




SERVICE RESEARCH CENTER
CTF | CENTRUM FÖR TJÄNSTEFORSKNING

TWO YEARS WITH
SERVICE INNOVATION
FOR SUSTAINABLE
BUSINESS

A portrait of Professor Lars Witell, a man with short brown hair and a light beard, smiling. He is wearing a dark suit jacket over a light-colored button-down shirt. The background is a blurred outdoor setting with a building and trees.

" Two years and still hungry - it is time to take a huge step towards an understanding of the DNA of service innovation. Our aim is to be the preferred partner for research, teaching, and co-operation in service innovation."

Lars Witell

Professor Lars Witell,
Research Director of SISB



SEARCHING FOR THE DNA OF SERVICE INNOVATION

In September 2011, we initiated the research profile SISB, Service Innovation for Sustainable Business. After two years of ramp up, we have built a platform for research and co-production with our partner companies, with the aim to understand the DNA of service innovation.

During the first two years the research profile has grown, new researchers have entered and new research projects have been initiated. To manage the research profile we have added Associate Professor Martin Löfgren as one of the research directors. In addition to a deep knowledge on service innovation, he has a unique competence in creating a team out of individual researchers.

At the present we have six ongoing research projects with our partner companies, which will help us advance our knowledge on service innovation, and at the same time help improve the business of our partner companies.

To understand the DNA of service innovation we work with issues related to business models, the customer journey, the role of employees, the role of ideas, how to test services innovations, and the lifecycle of services.

Examples of our research studies are presented in this folder. Descriptions of all our ongoing research projects can be found at our website ctf.kau.se/sisb.

Internationally, the research profile has got a lot of attention through the strong co-operation with our partners. In September 2013, we arranged the 1st Workshop on Service Innovation Research together with the University Magna Græcia of Catanzaro in Italy. We have visiting professors and scholars from Arizona State University, Northeastern University, University of Wisconsin-Madison and Central Michigan University working together with our partners on specific research questions and co-producing knowledge.

During the upcoming six years, we will continue to build a world class research environment on service innovation.

You are welcome to join us!
Lars Witell & Martin Löfgren

SISB is one of the largest research profiles at CTF, Service Research Center at Karlstad University, and extends over 2011-2019. It is financed by The Knowledge Foundation, Karlstad University and a number of Swedish partner companies: Ikea, Eicsson, Volvo, Löfbergs, Ica, Tetra Pak and Stamford.

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BUSINESS MODEL INNOVATION

Companies have revolutionized entire industries through innovative business models. Service infusion calls for new business models, suggesting that a change from service for free to service for fee is much needed. Our research covers different aspects of business model innovation together with our partners Volvo, Ericsson and Löfbergs.

Many manufacturing firms infuse services in the value proposition to create a competitive advantage. This process is often referred to as service infusion, suggesting that services are becoming a greater part of offerings and influence the organization of manufacturing firms. For manufacturing firms adding services to the value proposition, a key question is if a product-based business model is consistent with the competitive advantage of the firm.

In the last financial crisis, beginning in 2008, we could see that manufacturing firms that charged separately for service continued to have revenues from services when the product sales dropped. Meanwhile, firms providing services for free continued to deliver services at no charge when product sales dropped resulting in no revenues, high costs, and as a consequence running the business with a loss.

The lessons learnt is that it is risky business to let products be the only source of revenue independent of the costs they carry. As a consequence, manufacturing firms are aiming to turn services for free to services for fee. But, a fundamental problem with turning services for free into services for fee is that customers are not prepared to pay for something they used to get for free.

– Within SISB we have to date published one study on the topic of business model innovation, “From Service for Free to Service for Fee: Business model innovation in manufacturing firms” (Witell and Löfgren, 2013). The study investigates how business model innovation can be used to make the transition from service for free to service for fee, says Martin Löfgren.

The study focuses on identifying, describing and analyzing alternative transition strategies, degree and type of innovation, and how building blocks in the business model change. The empirical basis for the study is six manufacturing firms and the results provide a range of transition strategies to pursue changes in the business model, incremental business model innovation and radical business model innovation. The transition strategies from free to fee can aid a manufacturing firm to increase the service revenues when infusing services in their business.

– We have conducted several workshops together with Ericsson, Vovo, and Löfbergs focusing on business model innovation. We will continue to work on the free-to-fee track together with Volvo, and will also launch a new Ph D project on business models together with Ericsson, says Martin Löfgren.



Ph D Student Emma Axelsson and Associate Professor Martin Löfgren, Research Director of SISB. Emma will be working with Ericsson in our new Ph D project on business models.



INNOVATION IN THE CUSTOMER JOURNEY

Companies are focusing more on customer journeys, and the customers' full experience with a company in order to better manage customer relationships. Together with Ikea we are studying two important ingredients in the customer journey, and their role in service innovation; the role of the customer and service recovery.



The customer journey describes the entire value co-creation process perceived by the customer before, during and after the interaction with the firm.

– We believe that a holistic perspective of the customer's journey is a prerequisite to infuse service innovations into a service firm, says Bo Edvardsson.

The different roles a customer can adopt throughout the customer journey have been investigated. Based on role theory, the aim is to understand actors' activities and interactions in co-creation of value.

Customers as well as employees are assigned and enact various roles in a value co-creation process. Innovating the customer roles is central for creating and facilitating service innovation, in particular in self-service systems which has the potential to change the whole customer journey. We even claim that the role of customers becomes especially important in self-service systems since they are designed with an assigned customer role in mind.

This assigned role might be far from the customers' enacted role in practice. The aim is to explore the customers' role and the role constellations of value co-creation in the context of self-service.

In another study the researchers have focused on the errors, mistakes, or service failures that the customer might experience throughout the customer's journey. In particular, how service firms work with the customer when something has gone wrong, often referred to as service recovery.

The aim is to get a better understanding of the customer journey and how service failures and subsequent service recovery efforts influence customer's expectations and the overall trust with the service provider. Since customers' evaluation of the service recovery efforts has an impact on quality perceptions, favorable word of mouth and trust, there is a need to investigate how this part of the customer journey can be innovated.



Ph D Maria Åkesson, Professors Bo Edvardsson, and Bård Trovoll are the researchers behind these studies.

REFLECTIONS ON OUR JOINT RESEARCH - A COMPANY VIEW

The collaboration with CTF is mutually beneficial, Ericsson gets direct access to the latest knowledge in the service research field, and actively participates in exploring and developing this knowledge further by executing joint research projects where CTF and Ericsson work closely together.

Within the area of business model innovation, present and future challenges are to understand how Ericsson's networked society vision transforms business and creates new opportunities for value creation. We need to learn about new value propositions and how these value propositions change how our customers create value in use. By understanding how value creation changes we can introduce business models that advance people, business and society.

Ericsson and CTF will together face those challenges by studying the introduction of new service business models, creating insight into enablers and pre-requisites, understanding the business model innovation process and its impact on organizations and value creation.

Manfred Dasselhaar



Manfred Dasselhaar
Service Innovation Researcher
Ericsson

SISB

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