

The move to *service*: Value Co-creation and delivering on outcomes

Professor Irene Ng

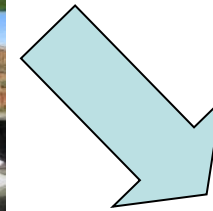
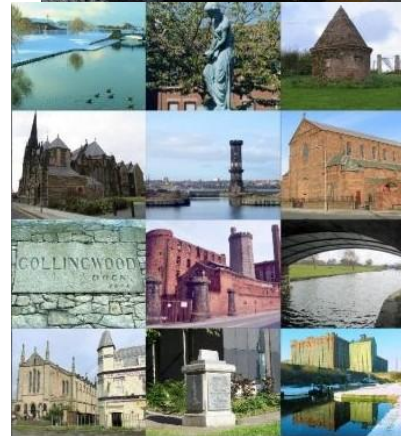
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Value Co-Creation

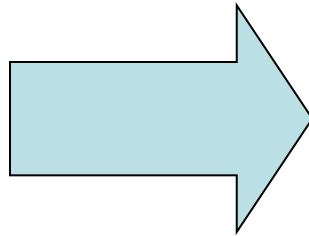
The traditional approach – but for what purpose?

Services



**Value =
Benefits**

So let's look at this logically



We buy products to obtain benefits

What are the benefits

How do we get the benefits?

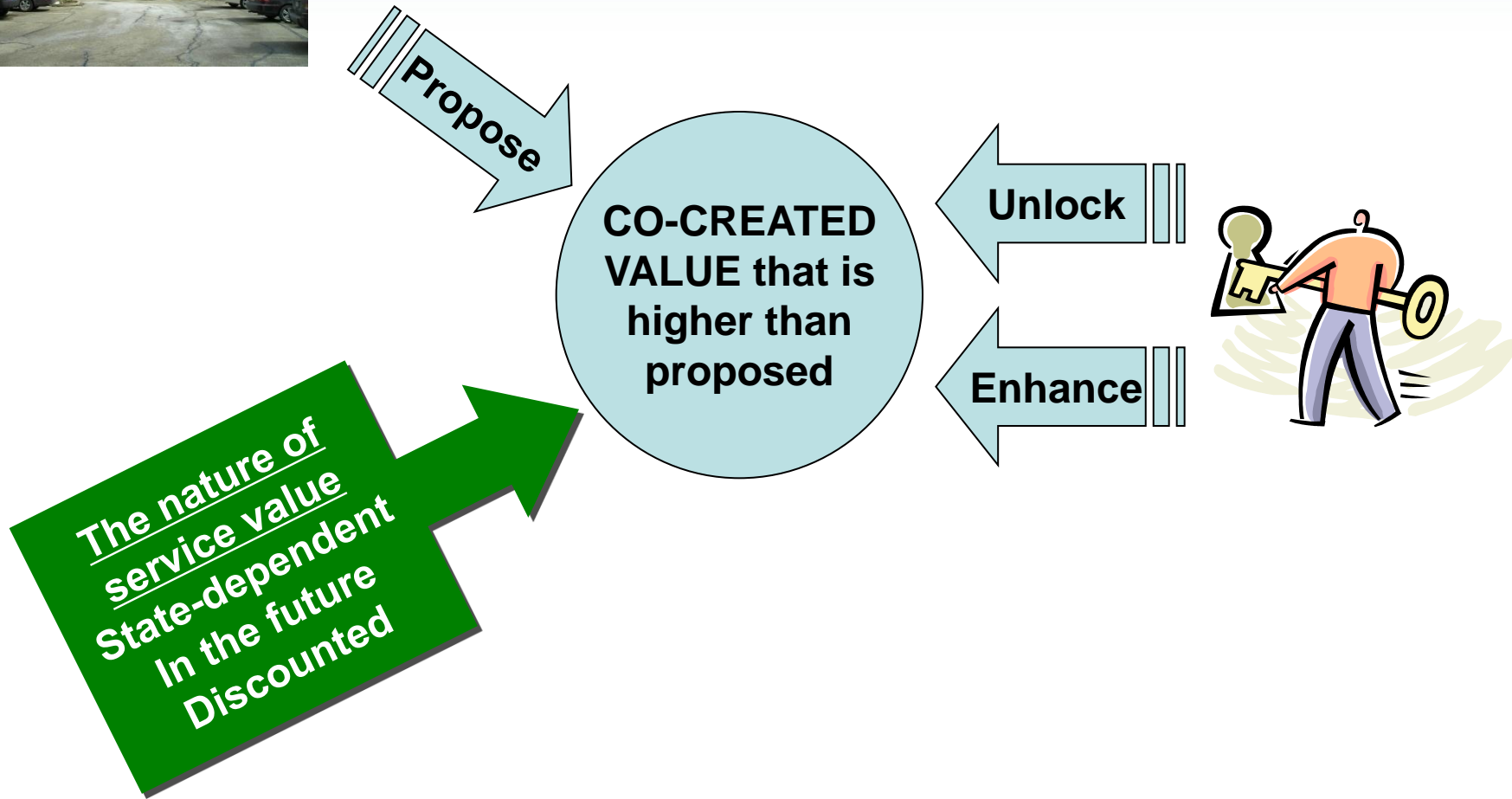
What is the role of the firm? The customer?

The 'product' mentality of organizations





The co-creation of value



A golf analogy



Building the value proposition is learning to drive 250m in golf

Not understanding *service* is when you did not practice your putts



So what is service then?

It's making sure your customer co-creates the fullest benefits you intended to provide with your value proposition, and often even higher value than that proposed

Competition & Innovation occurs on 2 fronts:

- Providing a higher value proposition
- Co-creating the highest value with the customer

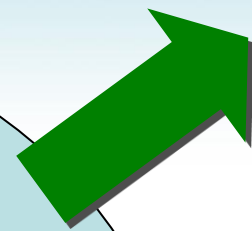


The brave new world of capability – VALUE

Benefits

**Application of specialized
competences through
deeds, processes, and
performances to benefit
another, whether directly,
or through a tangible
good**
**Vargo & Lusch (2004,
2008)**

SERVICE



Outcome-based Contracts

Outcome-based Contracts

Some simple analogies

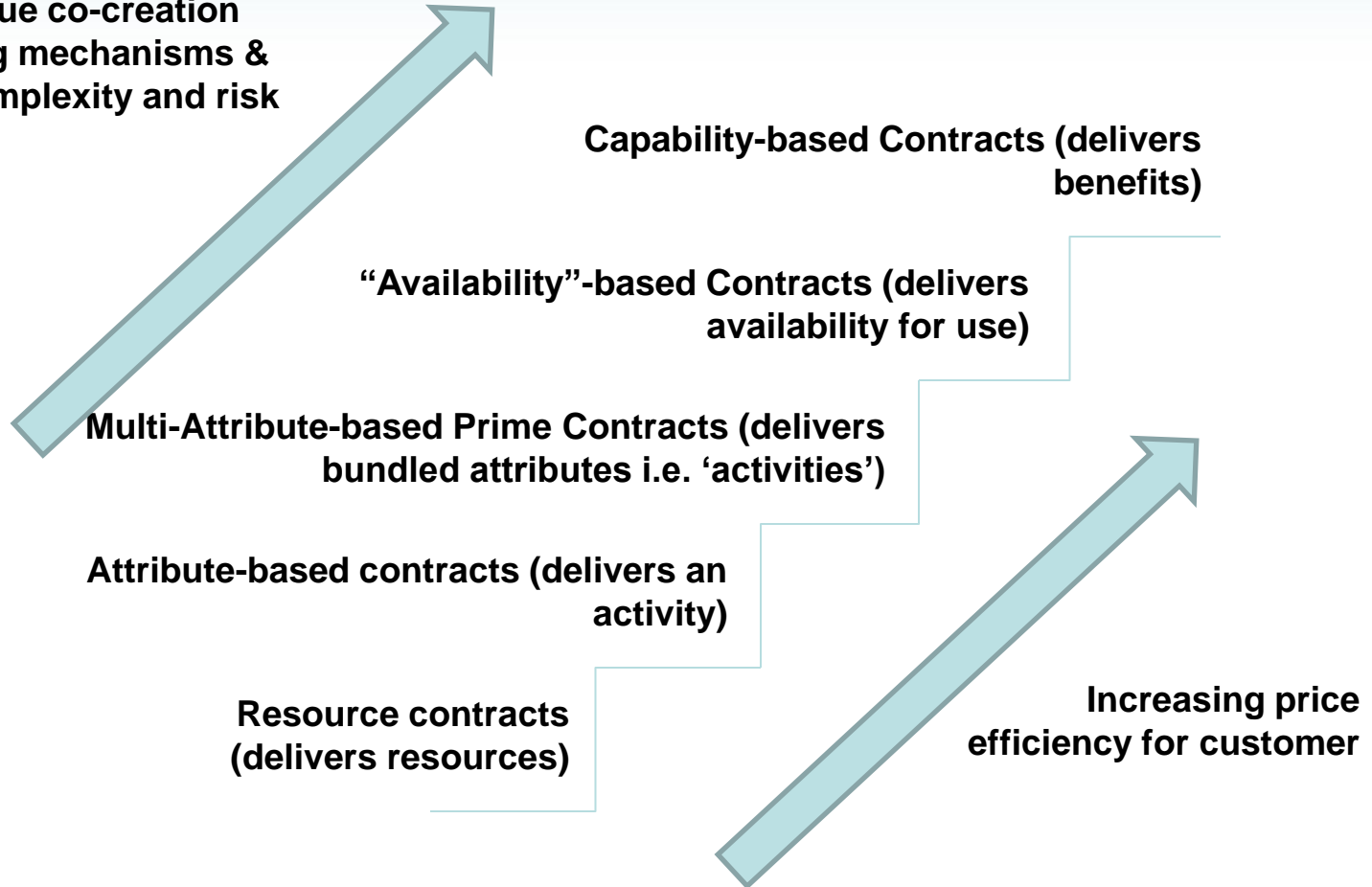
- English lessons, holes in the wall

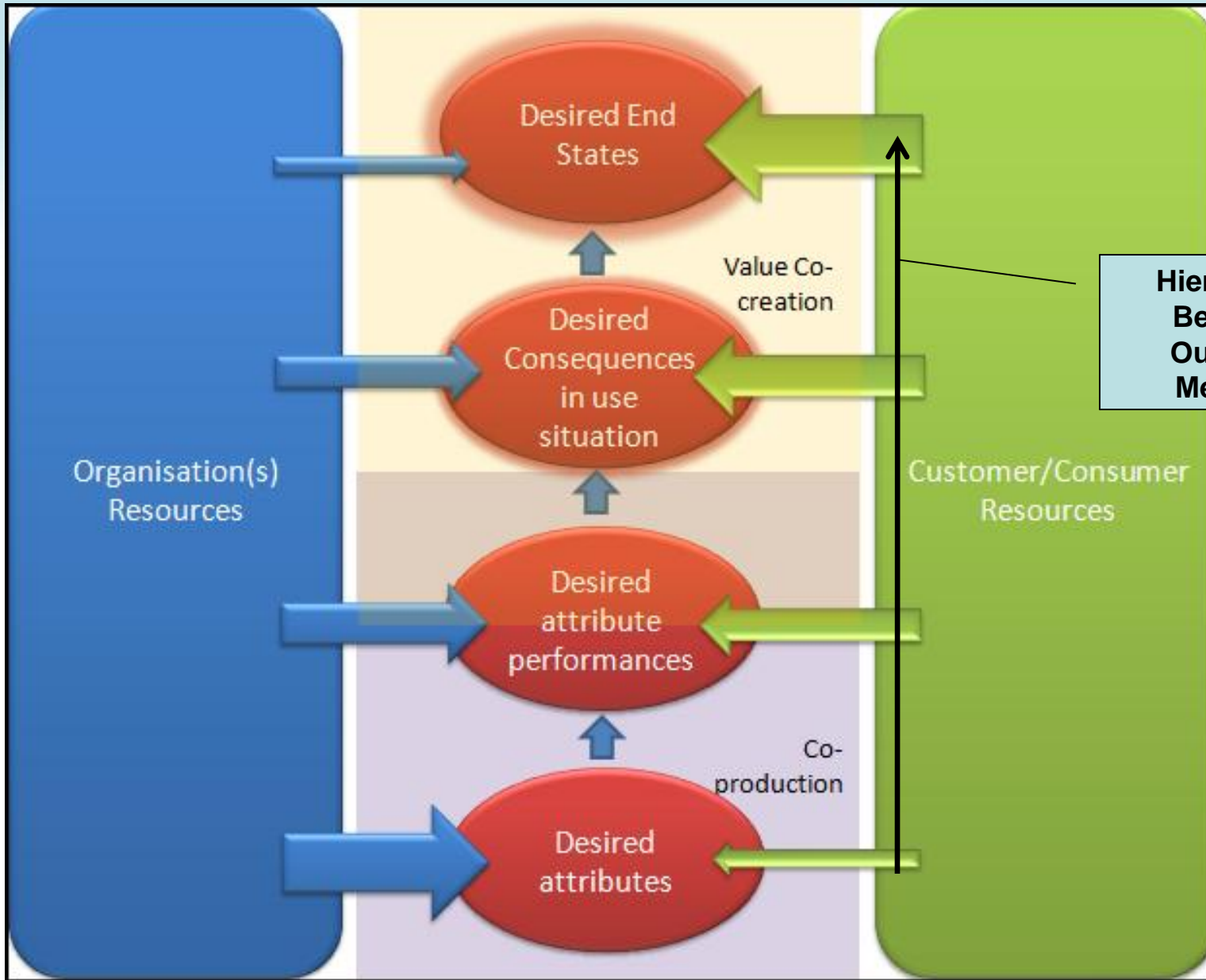
More complex OBC

- Rolls Royce Power by the hour ©, Availability of equipment, Popularity of a fiction collection in a library,

Sophistication of contracts & service capability (for MRO context)

Increasing value co-creation
and partnering mechanisms &
increasing complexity and risk





**Hierarchy of
Beneficial
Outcomes
Method ©**

S4T: Support Service Solutions: Strategy & Transition



**37 researchers, 10
universities (£2m)**

Outcome-based contracts

Has a huge impact on sustainability (engines fly longer, washing machine last longer)

Shifts the focus from manufacturing/production to complex service systems – human, processes, assets – to achieve to outcomes

Important focus for the economy (UK) that has lost a lot of jobs to manufacturing

Shifts the boundaries of *service*

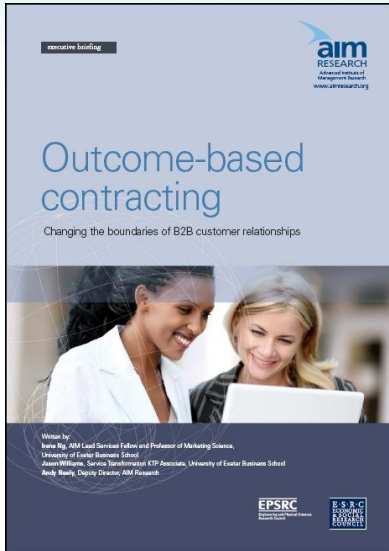
Shifts the skills sets and capability of the firm – risks

Joint system capability of customer and firm – rather than drawing a boundary and sub-optimizing

Better re-configuration of resources and substitutability of resources

Major impact on human skills of the future: systems thinking, what we try to achieve

Publications



- Ng, Irene C.L., R.S. Maull and Laura Smith (2010) Embedding the New Discipline of Service Science" in The Science of Service Systems. Demirkan, Spohrer, and Krishna (Eds.) Service Science: Research and Innovations (SSRI) in the Service Economy. Springer
- Irene C.L., Jason Williams and Andy Neely (2009) Outcome-based Contracting: Changing the boundaries of B2B customer relationships, AIM Executive Briefing Series
- Ng, Irene C.L., Sai Nudurupati and Paul Tasker, "Value co-creation in the Delivery of Outcome-based Contracts for Business-to-Business Service," under review at the *Journal of Academy of Marketing Science*
- Ng, Irene C.L. and Sai Nudurupati, "Mitigating the Challenges of Outcome-based Contracts in B2B Service Delivery - A Case Study in Defence Industry," under review at *Journal of Service Management*
- Ng, Irene C.L. and X. Ding, "Outcome-based Contract Performance and Value Co-production in B2B Maintenance and Repair Service," under review at *Management Science*
- Ng, Irene C.L., Glenn Parry, Peter Wild, Duncan Macfarlane and Paul Tasker, (2010), *Complex Engineering Service Systems: Concepts & Research*, forthcoming in Jun 2010, Springer

Grand Challenge in Service

Background

Events

- Doctoral Symposium on Service
- Exploring the service transformation journey workshop
- Grand Challenge Summit Meeting
- Roundtable and Town Hall meeting on Service research
- The forum on markets and marketing (FMM 2010)
- Research poster display

Which should I attend?
Location & accommodation
Booking
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Organisers
Sponsorship opportunities
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21 - 26 September 2010

A week of events bringing together leading academics, industrialists, policy makers to address the evolving challenges facing service education, research, practice and policy.

The service sector now accounts for 75 percent of the labour force in the US and the UK and more than 50 percent in Brazil, Russia, Japan and Germany. The dramatic growth of the service sector is changing the nature of organisations. However, it is becoming apparent that there is a lack of research and knowledge in the area of service to help address the challenges these changes are bringing about.

The Grand Challenge Week will explore issues underpinning knowledge production and transfer in service, evolving the conversations that started with the joint IBM/IfM [white paper outlining the future of service science in 2007](#). The week of events will offer a unique opportunity for practitioners and researchers to explore the latest thinking in service.

Aspects covered will include service-dominant logic, value co-creation, value-in-use, complex engineering service systems, service design and service systems. The programme will draw on current research conducted at the Advanced Institute of Management Research (AIM).

Diary of the week 21-26 September 2010

Day	Event
Tuesday 21 September	Doctoral Symposium on Service
Wednesday 22 September	Exploring the service transformation journey workshop Grand Challenge Summit Meeting
Thursday 23 September	Roundtable and Town Hall meeting on Service research
Thursday 23 - Sunday 26 September	The forum on markets and marketing (FMM 2010): Extending service-dominant logic
Wednesday & Thursday 22 & 23 September	KT-Box poster session (see Exploring the service transformation journey workshop and Grand challenge summit)
All week	Research poster display

Which should I attend?

Sponsors



Thank you