

# Think Services

## ***Supporting manufacturing companies in their move toward services***

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### Objective

This paper discusses the use of Service Design to support manufacturing companies in a shift towards services. A knowledge exchange program developed by Lancaster University for manufacturing SMEs to introduce Service Thinking and Service Design to support 'servitisation' processes, exemplifies how a workshops series and design exercises can provide an initial basis for companies to reframe their understanding of value co-creation.

### Approach

Thirty years ago Richard Chase and David Garvin (1982) were proclaiming: "tomorrow's leading manufacturing companies will be the ones whose managers unleash the service potential of their factories" (p. 68). They explained a 'Service Factory' as a company moving its focus away from how well it builds products, to how well it serves its customers before and after the production of goods.

This process of integrating service offerings was originally defined by Vandermerwe and Rada (1988) as 'servitisation' and described as the increasing offering of "fuller market packages or 'bundles' of customer focused combinations of goods, services, support, self-service and knowledge" (p. 314).

The motivations behind servitisation are generally described in terms of economic, strategic and market opportunities (Mathieu, 2001a). In economic terms, services represent a continuous and more stable stream of revenue with higher profit margins. Services are perceived as a competitive lever, more difficult

to imitate than products or technology. Services are also considered as a significant component influencing purchasing decisions, with the potential to generate more stable and longer relationships with customers (Mattheiu, 2001b).

Servitisation is not an easy process and it can take various degrees and forms. Richard Chase (1981) described it as a continuum, moving from pure products to pure services organisations. When entering a service market, manufacturing companies have to consider additional costs and challenges, in addition to the benefits afforded. For example, companies have to consider the threat of more experienced service providers and distributors and they may also face internal conflicts. Depending on the service strategy, managers may need to change and adapt several factors in the organisation, not least its culture. The authors describe 'service thinking' as the potential driver for this transformation and 'service design' as a methodology that can support and guide companies through this process.

The consequences of a 'Service Thinking' approach for traditional manufacturing companies can be described as the need to:

- look for value creation in different contexts and forms outside the companies' boundaries and adopt the customer's perspective;
- reframe value propositions around the processes and interactions that generate benefit for the customer's own activities (value in use);
- develop the ability and willingness to look at the value networks (value in context) and customers' overall practices in a proactive way in order to identify new opportunities for innovation.

## Method

Lancaster University organised and delivered a workshop series for manufacturing SMEs located in the North West of England aiming to make Service Design more visible and understandable. This workshop series was articulated in three half days events that were aiming to provide SMEs with the knowledge and some practical tools to integrate service thinking and service design into their businesses. Of the 14 companies who participated in the programme, nine represented traditional manufacturing SMEs, while five represented knowledge based professional services.

Each workshop roughly comprised a brief lecture, a presentation from a designer in workshops 1 and 2 and a series of practical exercises.

### **Workshop 01: The Role of Service Thinking in Product Orientated SMEs**

This workshop aimed to help companies to understand how Service Thinking could increase competitiveness and improve customer relationships. Three exercises looked at the elaboration of value propositions based on a new understanding of value for example. For example::

- *Tool 01: From Function to Benefits*: aimed to translate a list of functions into a list of benefits for customers. Companies were asked to look at and think about their own offering from the customer perspective.

- *Tool 02: Experience Blueprint*: companies were asked to map a well-known process, and then to visualise the related customer activities, both visible and invisible. By understanding the customer journey and context of use companies could unveil opportunities to better support clients' work (value in use).

### **Workshop 02: Customer Centred Innovation**

This workshop aimed to introduce companies to Service Design methods for identifying and defining new or improved service offerings. Three exercises looked at elaborating customers' profiles and journeys to re-think the companies' offerings in relation to client's needs and experiences, for example

- *Tool 05 - Persona*: companies were asked to articulate one of their customer types into a persona, which is a fictitious character created to represent different types of users. This exercise illustrated how a well-developed persona could be used to focus conversation on the needs, goals and behaviours of real user.

-*Tool 06: Customer Journey Mapping*: companies were asked to develop a Customer Journey Map based on the developed persona. Once the journey was mapped the companies were asked to track the positive or less positive encounters and to develop ideas on how to improve negative ones.

### **Workshop 03: Service Development and Action Planning**

This last workshop aimed to develop emerged opportunities into refined concepts and generate plans for implementation. Three main activities aimed to illustrate how to quickly develop and evaluate emerged ideas into more refined service

concepts. An action plan on how to implement ideas and tools in their company was then developed and presented by each participant

## Results

Through feedback it was established that the key concepts that companies wanted to implement were:

- a more customer focused approach to their businesses, moving from a passive to a more proactive way investigate their customers' context of use;
- a more effective way to recognise and communicate the value they currently create for their clients looking at their offering from the customers' perspective;
- segment their customers using the persona tool to better develop their offering, balancing resources with benefits, and specify their service packages;
- a systematic approach to service innovation, as they were mostly familiar with product design and didn't know that 'such a thing as Service Design did exist'.

## Implications/Further Research

Workshops appeared to have been effective in introducing a new way of thinking and a more systematic and customers centred approach to service innovation. However, the research team was not able to follow companies in their implementation and document how the new knowledge and tools were actually applied. Also the authors realised how this exchange program could have been further developed with interdisciplinary contributions on issues such as pricing strategies, business model development and organisational change.

## References

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