also offers tools for media professionals in their search for sustainable competitive advantage.

Two theoretical constructs summarize the findings: (1) a trend analysis, and (2) the business model approach. The trend analysis shows the opportunities available for media companies in the creation of their own futures – instead of merely reacting to external changes. The business model construct crystallizes the industry transformation towards S-D logic. Both can be used for deepening the research in media management. A contribution to S-D logic is the integration of its core idea of value co-creation with the design of individual offerings.

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