

Considerations and implications for the servitisation of farming in the Netherlands

Author: Bram Udo
University of Twente
P.O. Box 217, 7500AE Enschede
The Netherlands

ABSTRACT,

This research focuses on the considerations and implication for the servitisation of farming in the Netherlands. For this research I have conducted interviews with farmers who have considered servitising, are currently in the process of servitising or have already successfully servitised their farm, as well as different politicians with a focus on rural policy. The implications of servitisation which I encountered are outlined in this report involve altered relationships with key partners, shifted focus from Business-to-Business to a Business-to-Consumer customer relationship, as well as psychological changes for farmers. Based on these problems, I have proposed a designed business model canvas for farmers to understand which changes are needed as well as proposed recommendations for farmers to understand their business and enhance their abilities in the decision-making process involving large-scale investments as well as proposed a 5-step plan for farmers to follow.

Graduation Committee members:

Dr. R.P.A. Loohuis

Dr. Y. Sahhar

Keywords

Servitisation, Business Models, Farming, Rural Policy, Key Partners

1. INTRODUCTION

1.1 Situation and Argumentation

The current trend in the 21st century in business can be defined in a couple of ways. The industrialist nature of the 1950's to the late 20th century has shifted into a knowledge industry. Globalisation has emerged successfully and data has become one of the most valuable assets of companies. The important values of industrialism such as efficiency, effectivity and production quantity have been decreasing in importance over time. Values such as sustainability, Social Corporate Responsibility as proposed by Lindgreen, (Lindgreen, 2019) and overall corporate responsibility have become increasingly more important. The shift in value's proposes a new way of doing business, the service-oriented business. The service-oriented business can be determined as reshaping society due to its focus being on communicating with its customers, creating a relationship with these customers and reshaping the business process in order to satisfy the needs of the customer. The process in which service-oriented businesses take over the market of product-oriented businesses is called servitisation. (Vandermerwe & Rada, 1988) At the same time, agricultural change in the Netherlands has been a problem. Due to regulations for nitrogen emission and animal safety, the industry has suffered tremendously. The current governmental influence on agricultural business through regulations are unclear, volatile in nature and provide substantial uncertainties for farmers. As a result of this, according to D. Vidickiene (2018), many young people do not see their future in agriculture sector or in the countryside because they find the current farming system unattractive. He states that according to the Eurostat Farm Structure Survey 2013, the share of farmers aged under 35 in the EU averaged only 6.5%. "The work of scholars studying the succession processes of family farms is particularly striking. Some of them even refer to the imminent demise of the farms that are now successful in the developed countries." (Vidickiene, 2018). Servitisation in farming may therefore become necessary to sustain these farms. So, what is servitisation in Farming? Servitisation is in its simplest form the addition of services to a product. Offering locally produced products in "farm shops" therefore is a way of serving the customer with their own product. In a similar manner, offering the service of enabling people with disabilities to care for the farm "care farms" is a way of re-purposing farm assets in order to create value. In the Netherlands, these types of "servitised farms" already exist. With this research, I will deliver clear framework on the implications these businesses encountered during the process of servitising their business, with a focus on the strategic challenges that occur.

1.2 Research Objective

The objective of this research is to identify the challenges of direct marketing for farmers as an example of servitisation Furthermore, this research will product implications for what it means to convert a farming business into a feasible and sustainable success based on a framework produced by this research.

1.3 Research Question

What implications does the implementation of Servitisation have for agricultural SMEs in the Netherlands?

In light of this question, I have decided to split my research in two smaller questions:

What are the strategic challenges farmers face when developing services, instead of delivering products only?

Which factors could be deemed necessary for the servitisation of a farming business to be successful?

1.4 Academic Relevance

This paper is written with the purpose of investigating servitisation in the association with agriculture. The paper will focus on the considerations SME's will have to make in order for them to successfully servitise their business in the Netherlands. There is a limited amount of research being produced on this subject, due to servitisation being a relatively new subject.

1.5 Practical Relevance

The relevance of this research is given in the insights it will give to food producing SMEs about the possibility of Servitisation and the implications of the implementation of a service driven business. Businesses will be able to, at the hand of the designed framework this paper will deliver in which the challenges for businesses are outlined, increasingly successful shift their business focus from product to service.

1.6 Research Design

In order for this to be achieved, i will conduct literature research into the basic principles of servitisation and the recent agricultural problems. In addition, I will conduct interviews with Food producing SMEs in order to understand their problems and needs. I will also conduct interviews with political parties in order to understand the climate in which agricultural businesses in the future are proposed to operate in.

2. THEORETICAL FRAMEWORK

2.1 Current farming business model

The current business model of SME farmers is largely based on bulk supply contracts from agricultural giants. These contracts force smallholders to scale up in order for the business to be sustainable and requires large investments in equipment instead of in sustainability. The reason current smallholders have chosen this path of contract farming is because of their risk mitigating nature. Farmer mentality is not solely focused on an effective and efficient business, it is in addition focused on maintaining their lifestyle in a healthy and sustainable way. Mitigating risk is therefore an important factor in the business. Contract farming, as described by Federgruen (2019), mitigates the risk of smallholders: "Contract farming protects the farmer against the many risks he is facing, in particular the risk of volatile crop prices on the commodity spot markets, yield risks, and the difficulties of finding

buyers for their crops” (Federgruen, Lall, & Şimşek, 2019). The current business value chain is predefined, secure, and stable, providing farmers with a clear business perspective.

2.2 The servitised business model

The main business model considered for servitisation is the Product-service system, PSS. This concept is focusing on interchangeability of services with the product. The definition of the PSS is a marketable set of products and services, jointly capable of fulfilling a client’s need. (Goedkoop, 1999). As described by Mont (2023), the PSS has been proven to be effective in business-to-business context. However, in a business-to-consumer context has not yet been successful. This, due to the nature of the customer to desire ownership of a product, instead of business being able to handle the “lease” of the product. (Mont & Plepys, 2023). The problem with the PSS as a system in the context of farming is the way the product is being used. In the PSS, a product is considered to be rented for use instead of purchased for ownership. However, the business model for farmers will need to include the service purely as a supplement to the product instead of a substitute for the purchase of the product itself.

2.3 Fundamental challenges of servitisation

In the current academic world, implications of changing from a product-centered business to a service-centered business are already being exploited. To understand the implications, it is important to understand the transitional process business are going through when servitising their business. This transition process is shown in Figure 1 by (Gebauer & Friedli, 2005).

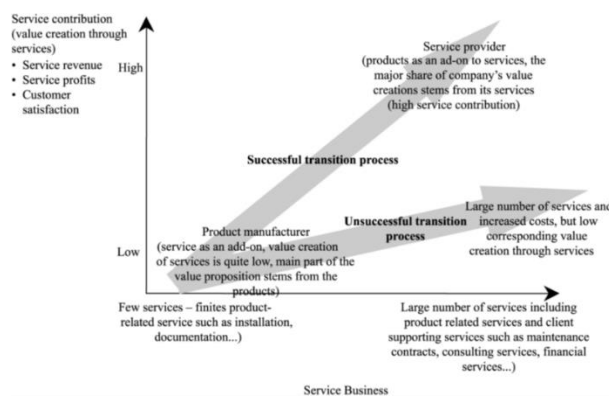


Figure 1. The transitional shift from product to service business by (Gebauer & Friedli, 2005)

Traditional implications of the shift can be categorised in three different parts according to Neely (2008). The shifting of the mindset, the timescale and the business model and offerings. As shown in Table 1:

Shifting mindsets	Of marketing — from transactional to relational marketing
-------------------	---

	Of sales — from selling multi-million dollar products to selling service contracts and capability Of customers — from wanting to own the product to be happy with the service
Timescale	Managing and delivering multi-year partnerships Managing and controlling long-term risk and exposure Modelling and understanding the cost and profitability implications of long-term partnerships
Business models and customer offering	Understanding what value means to customers and consumers, not producers and suppliers Developing the capability to design and deliver services rather than products Developing a service culture Embedding all of the above into a service organisation

Table 1. The challenges of servitisation (Neely, 2008)

The shifting of the mindset, the behavioural aspect of the shift, is determined by Gebauer (2005) in two categories. Risk aversion is the main issue for businesses. “Manager prefer risk-free outcomes from investing resources in products, to the uncertain outcome of investing in services.”(Gebauer & Friedli, 2005)

In addition to the risk averse nature of farmers and managers, the economic potential of services is unclear due to its novelty. This factor restricts the processes needed in advance of the successful implementation of a service, such as experimentation and investment.(Gebauer & Friedli, 2005)

2.4 Why do Dutch farmers desire change?

The Dutch agricultural system is currently in heavy lockdown. The Dutch government has issued significant measures on farming because of nitrogen-emissions. In addition, groundwater levels are considered to be on the rise as a problem as well, as predicted by the Dutch state media NOS. (NOS, 2023) According to D.Vidickiene (2018) the success of the industrialist farming practice has faded due to an increase in negative factors. He states: “By the end of the 20th century, it became undesirable to increase gross production not only because of the markets but also because of the increased availability of non-agricultural supplies to the food industry and the growing surplus of opposition products within the food industry.”(Vidickiene, 2018)

2.5 Strategic challenges for farmers

The current farming business model, which is dominated by bulk supply contracts from manufacturers and food processing company's focuses on this relationship between farmer and manufacturer, B2B. However, servitisation is focused on a B2C approach. This has a number of consequences. First and foremost, it is important to look into the acquisition of customers. In the old model, the customer was predefined and (almost) risk free. In the servitised model, acquisition of customers is key. Retaining relationships with their current customers in spite of shifting focus therefore is important to realize. Secondary to the acquisition of customers, the business model and value proposition of the business itself is changing. The value chain of a servitised company is short cycled, opposite to the long-cycled value chain of the traditional industrial farming business. According to D. Vidickiene (2018), the knowledge distribution of the servitised farming business is not only essential for the development for the agricultural activities, but mostly for the combination of deep knowledge of animal or plant care with sales or psychology education. The third strategic challenge for Servitising is therefore the acquisition of knowledge. The communication with the current chain partners is also considered to be an important and difficult factor.

2.6 Improving the business model

2.6.1 Business Model

BMI (Business Model Innovation) is the process of re-inventing your business model in order to improve your value proposition. In order to understand this theory, it is important to have a clear view on the business model itself. The business model, as described by Teece (2018) is the description of the design or architecture behind the value proposition a business incorporates. "The essence of the business model is in defining the manner by which the enterprise delivers value to customers, entices customers to pay for this value, and converts those payments into profit" (Teece, 2018). Business Model Innovation, or innovation in itself, comes in two forms: Incremental and Radical. The difference, as show in Table 2 by Zoledowska (2016) is in the effect of the innovation on the business.

<i>Radical innovation</i>	<i>Incremental innovation</i>
<i>Explores new technology</i>	Exploits existing technology
<i>High uncertainty</i>	Low uncertainty
<i>Focuses on products, processes or services with unprecedented performance features</i>	Focuses on cost or feature improvements in existing processes, products, or services

Creates a dramatic change that transforms existing markets or industries, or creates new ones

Improves competitiveness within current markets or industries

Table 2. The difference between radical and incremental innovation (Zoledowska, 2016)

Servitisation is by definition a radical innovation, as it focuses on the implementation of unprecedented innovation to shift market focus. This radical innovation, as shown in table 3, includes high uncertainty of outcome creating a negative point of view in the decision-making process of the SME. As described by Teece (2018) "In practical terms, this means that extreme (radical) business model transitions (those involving a new field of technology, a very different customer base, organizational re-engineering, or some combination of these and other disruptive changes) within an existing business are unlikely to succeed without major financial resources and steely commitment."(Teece, 2018).

2.6.2 Dynamic capabilities of businesses

The ability to alter the current business model according to changes in the business environment or marketplace in order to remain in the market and/or sustain growth is called the dynamic capability of a business. Understanding why this concept is important in the context of this research is achieved through the current expected lifespan of farming businesses. According to the Dutch Institute for Social Research, which carries out solicited and unsolicited social scientific research in the Netherlands, since the 1950's, the number of farmers in the Netherlands has halved, and within the next 15 years, this will be halved again. (Schnabel, 2001). Suggested reason for this might be weak dynamic capability within farming business. The strength of dynamic capability is measured in multiple facets: The ability to Sense, Seize and Transform your business. This theory is demonstrated in figure 2 by Teece (2018)

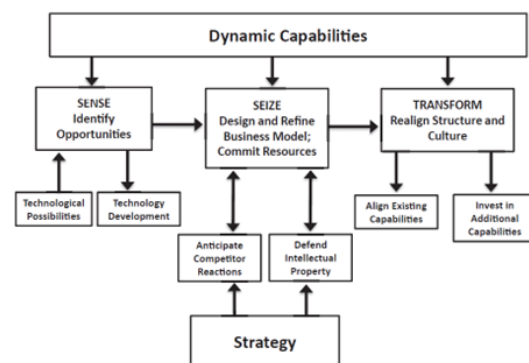


Figure 2. Dynamic capability defined in association with business models and strategy (Teece, 2018)

Having weak dynamic capability means having difficulties with follow market changes effectively and efficiently. In a rapidly changing environment, such as seen for 21st century farmers, it is therefore

important to take into account the dynamic capabilities of the business when transforming the business model.

2.6.3 Business Model Innovation

Business model innovation is a relatively novel subject of research. The definition of business models, and business model innovation, is yet widely disputed. In order to categorize these definitions of the business model, business model innovation and its function, Spieth, Schneckenberg & Ricart (2014) came up with three categories. As explained in Table 4, the categories are, in order, explaining the business, running the business and developing the business.

Understanding these categories is important for businesses to comprehend the choices that are having to be made during the process of transforming their business model. For instance, as suggested by Spieth, in consideration of developing the business, strategy formation is an important aspect in business model innovation “In particular, strategy formation is found to be a collective experimental learning process revolving around a number of alternative strategic intentions ranging from incremental evolution and transformation to complete the corporate endeavour of replacing the existing business model.”(Spieth, Schneckenberg, & Ricart, 2014)

(1) Explaining the business	Abstraction	Betz, 2002; Doganova and Eyquem-Renault, 2009; Huang, et al., 2012; Cavalcante et al., 2011
	Description	Applegate, 2000; Weill and Vitale, 2001; Baden-Fuller and Morgan, 2010; Moingeon et al., 2010; Sako, 2012; Rodrigues et al., 2012; Desyllas and Sako, 2013; Fiet and Patel, 2008
	Outline	Seddon, Lewis, Freeman and Shanks, 2004a,b
	Reflection	Wirtz et al., 2010; Casadesus-Masanell and Ricart, 2011
	Representation	Stewart and Zhao, 2000; Amit and Zott, 2001; Morris et al., 2005; Shafer et al., 2005; Heikkilä and Heikkilä, 2010; Perkmann and Spicer, 2010
(2) Running the business	Statement	Stewart and Zhao, 2000; Nair, Palacios and Ruiz, 2011
	Story	Linder and Cantrell, 2000; Magretta, 2002; Haggège and Collet, 2011
	Activity system	Hamel, 2000; Seddon, Lewis, Freeman and Shanks, 2004a,b; Amit and Zott, 2010; Zott and Amit, 2010
	Architecture	Timmers, 1998; Afuah and Tucci, 2001; Tapscott, 2000; Dubosson-Torbay, Osterwalder and Pigneur, 2002; Patzelt, zu Knyphausen-Aufsess and Nikol, 2008; Keen and Williams, 2013
	Framework/standard	Afuah, 2003; Afuah, 2004; Wu, Guo and Shi, 2013; Camisón and Villar-López, 2010
(3) Developing the business	Structural template/blueprint	Amit and Zott, 2001; Osterwalder et al., 2005; Zott and Amit, 2008; Cavalcante et al., 2011
	Method	Afuah and Tucci, 2001
	Approach	Gambardella and McGahan, 2010; Christensen, Wells and Cipeçian, 2013; Achtenhagen et al., 2013
	Design/plan	Venkatraman and Henderson, 1998; Teece, 2010; George and Bock, 2011; Baden-Fuller and Haefliger, 2013; Trimi and Berbegal-Mirabent, 2012; Onetti et al., 2012; Chatterjee, 2013
	Logic	Linder and Cantrell, 2001; Chesbrough and Rosenbloom, 2002; Casadesus-Masanell and Ricart, 2010; Kok and Janssen, 2013; Teece, 2010
Model/conceptual tool		Porter, 2001; Chesbrough and Rosenbloom, 2002; Osterwalder, 2004; Osterwalder and Pigneur, 2004; Osterwalder et al., 2005; Leccoq et al., 2010; Sabatier et al., 2010; Teece, 2010; George and Bock, 2011
	Recipe	Baden-Fuller and Morgan, 2010; Sabatier et al., 2010
Set of choices and consequences		Casadesus-Masanell and Ricart, 2010; Casadesus-Masanell and Zhu, 2010; Pê et al., 2010

Table 3. Categories for defining business model and business model innovation (Spieth et al., 2014)

2.6.4 Classical Challenges of BMI

Business Model Innovation is challenged by lack of knowledge. In order for a business to make a sufficiently considered decision, knowledge of all possible tracks to success need to be discovered and investigated. Manners of doing this investigation and testing BMI ideas are discussed by Henry Chesbrough (2010), who is faculty director of the Garwood Center for Corporate Innovation at the Haas school of Business at the University of California. He poses three ways of investigating opportunities for BMI. Experimentation, effectuation and organizational leadership. Experimentation focuses on the fidelity, trustworthiness, of the experiments and is combined with discovery driven

planning as described by McGrath and McMillan (1995). Discovery driven planning focuses on acknowledging assumptions/lack of knowledge and builds upon understanding through acting: “discovery-driven planning systematically converts assumption into knowledge as a strategic venture unfolds. When new data are uncovered, they are incorporated into the evolving plan.”(MacMillan, 1995)

About organizational change, in specific for SME’s, Chesbrough states the problem to lie within the nature of the CEO: “CEOs of small companies may be ideally suited to the task, especially if they are also owners of the business. However, a real problem with relying upon the CEO to lead change is that they likely rose to their position via the current business model, which is now deeply familiar - even comforting - while potential alternative models will be unfamiliar and may even seem threatening. Thus, although in the best position to lead it - the CEO may actually act in ways that retard the experimentation process.”(Chesbrough, 2010)

Although farming businesses do not typically follow the same business process of regular businesses, the theory of change in management might be necessary for successful servitisation to be possible.

2.6.5 The Business Model Canvas

In order for business model innovation practices to be tested and understood, it is important to understand the concepts surrounding the business. As designed by Osterwalder (2004), the business model canvas model provides a clear structure of business practices.

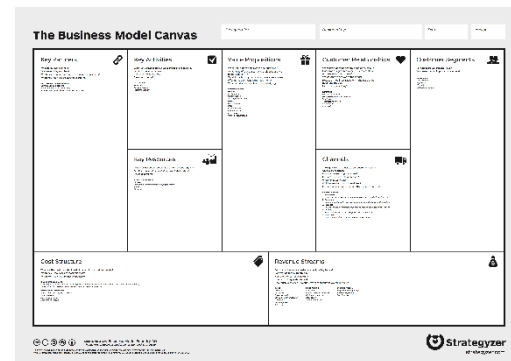


Figure 3. Business Model Canvas (Osterwalder, 2004)

The Business Model Canvas is built on nine different subsets of a company’s structure. The business model canvas model builds on the principle that a company is not solely defined by its product, instead, it is the processes facilitating the product.

3. METHODOLOGY

3.1 Qualitative interviews

In the current climate, experimentation with servitisation in farming is being done by SME’s. Local farm shops are being built, the principle of “camping at the farm” and renting animals for children are becoming more available. However, struggles arise when choosing to exploit these options for farms. Good communication, flexible time schedules and government regulations are

prefixes for the servitisation to work. Servitisation also induces rigorous adjustments to the business model in which farmers operate. The new and re-invented business models are in order to understand these issues, I will conduct qualitative interviews with food producing SME's (farmers) to understand their decision-making processes in transforming business models. In addition, most of the current problems with industrialising SME's are a direct result of government regulations. Therefore, I will also conduct interviews with several political parties to understand the considerations they have to make in order to support servitisation of these farms, as well as understand their views on this transformation. This will result in important information for SME's to consider when deciding upon shifting their company's focus.

3.2 Situation of interview

I will conduct my research in the Netherlands. The Netherlands is the second to biggest exporter of agricultural product, therefore deeming agriculture to be very important in this country. In addition, it the country of which I originate and where I study. The Netherlands is also a member of the OECD and is considered to be highly innovative in nature.

3.3 Limitation of Bias

In order for me to limit bias I will interview farmers who have successfully Servitised as well as farmers where the servitisation of their business did not work out. For the interview with the political parties, I will conduct interviews with multiple parties with different views on government influence on businesses as well as the importance of the control on climate change.

4. RESULTS

4.1 Servitisation is necessary

Based on my research, I can conclude that farming businesses in the Netherlands are having to deal with major decisions to make in the years following this report. The current farming-business-climate forces a major shift in farming practices, in the approach of practicing farming and in the overall farming business model. Farming for farmers has very important psychological aspects to its practice, and their farm often is their most important asset in life. As one farmer put it: "I do not live for this work, but I work for this life." Farmers are willing to sacrifice entire weeks, months and years in order to sustain their business and current investments. When asked about their work/personal lifetime schedule, one farmer informed about there not being any "I work on the farm 7 days a week, from morning till the evening, so does my wife". Pertaining a farming business involves doing work on the side, whether it is servitising the farm or having a part-time contract working for another firm, often having to work on similar issues.

"Every farmer has some form of complementary income, something on the side, it is obligatory if you want to sustain your farm".

4.2 Considerations for servitising

As stated in the introductory part of this research, servitising your farm can be done in many ways. For

this research I have investigated two of the main idea's of servitising, providing personal care and selling personally and locally produced products. Providing psychological care on farms for instance encounters many legal obstacle's and requires connections to many different institutions. Thorough understanding of these practices is required in order for the provision of psychological care on your farm is possible. As quoted by a subsidized care farm entrepreneur:

"Because of our duality in farm and care, we are dealing with an extremely large number of laws to abide."

However, in my opinion the considerations and implications I will outline, and the recommendations which I will make can be possibly proven applicable to other means of servitising as well.

4.2.1 Designed purpose

The first consideration that has to be made when servitising is the purpose it is to serve. Servitising your farm can have two purposes: Providing a supplementary income to your existing business and providing a substitute to a share of current farming practice. This decision is important to understand the investment practices that have to be made. One example of this is a poultry farmer which i spoke with. He has a functioning poultry business as well as a highly automatized farm shop, personal contracts with supermarkets and all mandatory permits organized in good fashion. However, his business is highly funded by external finance. These finances are construed of a high amount of investments in regular business practices, with the farm shop being just a small part of the investment. This means that as quoted:

"The farm shop can not facilitate a counterbalance to issues with the current farming practice."

As this particular farmer put it himself. If the intend would be on creating a sustainable farm business in light of occurring changes in rural policy, the entire business model should be rescoped.

4.2.2 Rural Policy

The second consideration is the involvement of governmental institutions within the new business model. In sight of this research, I have spoken to local and centralized politicians and. One consistent idea is that farmland has to be reduced and turned back into "nature" consisting of natural occurring wildlands and forests. Having to build and maintain these changes provides an opportunity for farmers to provide this service. However, this can be deemed too high of a risk due to the volatile nature of governmental approach to its problems. It is therefore important for farmers acknowledging this opportunity to create a healthy line of communication with local governmental institutes. The changes accompanying many servitisation practices are considered to have many involvements with rural policy. For this research i spoke to five individual farmers, in which four mentioned the involvement of the governmental policy in their decision-making process. Therefore, it is important to include communication with government officials into the decision-making process.

4.2.3 Customer relationships

For the third consideration, I have illustrated in Figure 4 (Basic BMC for agriculture business) and Figure 5 (Basic BMC for Servitised agriculture business) the main differences in business model based on the interviews with farmers. When investigating the changes into the Business Model, the primary subject was customer relationships and the changes within key partners.

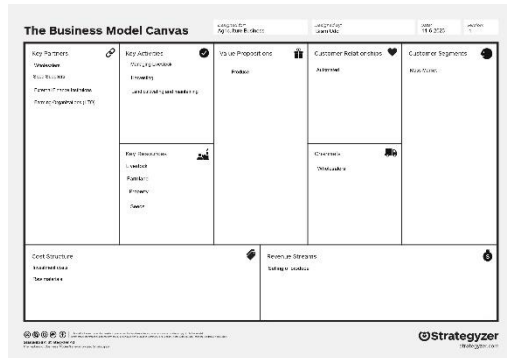


Figure 4: Basic BMC for Agriculture Business

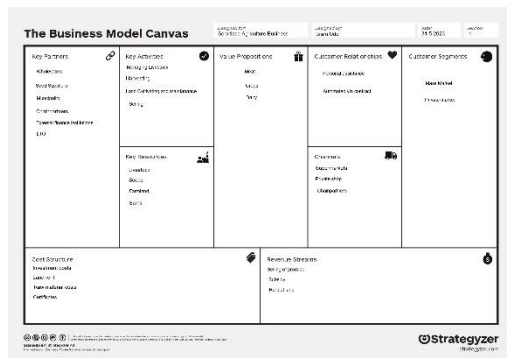


Figure 5: Basic BMC for Servitised Agriculture Business

The Customer relationships change immensely, from automated B2B customer relationship to a personal B2C approach. As stated by one of the interviewees, “diversification of the product package offered is key for a successful servitised business.” The market for locally produced products manifests on authenticity. However, he added to this statement that it is “most important to avoid direct competition with wholesalers/mass suppliers”. Direct communication with these key partners is therefore vital in order for diversification to be possible, viable and profitable.

As stated in the theoretical framework, acquisition of customers is one of the main difficulties with servitising due to the relative niche market it operates in. As recognized by the interviewees, it is important to focus your business on slow and steady growth and improvement. It is necessary to limit expectations on fast growing and rapidly improvement market conditions. Successfully servitising your farm will take a lot of years to build up. As quoted from a servitised farmer:

“The first couple of years you should not expect a positive return, it will take time”.

4.2.4 External finance

The shift of a business model has to be facilitated in some manner. Farmers typically consist of entrepreneurs that build upon external finance, due to a necessity of high capital against low-percentage returns. In my interviews, the highly servitised/innovative farms all were hugely funded by external finance. Having a highly external funded business creates inherently high risks for entrepreneurs and therefore this might influence the decision-making process on increasing the amount of external finance in order to facilitate servitisation. In order to minimize risk with external financing it is important to develop comprehensive plans for innovation, since banks have become largely nationalized, as one expert noted:

” In the past, you could just visit your local bank with your local director, and work the plans out together, that time has passed”.

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

In order to answer the research question of this report: “What implications does the implementation of Servitisation have for agricultural SMEs in the Netherlands?” I have decided to split the research question into two sections. My first research question is: “What are the strategical challenges farmers face when developing services, instead of delivering products only?”

There are three important strategical challenges. First and foremost the connecting your plans to local rural policy and rural plans in the future. The second strategical challenge farmers will encounter is the difference in approach to customers and the overall management of customer relationships. In order for servitisation to be possible, external finance is most often necessary. Therefore, building concrete is necessary, For farmers, building these concrete plans can be seen as quite incomprehensible or too time consuming to make themselves, therefore I recommend considering outsourcing.

The second research question focuses on necessities for successful servitisation: Which factors could be deemed necessary for the servitisation of a farming business to be successful?

The most important factor in servitisation in farming is time-management. Servitising is a process of many years which increases worktime for farmers. The ability to increase personal worktime therefore is necessary for servitisation to be successful. In addition, it is important to provide a diversified product package to the customer in order to further diversify your revenue streams.

In order to answer the original research question I have designed the business model canvas (Figure 5) as well as a 5-step approach for farmers (Table 4) to understand the concepts of servitising, its current implications and to follow when redesigning their business model

Step 1: Identify purpose of servitisation

Step 2: Pursue explorative market research

Step 3: Communicate with key partners

Step 4: Build concrete business plans

Step 5: Realign structure of business model

Table 4: 5-step approach to servitisation in farming

5.2 Discussion and implications

This research is designed to provide helpful advice for farmers considering their way of servitising. Therefore, I have contacted farmers that have servitised in different ways in order the research results to be applicable to most ways of servitising. Servitising has an open nature, in which farmers can define their own method of adding services to their business model. In order to create a clear perspective on the future as well in this research, I have also interviewed different political parties and their opinions on rural policy. Therefore, the results of the report on farmers have proven viability for the future.

The results of the research have correlations with the theoretical framework of the research, in which strategy formation is an experimental learning process in which continuous revision of the business strategy is key to achieve successful business model innovation. This research outlines the strategic problems that occur when deciding upon servitising. However, this is a relative niche and small market. Therefore, I decided to conduct an interview-based approach of data collection. However, this also ensured personal opinions to be able to present themselves in the results.

In order for farmers to design a successful new business model, in which they incorporate services to their offerings, it is important to, first and foremost, decide on which role their service will take part in their business. Based on the results of this research, it is important to build clear communication methods with current key partners in order to facilitate a successful shift. Secondly, it is important to set up communication with local government institutions in order to understand the rural policy and adjust the business model to fit in its perspective. Important to consider when servitising is time-management on the farm as well as understanding the proposed timescale of the innovation and adjusting investment patterns accordingly.

5.3 Limitations and future research

This research has been conducted with a qualitative data collection method. As a proposal for further research, it might be interesting to look at the problem from a purely analytic and quantitative perspective, analyzing different yearly reports from farm co-operations to prove or disprove recommendations made by this paper.

In addition, I have specified this paper on Dutch farmers operating in the Dutch market only. However, during my research I encountered arguments for expanding in other geographical locations and/or expanding to other markets. Therefore, research improving on these opportunities as substitutes to servitising opportunities could be deemed very interesting for the decision-making process.

Further research to investigate the success of servitisation in farming could be investigating the

currently biggest opportunity of servitisation, the nature-management plans of governments, investigating its needs, proving or disproving its feasibility.

6. REFERENCES

Appendix 1

- Chesbrough, H. (2010). Business Model Innovation: Opportunities and Barriers. *Long Range Planning*, 43(2), 354-363. doi:<https://doi.org/10.1016/j.lrp.2009.07.010>
- Federgruen, A., Lall, U., & Şimşek, A. S. (2019). Supply Chain Analysis of Contract Farming. *Manufacturing & Service Operations Management*, 21(2), 361-378. doi:10.1287/msom.2018.0735
- Gebauer, H., & Friedli, T. (2005). Behavioral implications of the transition process from products to services. *Journal of Business & Industrial Marketing*, 20(2), 70-78. doi:10.1108/08858620510583669
- Goedkoop, M. (1999). *Product Service systems, Ecological and Economic Basics*.
- Lindgreen, A. a. S., V. . (2019). Corporate Social Responsibility. *International Journal of Management Reviews*, Vol. 12(No. 1.), pp. 1-7. .
- MacMillan, R. M. I. (1995). *Discovery Driven Planning*.
- Mont, O., & Plepys, A. (2023). Customer satisfaction: review of literature and application to the product-service systems.
- Neely, A. (2008). Exploring the financial consequences of the servitization of manufacturing. *Operations Management Research*, 1(2), 103-118. doi:10.1007/s12063-009-0015-5
- NOS. (2023). Waterpolicy deemed to have the same issues as nitrogen emissions.
- Osterwalder, A. (2004). The Business Model Ontology – A Proposition in a Design Science Approach.
- Schnabel, P. (2001). *Waarom blijven boeren? In Over voortgang en beëindiging van het boerenbedrijf*.
- Spieth, P., Schneckenberg, D., & Ricart, J. E. (2014). Business model innovation – state of the art and future challenges for the field. *R&D Management*, 44(3), 237-247. doi:<https://doi.org/10.1111/radm.12071>
- Teece, D. J. (2018). Business models and dynamic capabilities. *Long Range Planning*, 51(1), 40-49. doi:<https://doi.org/10.1016/j.lrp.2017.06.007>
- Vandermerwe, S., & Rada, J. (1988). Servitization of business: Adding value by adding services. *European Management Journal*, 6(4), 314-324. doi:[https://doi.org/10.1016/0263-2373\(88\)90033-3](https://doi.org/10.1016/0263-2373(88)90033-3)
- Vidickiene, D. (2018). Adapting to the needs of new farmers' generation: Theoretical foundations for rural policy. *Public Policy and Administration*, 17(1), 54-67. doi:10.5755/j01.ppaa.17.1.20607

Zoledowska, E. (2016). INNOVATION IN
CONTEMPORARY ECONOMIES.
Oeconomia Copernicana, 7, 451.
doi:10.12775/OeC.2016.026