



SERVICE RESEARCH CENTER
CTF | CENTRUM FÖR TJÄNSTEFORSKNING

**SERVICE
INNOVATION
FOR SUSTAINABLE
BUSINESS**

A LEADER IN SERVICE RESEARCH

CTF, Service Research Center at Karlstad University, Sweden, is one of the world's leading research centers on service management and value creation through service.

Established in 1986, CTF currently has 60 researchers and doctoral students, who are variously involved in business administration, economics, working life science, sociology, psychology and sociology of religion.

The research is divided into three multidisciplinary research themes: service organizations and employment relations, service innovation, and customer experiences.

CTF is involved in research, undergraduate and graduate education, and collaboration with companies and other organizations in various areas on managing service.

Please visit ctf.kau.se to learn more.



Lars Witell, Professor at CTF and Director of Service Innovation for Sustainable Business

“We will co-create knowledge on service innovation with our partners and test our ideas in practice. The interactive mode of research will enhance our understanding of service innovation.”

LARS WITELL
Professor CTF

IT IS TIME FOR SERVICE INNOVATION

Innovation is an engine for renewal in society. Innovations are often assessed based on the newness of the technology and improvements of product performance. In contrast, service innovations can be built on lower product performance and use old technology and instead change the role of the customer or the way in which value is created.

The service sector is an important part of the economy, and since service is increasing its share in the manufacturing sector, there is a greater need to understand what service innovation is.

– At CTF, we believe that service innovation is a key for understanding what happens in different sectors of the economy. CTF is in a unique position to work with service innovation, and has internationally taken a position as the leading research center for new service development. Our research profile Service Innovation for Sustainable Business gives us a platform for developing knowledge of

service innovation, and together with our partners we will work to better understand what service innovation is and how it influences different sectors, companies, employees and customers, says Lars Witell, Professor at CTF and Director of Service Innovation for Sustainable Business

The research profile Service Innovation for Sustainable Business extends from 2011 to 2019, and is financed by The Knowledge Foundation, Karlstad University and a number of Swedish companies: Ericsson, ICA, Ikea, Löfbergs Lila, Stamford, Tetra Pak and Volvo.

– Our vision is that in 2019, CTF will be viewed as the world leader in service research and a hub for developing knowledge on service innovation, both in academia and industry. Together with Karlstad Business School at Karlstad University, we will be able to offer the best courses and master programs on service innovation and new service development, says Patrik Larsson, Professor and Director of CTF.

“CTF has become a major contributor to understanding the role of service in economic activity, the process and the power of value co-creation.”

STEPHEN L. VARGO
Professor, University of Hawaii at Manoa, USA

DNA OF SERVICE INNOVATION

The overall purpose of the research profile is to describe and understand the DNA of service innovation. We will use the metaphor of DNA to unfold the generic resource constellations and value co-creation mechanisms that constitute successful service innovations. Based on the DNA of service innovation, we will develop theory, models and methods which we will use to analyze to analyze, organize and manage the development of service innovations. Our theoretical platform is service research and the service-dominant logic. The main emphasis of the research is:

- To identify the driving forces and resource prerequisites for stimulating and realizing service innovation.
- To understand the different roles of customer and employee integration in service innovation.
- To develop different ways of capturing value, including new business models, service level agreements and outcome-based contracting.

The research focuses on three research themes – stimulation, realization and value capture – which will be studied in two empirical contexts: retail and manufacturing. The research themes will help us advance the understanding of service innovation in theory and practice.

STIMULATION

The research theme concerns issues related to structure, culture and processes in order to stimulate innovations, including idea generation, that occur in a specific customer relationship. We aim to contribute with knowledge on the early phases of service innovation, the role of customers, employees, other actors and their interactions and contributions in service innovation.

REALIZATION

This theme concerns the innovation content; that is, the activities and processes needed to realize the new resource configuration. We will focus on a better understanding of the specific challenges with New Service Development and the service system changes needed to realize service innovations in which products, services, technology and other resources are embedded.

VALUE CAPTURE

The third theme concerns how to capture value throughout the service innovation process, where value capture refers to how customers view a company's value proposition and how to create a revenue stream to the service provider. The process of capturing value is multi-faceted and studied at the strategic, tactical and operational level.





“Close collaboration with CTF is perfect if you, like me, are driven by the ambition to learn more about, and love your customers.”

CHRISTER JOHANSSON
Merchant, Maxi ICA Stormarknad Karlstad

SERVICE INNOVATION IN RETAIL



The retail industry represents approximately 10 percent of Sweden's GDP and it is an empirical context in which Swedish companies have been very successful. Companies such as H&M and Ikea have successfully managed to develop and incorporate service innovation in their businesses.

Several service innovations have been introduced recently in retail, such as new business models, experience rooms and self-checkout. These service innovations have changed value co-creation in a comprehensive and exciting way. The usefulness of these services can only be determined by customers 'in use' and it can be difficult to predict the services' experiential aspects. Consequently, retail is an industry in which it is possible and beneficial to develop service innovations and use experiments to implement and test the changes directly in the store. This is also the aim of this research profile. One of our challenges is to develop ways in which to perform academically sound field research.

– Our greatest asset is the closeness and co-operation with the companies in the profile – they give us the opportunity to study the impact different changes have on their customers. We are able to truly fulfill the vision of reality as a lab, says Anders Gustafsson, Professor at CTF.

RESEARCH TOPICS

There are abundant potential research topics in this context. Many of them touch on sensory marketing, which is marketing that is influencing human senses. How are customers influenced by being able to touch different objects or hear different types of music? Another research stream of interest is what happens at the point of purchase. How does the placement of a product impact choices or how do our heuristics influence search patterns? Finally, customers are constantly being exposed to different marketing campaigns from numerous actors, all of which are competing for a share of their wallet, and companies are struggling to determine what really works in different situations. All of these different facets of service innovation are interesting for this research profile.

“Service and aftermarket growth is the key growth opportunity for Volvo Group in mature markets. Research on service innovation is critical in order to ensure that we have the tools and the skill we need to enhance our existing solutions and introduce new ones.”

DANIEL ZACKRISSON
Technology Area Director Soft Products, Volvo Technology

SERVICE INNOVATION IN MANUFACTURING

Service is becoming increasingly important in many manufacturing firms. They either add services to goods or co-create solutions consisting of goods and service components with customers. In addition, manufacturing firms provide a range of offers in which the same product can be sold as pure goods, together with a maintenance contract, or sold as a guarantee of production capacity. The main reason for a focus on service is differentiation; a strategy for meeting the tough competition from countries with low production costs.

Service innovation in manufacturing firms is dependent on finding new ways to co-create solutions to customer problems, where the product becomes a platform for service. Such a change of perspective opens up new challenges of service development, idea management, business models, competence and what an innovation really is. Practices that have proven successful for the development of goods might not succeed in developing new service. When implementing a business model that is built on up-time or power by the hour, the logic switches from making

money on spare parts and repairs to making money by preventing products from breaking down and running the customer operation.

RESEARCH TOPICS

Several research issues on service innovation require further exploration. A particularly fruitful research area is a basic understanding of the DNA of service innovation in this context. It is important to understand the role of New Service Development and the processes and methods needed. In addition, the relation between the development of goods and services provides challenges in need of exploration. One research topic deals with how to evaluate and promote ideas on new service in manufacturing firms and how to better use ideas that appear in a specific business relationship. In addition, the role of service business models is a research stream that requires further research; particularly, how a company should handle a range of business models and introduce new business models without destroying the present revenue streams.



“Services is an emerging area of research, so it is vital to identify the right partnerships. We are confident that our collaboration with CTF will yield valuable results for both our organizations.”

JAN FÄRJH
Head of Ericsson Research

CO-PRODUCTION

CTF has a long tradition of collaborating, co-operating and co-producing with companies and organizations. In order to be able to co-produce, academia and industry must work together towards common and different goals. CTF's ambition is to initiate, finance, organize and mediate research by developing different forms of co-production.

– Companies that participate in our research profile will through joint projects have access to academic resources and help to study and evaluate problems in a unique way. This will add new dimensions to traditional product and service development, which in turn will lead to concrete suggestions for change, improvements and new services, says Lars Witell, Professor at CTF and Director of Service Innovation for Sustainable Business.

Within this process, CTF can help companies to make better use of their ideas for service innovations and to better cope with obstacles when managing service innovation projects.

CTF and the Karlstad region can be seen as a huge laboratory for co-production between research, education and industry. The type of service innovations that CTF work with are distinguished by the fact that they occur in a concrete context.

– The research profile Service Innovation for Sustainable Business is in line with Karlstad University's strategy of being the leading university in Sweden when it comes to co-operation with external partners. As Assistant Vice-Chancellor at Karlstad University, I am very proud of this important research profile, says Bo Edvardsson, Professor and Director of CTF.



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