

# TU-E2013

## Service Operations Management

Creating value by service

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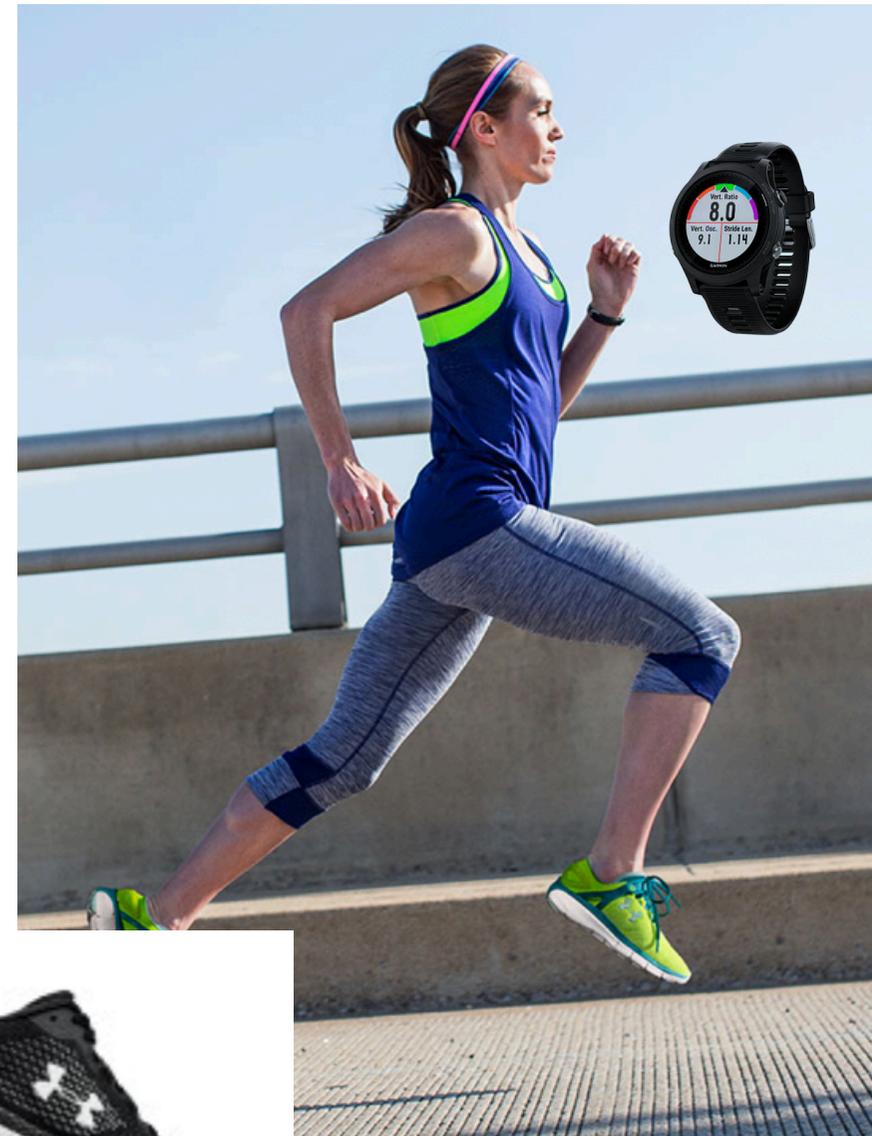
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# SERVICE TRANSFORMATION

CASE Under  
Armour

## FROM PRODUCTS TO SERVICES

- Sensors integrated into sports equipments provide run-time and real-time information on performance
- This information can be used for performance-enhancing services
- The combination of product & services is more valuable for the end user than the product only





CASE  
SKF

## FROM PRODUCTS TO SERVICES

SKF, a bearing manufacturer, has integrated value-added services like condition-based maintenance effectively into its wind solution, thus transitioning from a traditional bearing manufacturer to also monitoring windmills as a service with the data gathered on the bearings, helping its customers boost turbine performance and profitability.

- RE-ALLOCATION OF ACTIVITIES BETWEEN SUPPLIER AND CUSTOMER
- SHARED GOALS

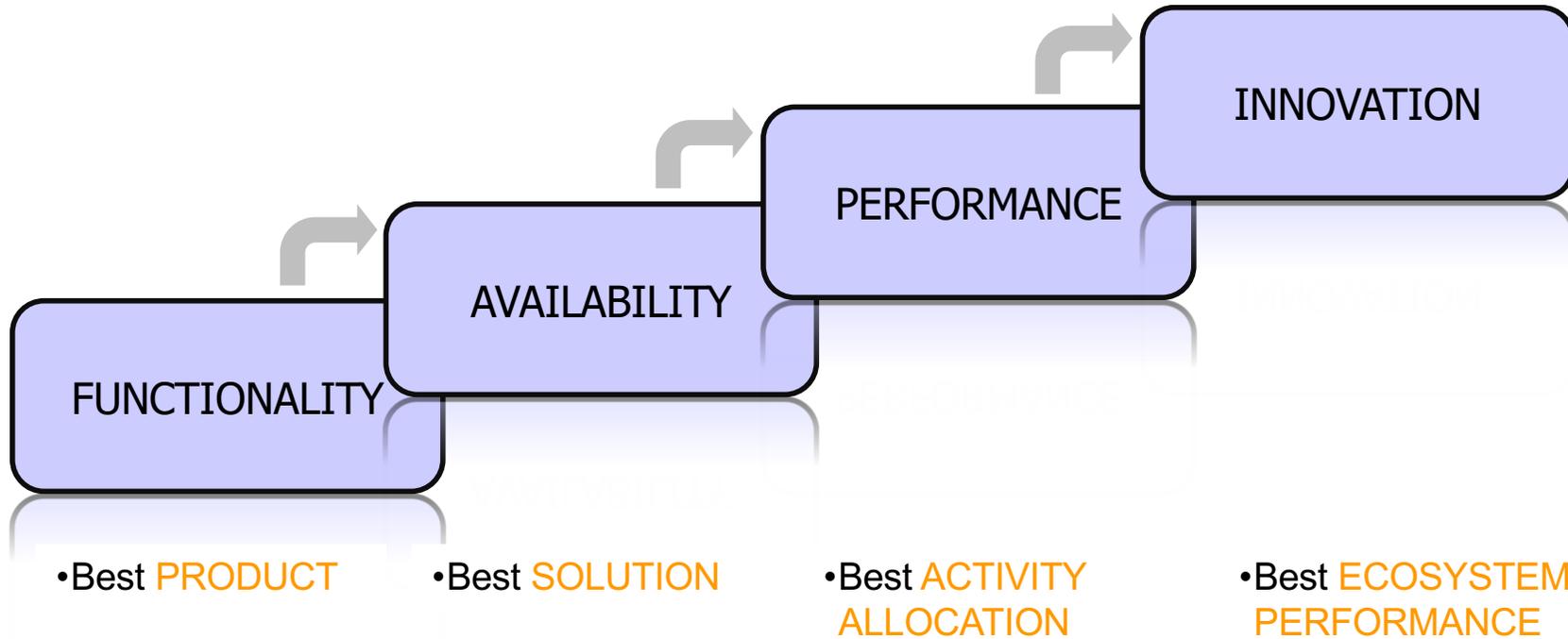
# CHAT DISCUSSION

Think about these examples, where suppliers are “breaking-out” from their traditional roles into providing services.

- *Why are the suppliers expanding their business into services?*

Please prepare to share your findings with the rest of the group by using the Zoom CHAT.

# SERVICE TRANSFORMATION



- On-site storage
- Process monitoring
- Proactive maintenance
- "e-healthcare"

- Process optimization
- Consulting & education
- Outsourcing
- "e-coaching"

- Joint innovation

# GROUP DISCUSSION

Discuss your thoughts about the **service transformation** in your group.

- *What new skills and knowledge do the suppliers need?*

Please be prepared to share your findings with the rest of the group.

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# INFLUENCING BY VALUE

CASE KONE  
CTU SOLUTIONS

# INNOVATE BY CUSTOMER INSIGHT

“Getting workers and goods safely to the right place at the right time”

## LESS WAITING

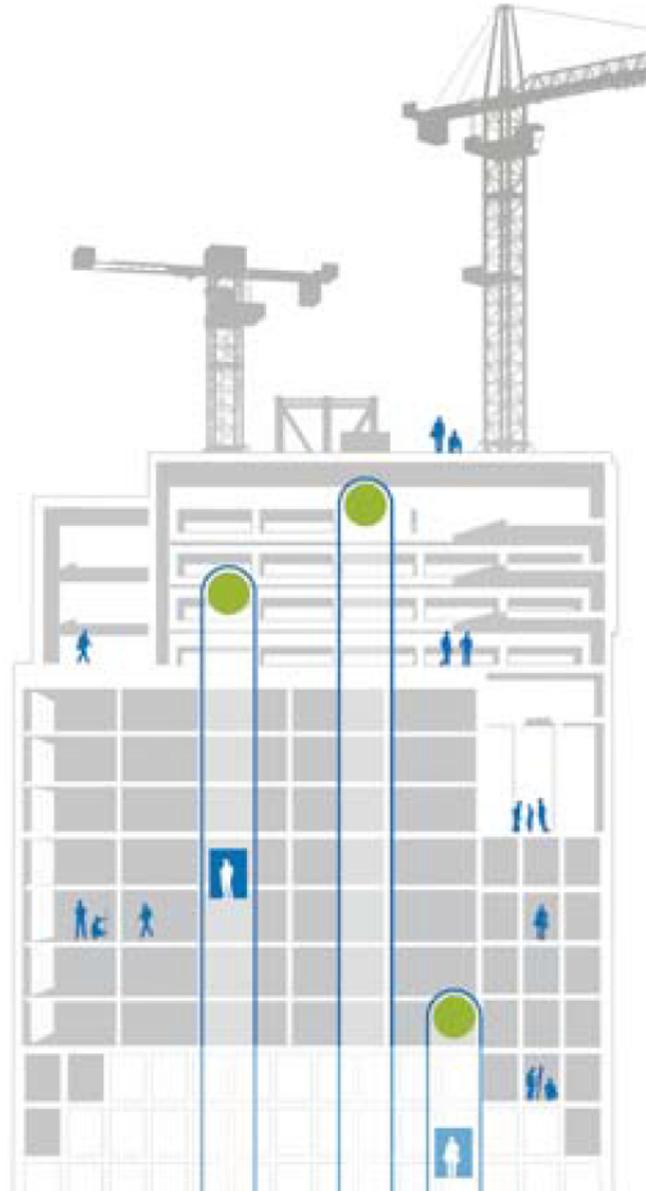
Faster transportation than with exterior hoists

## CUT ENERGY COSTS

Better energy efficiency than with exterior hoists

## REDUCE DOWNTIME

Maximise availability



## LESS CONSTRAINTS

Façade of the building can be closed sooner for weather protection and concurrent construction work

## RESULT:

SHORTER CONSTRUCTION TIME

# CHAT DISCUSSION

The KONE CTU example and the others we have seen, are examples of how suppliers communicate **use value** as benefits for their customers

- *Why are suppliers communicating use value for their customers? Why now?*

Please prepare to share your findings with the rest of the group by using the Zoom CHAT.

## VALUE-BASED EXCHANGE

“Value is what I **get** for what I **give**”

BENEFITS (= USE VALUE)  
received

SACRIFICES (= EXCHANGE VALUE)  
made

# EXCHANGE

3. "Any voluntary decision to transact requires that both parties perceive value =  $benefits - sacrifices > 0$ "

Create value with/for the customer



SUPPLIER

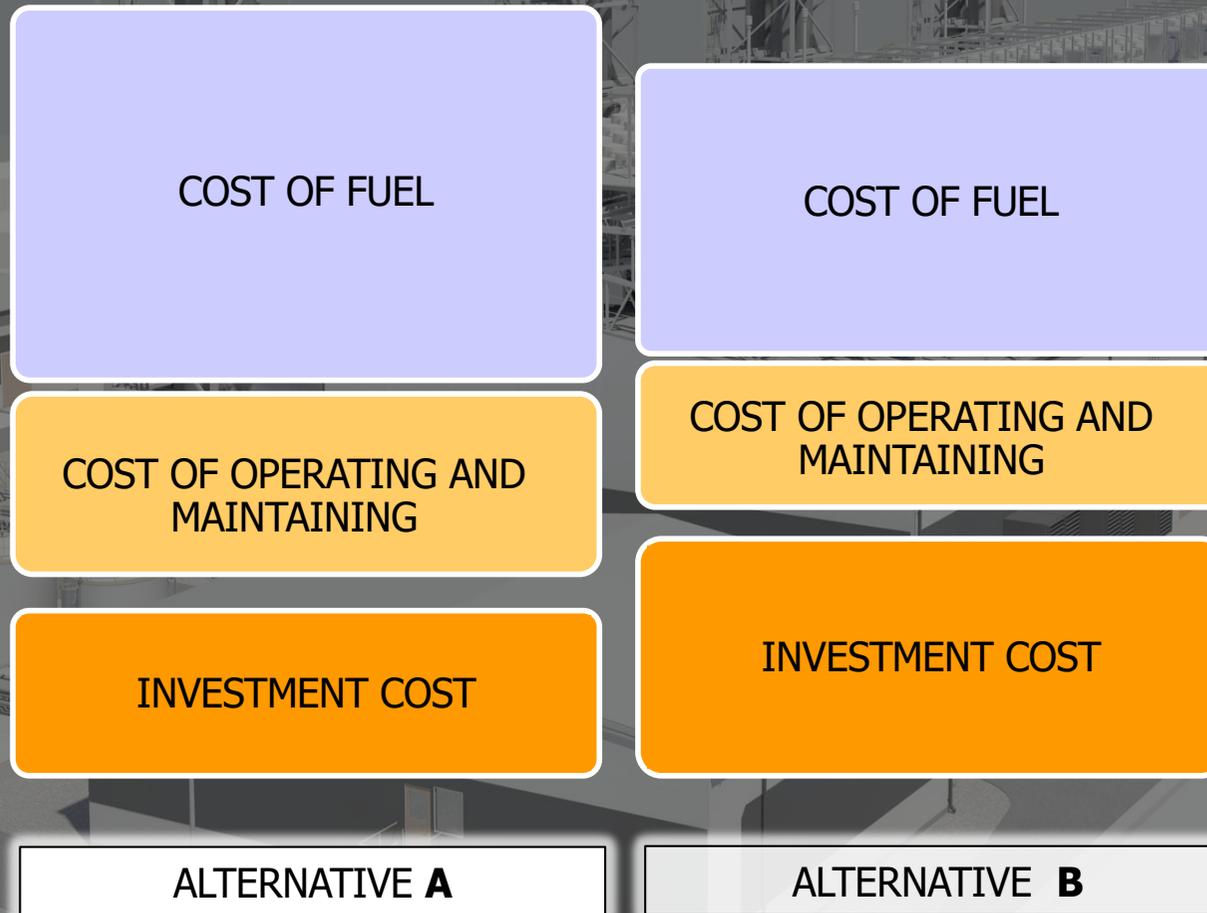
CUSTOMER



Receive a fair share of the value created

4. By expanding to services the suppliers are expecting to create AND receive more value

# FROM EXCHANGE VALUE TO USE VALUE



The cost of producing electricity over the lifecycle of a power plant

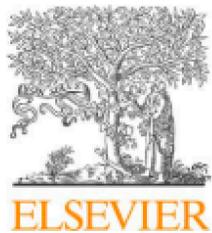
The cost of building the power plant

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# VALUE PROPOSITION

# PREREADING & ARTICLE REVIEW

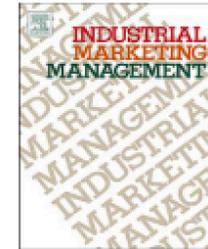
Value proposition is a tool to communicate value



Contents lists available at [ScienceDirect](#)

## Industrial Marketing Management

journal homepage: [www.elsevier.com/locate/indmarman](http://www.elsevier.com/locate/indmarman)



Conceptualizing and communicating value in business markets: From value in exchange to value in use

Andreas Eggert<sup>a,\*</sup>, Wolfgang Ulaga<sup>b</sup>, Pennie Frow<sup>c</sup>, Adrian Payne<sup>d</sup>



# CHAT DISCUSSION

The value communication examples we have seen are examples of value propositions to their customers, and represent supplier's best understanding of how they could help creating value for/with their customers.

- *All of the value propositions you have seen include the same "building blocks". What are those building blocks?*

Please prepare to share your findings with the rest of the group by using the Zoom CHAT.

# VALUE PROPOSITION TEMPLATE

This template gives a handy tool for describing a value proposition.

The building blocks of a value proposition are:

1. Who is the recipient of the message?
2. What is the recipients goal?
3. How can we help?
4. What changes (as a result of our help)?

EXERCISE

## Value proposition *template*

This tool summarizes elements of value communication: What goal do we believe the key person is striving for, what is our solution, and what benefits does the solution deliver?

\_\_\_\_\_, who wants

Key stakeholder

\_\_\_\_\_  
Stakeholder goal

\_\_\_\_\_  
Our solution

helps

\_\_\_\_\_  
Benefit 1

\_\_\_\_\_  
Benefit 2

\_\_\_\_\_  
Benefit 3

4

# WHY VALUE PROPOSITION?

# GOAL HIERARCHY

IMPROVE  
RUNNING  
RESULTS

IMPROVE  
PHYSICAL  
CONDITION

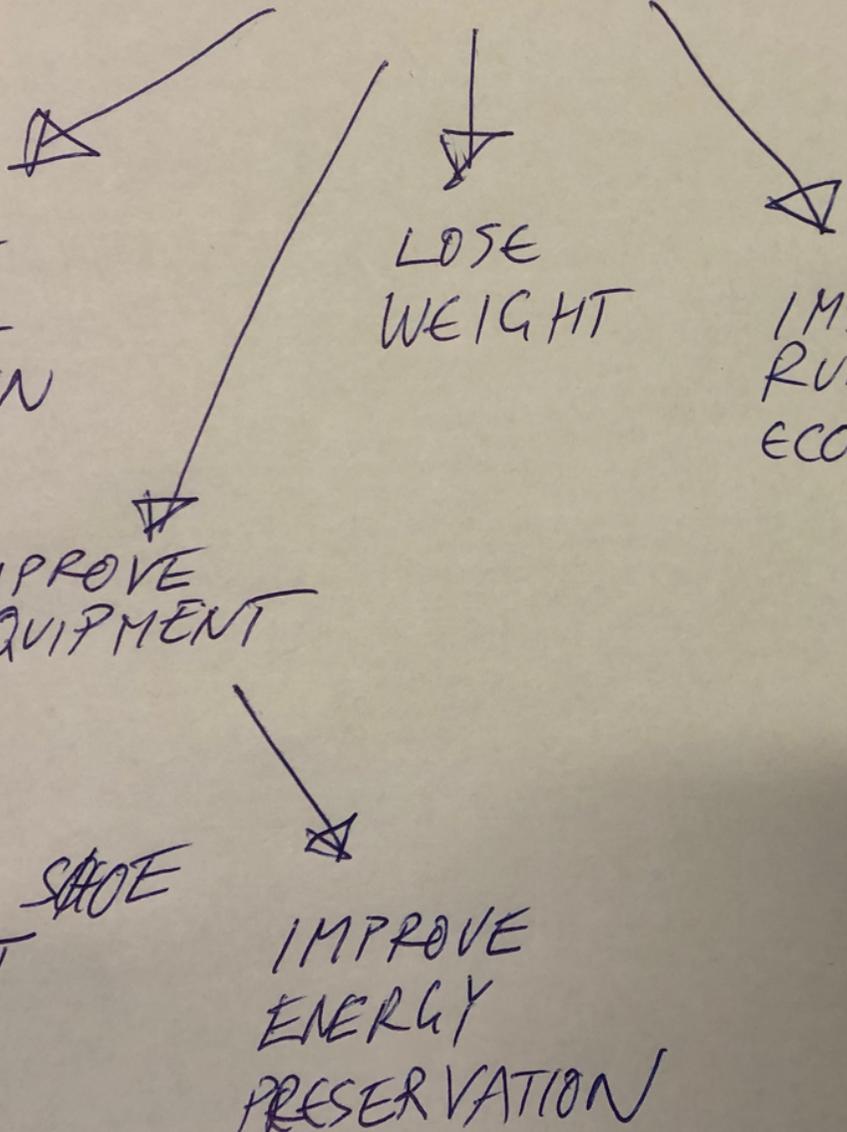
LOSE  
WEIGHT

IMPROVE  
RUNNING  
ECONOMY

IMPROVE  
EQUIPMENT

REDUCE ~~SHOE~~  
WEIGHT

IMPROVE  
ENERGY  
PRESERVATION



All human activity is driven by *GOALS*

E.g. "I want to improve my running results"

Goals lead to *NEEDS*

E.g. "To reach my goal I need to improve my physical condition"

Needs are fulfilled by a *SOLUTION*

E.g. "To improve my physical condition I need a training program"

GOALS

"IMPROVE RUNNING RESULTS"



NEEDS

OPPORTUNITIES

CHALLENGES

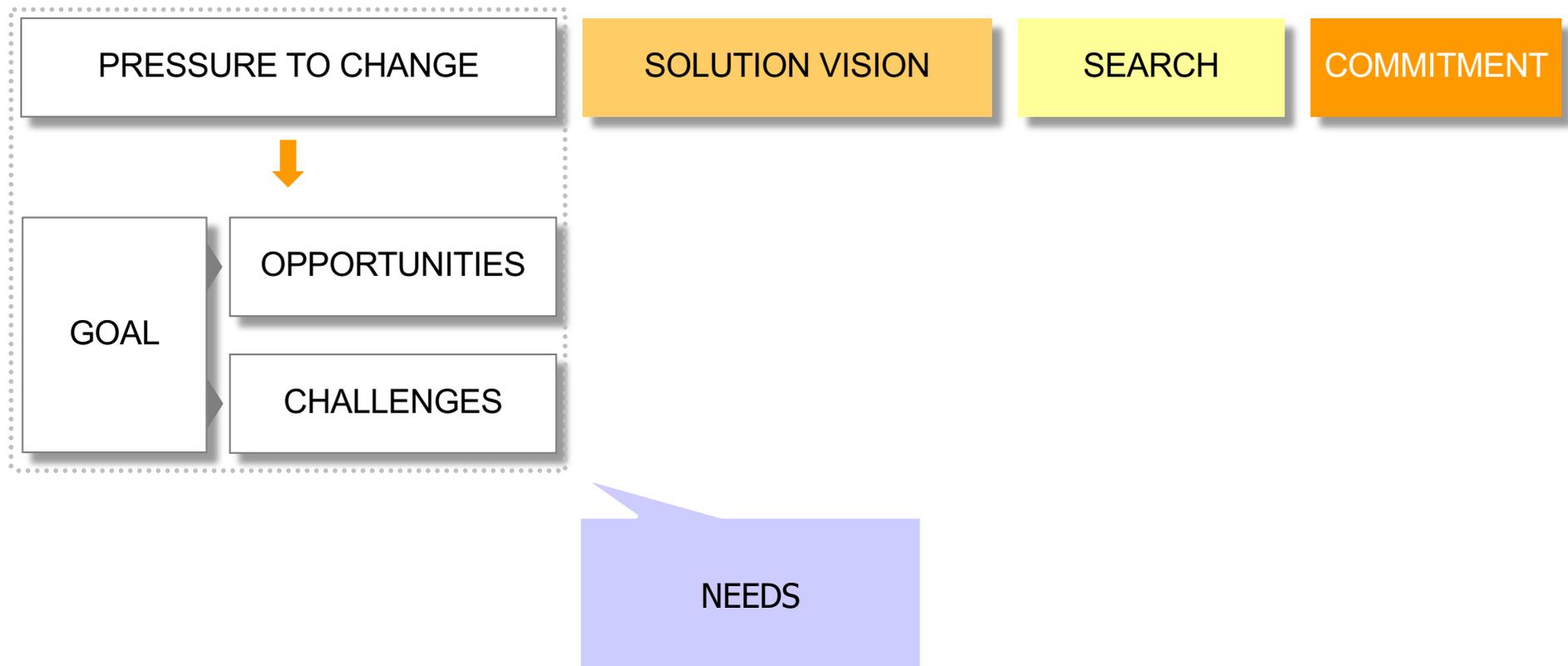
"DEVELOP RUNNING TECHNIQUE"  
"IMPROVE PHYSICAL CONDITION"



SOLUTION

"BUY A TRAINING PROGRAM"

# FROM GOALS TO COMMITMENT



## EXERCISE

What is the difference between opportunities and challenges?



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School of Science

Setting GOALS, identifying NEEDS and defining SOLUTION are stages of BUYING, and lead to

# RESOURCE INTEGRATION

with others (= firms)



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School of Science

# SUMMARY

Conclusion:

Compete on (service) innovation

(Why?)

## Conclusion:

Communicate the service value by  
(quantified) value proposition by  
influencing customer GOALS, NEEDS, and  
SOLUTION

(Why?)

Conclusion:

Participating in the customer's use value creation requires resource integration

(Why?)