

Making and sustaining the shift to services

"Decoding the Service Processes"

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Background

The lack of processes and guidelines on how to shift to services has pushed organisations to experience slow, inefficient and uneconomical transitions to services. If we can provide guidelines on how to shift to services, organizations like yours could increase success rates, be leaner, faster and accelerate the commercialization of services.

Our 2015 project objective

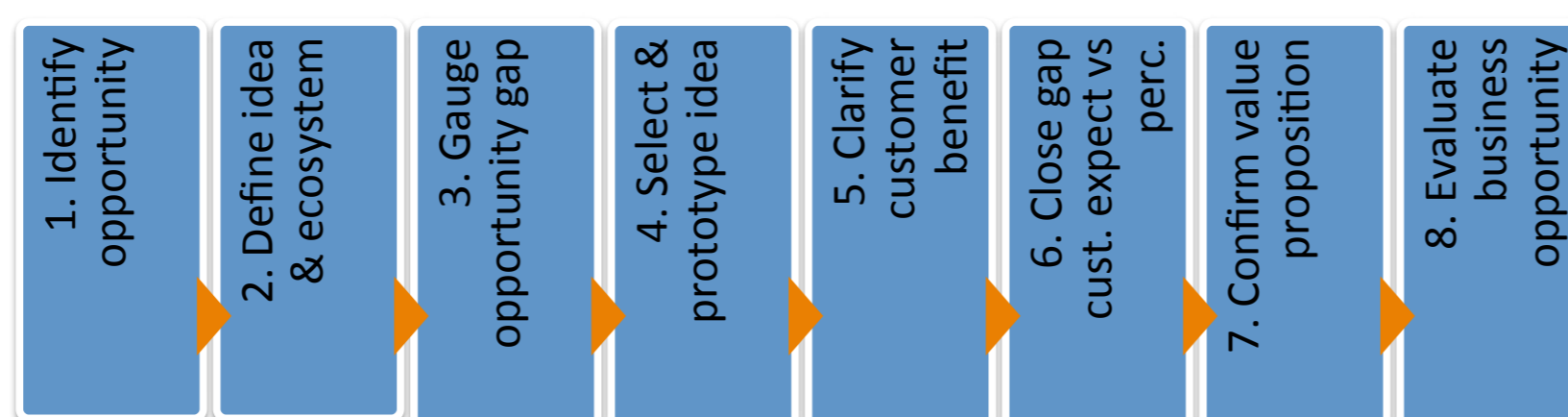
Is to help organizations to move forward by providing guidelines and tools to develop and embed *services processes* in the way they do businesses.

Outputs to date

- *'Factors that drive success report'* equips you with a strategic set of actions to shift to services.
- *'Five service processes' guidelines, tools and recommendations'* in making and sustaining the shift to services. They are:

1. Design & plan the service model

Through a business viability analysis, this process guides you from the idea generation to selection of the strongest service idea to be piloted.

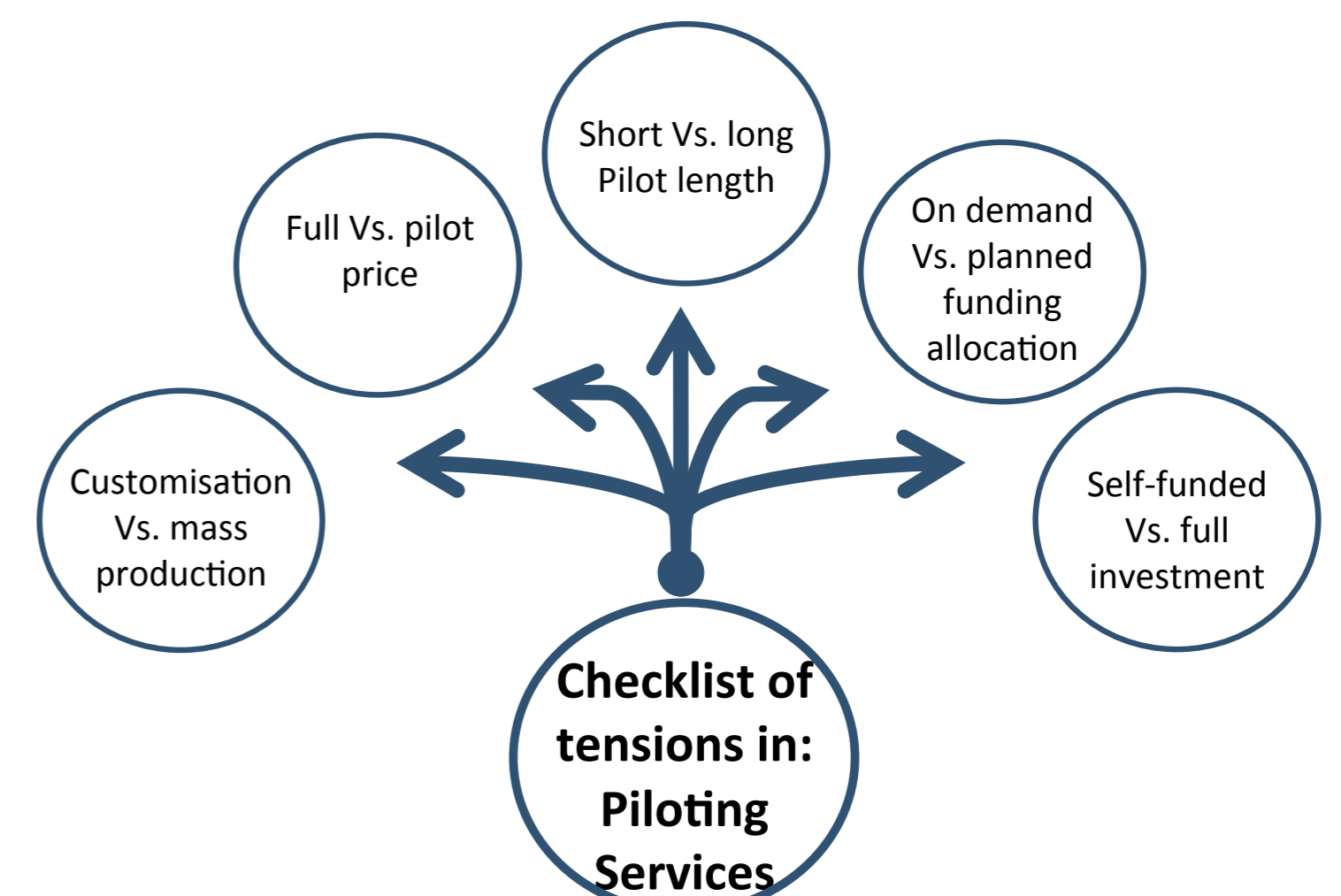


Service design and plan process

2. Piloting services

New insights in setting a piloting process:

- Map the pilot lifecycle & time frames.
- Blend the entrepreneurial with business approach from early stages (see figure).
- Identify key variables of the pilot for future standardisation and scalability.



Piloting & managing the service portfolio: Tensions

3. Management of services portfolio

New insights for managing portfolios:

- In managing the service pilot lifecycle, it is vital to set various decision-making points (see above).
- Strategic and financial criteria are key components in the evaluation of pilots.

4. Commercial execution

New insights in service pricing:

- 10 rules for service pricing.
- General rules for pricing services in emergent markets.

This process will be completed this year.

General rules for pricing services in emergent markets

- Know your business and then segment it
- Work out different "service rates" for each segment
 - "By hour" selling rate for field services
 - "Flat rate"
 - Create "a discount" that allows you to judge for different customers or markets
- Do not drive customers away
 - Support and secure customers
 - Do not jeopardize spares
 - Maintain operating cost down, margins up
- "Bundle" parts and service and only deliver to customer. Remember: bundles' prices are higher than the sum of parts' prices for customers in emergent markets
- Invest in our people's training

Ten rules for service pricing

1. Make the value proposition evident. Tailor it to the customer
2. Clarify the value to the customer - now and in the future. Communicate value to customers - procurers versus users
3. Differentiate between complementary services and revenue generating services - recognise there are different types of services.
4. Think long-term: how to incrementally build capability today as well as building long term value. How to make service resilient as technology develops.
5. Consider baselining services as a way of making explicit the customer's current cost to serve.
6. Consider your options for pricing - should you bundle? Give the service away only if you can secure complementary sales - and you don't want to charge in the future. Can you pilot prices?
7. Establish the right governance, controls and accounting processes - who owns pricing, who signs off prices and who has to commit to deliver the service for the price that will be charged.
8. Review the operations processes - can you support the delivery of the services with your existing infrastructure.
9. Protect your brand - failure to deliver service can damage the brand & future sells.
10. Scope the contract to reflect the budget - be clear about what you can deliver and what you can't as price is negotiated.

5. Managing the transition from service generation 1 to generation 2

Preliminary results are presented during the service week.