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Cambridge Service Alliance

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Service Week 2016

Poster Booklet

The Cambridge Service Alliance is a unique global partnership between businesses and universities. It brings together the world's leading firms and academics, all of whom are devoted to delivering today the tools, education and insights needed for the complex service solutions of tomorrow.

#ServiceWeek2016

Overview

Leadership Requirements for Scaling Services Up

Dr Veronica Martinez

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Background

Industrial manufacturers face a large problem in scaling up their service innovations and solutions.

- **50 – 90%** of innovations fail in the marketplace before achieving their full scalability potential. This is largely true in service industry (Downey, 2007; Edvardsson and Olsson, 1996).
- There is need for more research on "Scaling up Services" (Benedettini, et al., 2014).

What is Scale Up?

Scale up is defined as the increase, expansion or growth...

"...*efforts to increase the impact of innovations successfully tested in pilot or experimental projects so as to benefit more people and to foster policy and programme development on a lasting basis.*" Simmons (2007).

Objective

The **research objective** is to perform an exploration of the leadership requirements and characteristics for scaling services up.
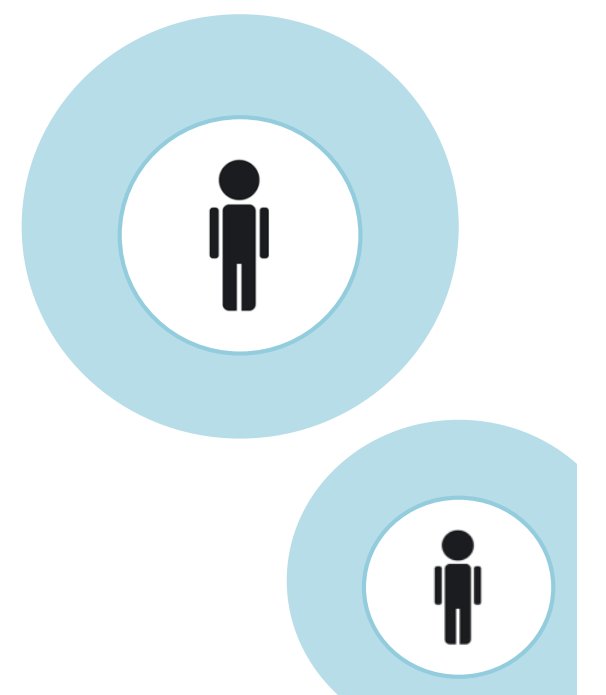
"First mover advantage doesn't go to the first company that launches, it goes to the first company that scales."

Reid Hoffman, co-founder of **Linkedin**

Types of Scale Up

Vertical - replication, geographical replication

Horizontal – expansion, growth of projects
Simmons (2007)

How Do We Measure Success in Scaling Services Up?

We need a mix of leading and lagging indicators.

Scaling up services: Indicators of success

Lagging Indicators			Leading Indicators	
Financial Indicators	Context Indicators	Operational Indicators	Strategic Indicators	Competitive Indicators
Revenue *	# Years	Utilization	Captured value from customer throughout lifetime of contact	Is the service a considered strategic by the client ?
Growth	# Customers	Availability achieved		Did the service displace a competitors position?
Operating margin	# Services contracts	Customer feedback		
Profit	Portfolio of services by industry	Customer value	Cross sales led to sales in other brands	
Sales				
Investments	Pipeline - sales			

How Do We Scale Services?

Iterations, decision points and brining business talents to complement technology talents are key.

Off or Pass Decision Point
Opportunities to proceed or not
Based on Linn, 2008; Simmons, 2007)
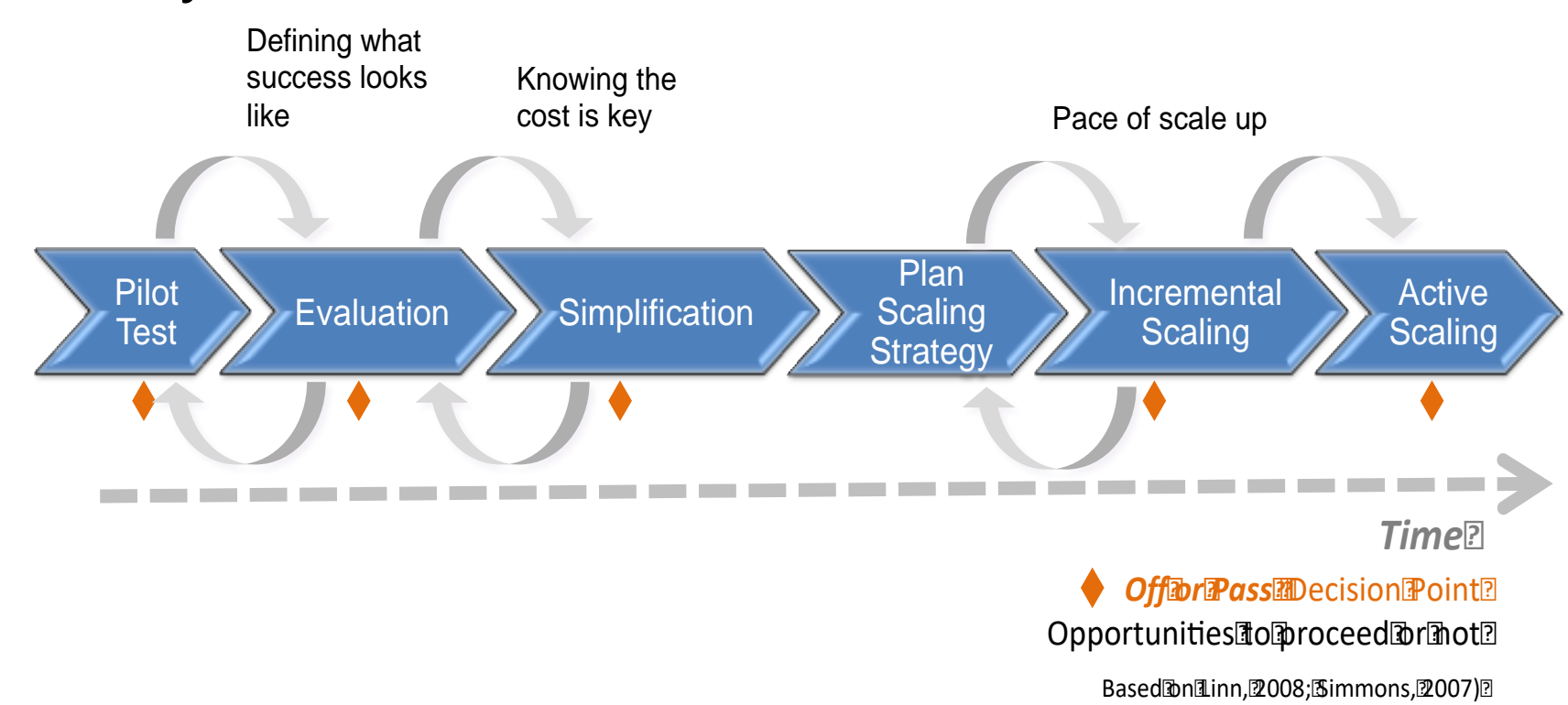
Leadership Requirements & Characteristics for Scaling Up Services

Targeting, coordinating & promoting service scale ups

Dynamic Requirements

Business Skills	Customers & People Skills	Top Teams Mgmt Skills	Exploration & Exploitation Drive

Basic Characteristics

Visionary Tenacious	Integration old & new portfolios	Stimulation Motivation

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1

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A Process to Designing B2B Partnerships

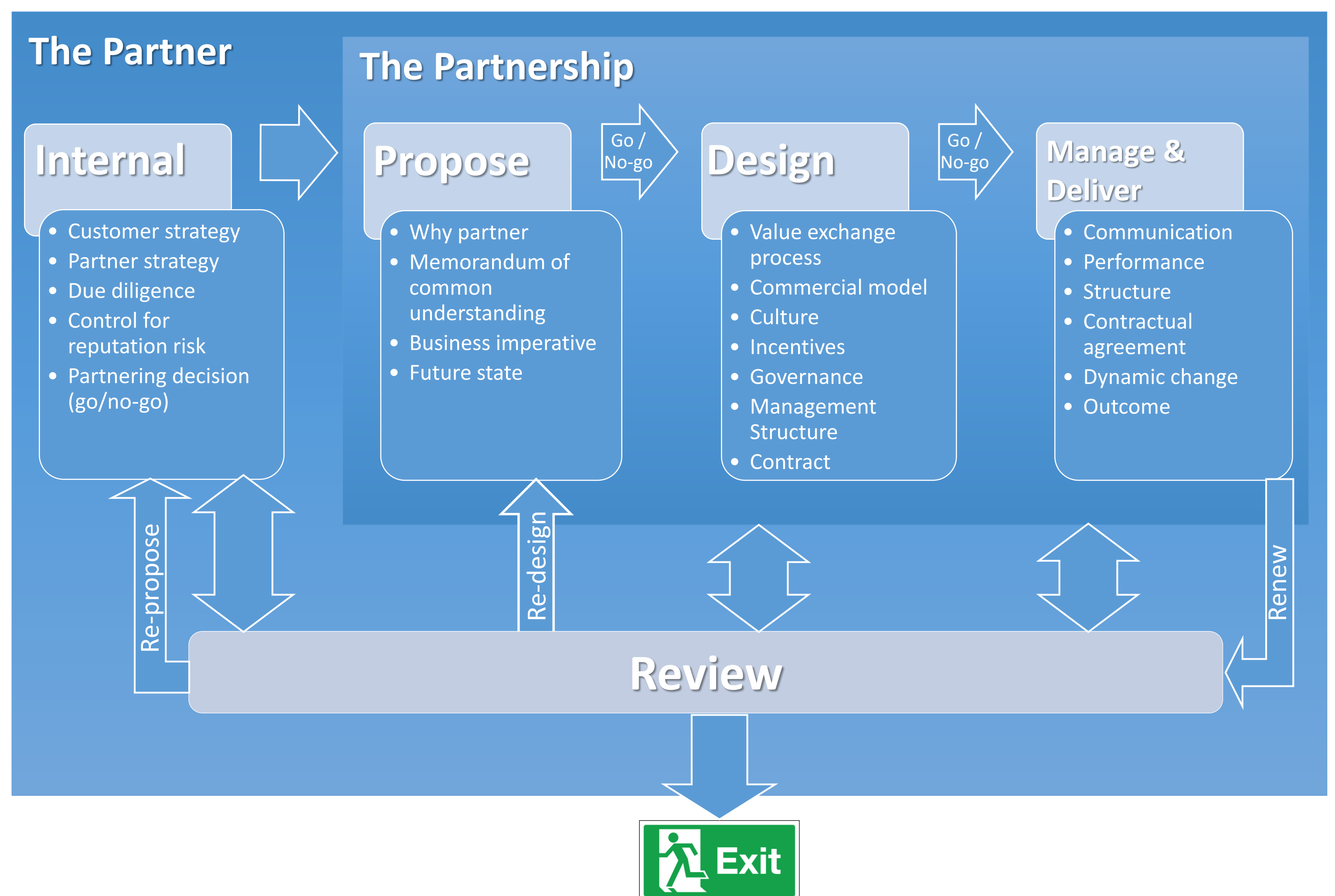## Why Partnering

Customers demand better services and solutions from their suppliers. These often include very different capabilities and time to market is critical. As well low upfront investment to test innovations is seen as favourable. Many suppliers are delivering complex services with their partners. Sometimes these partnerships are even including competitors. The partnerships are described as complex as they combine multiple company cultures, differing processes and expectations.

Problem

B2B partnerships provide problems. With this research we are aiming to give a handrail process for consideration of strategists. We have had multiple meetings with experienced CSA partner companies to define case partnerships and how their design process worked and where problems and barriers had arisen. Our researchers have analysed the material gathered and organised a two day meeting between specialists from the partnership companies. After the workshop an additional analysis has led to the partnership process presented.

The Partner

The Partnership

Internal
- Customer strategy
- Partner strategy
- Due diligence
- Control for reputation risk
- Partnering decision (go/no-go)

Propose
- Why partner
- Memorandum of common understanding
- Business imperative
- Future state

Go / No-go

Design
- Value exchange process
- Commercial model
- Culture
- Incentives
- Governance
- Management Structure
- Contract

Go / No-go

Manage & Deliver
- Communication
- Performance
- Structure
- Contractual agreement
- Dynamic change
- Outcome

Re-propose

Re-design

Renew

Review

Exit

We found a four stage process:

1. A company internal discussion defining what the need for a partnership is and defining a strategy need and capability need.
2. The proposal will have to be announced to a potential partner company. The company has to be brought up to speed on what needs to be done and cultural inclusion has to take place on their processes as well as needs and worries. The outcome should be a future state vision for which the partnership should be standing.
3. Both partners should then agree to enter into a partnership design stage, where the overall value exchange, the commercial model and management and government structures are defined.
4. When the partnership is fully defined, the management and delivery phase starts where the partnership is executed and starts delivering to the customer.

Overall the process should be reviewed and renewed at all times. Contracts should allow this flexibility and should certainly plan for a partnership exit. One aspect that came out of the research conducted is that change needs to be implemented, monitored and hence managed stringently.

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2

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Customer Experience Analytics: Dynamic-customer centric model
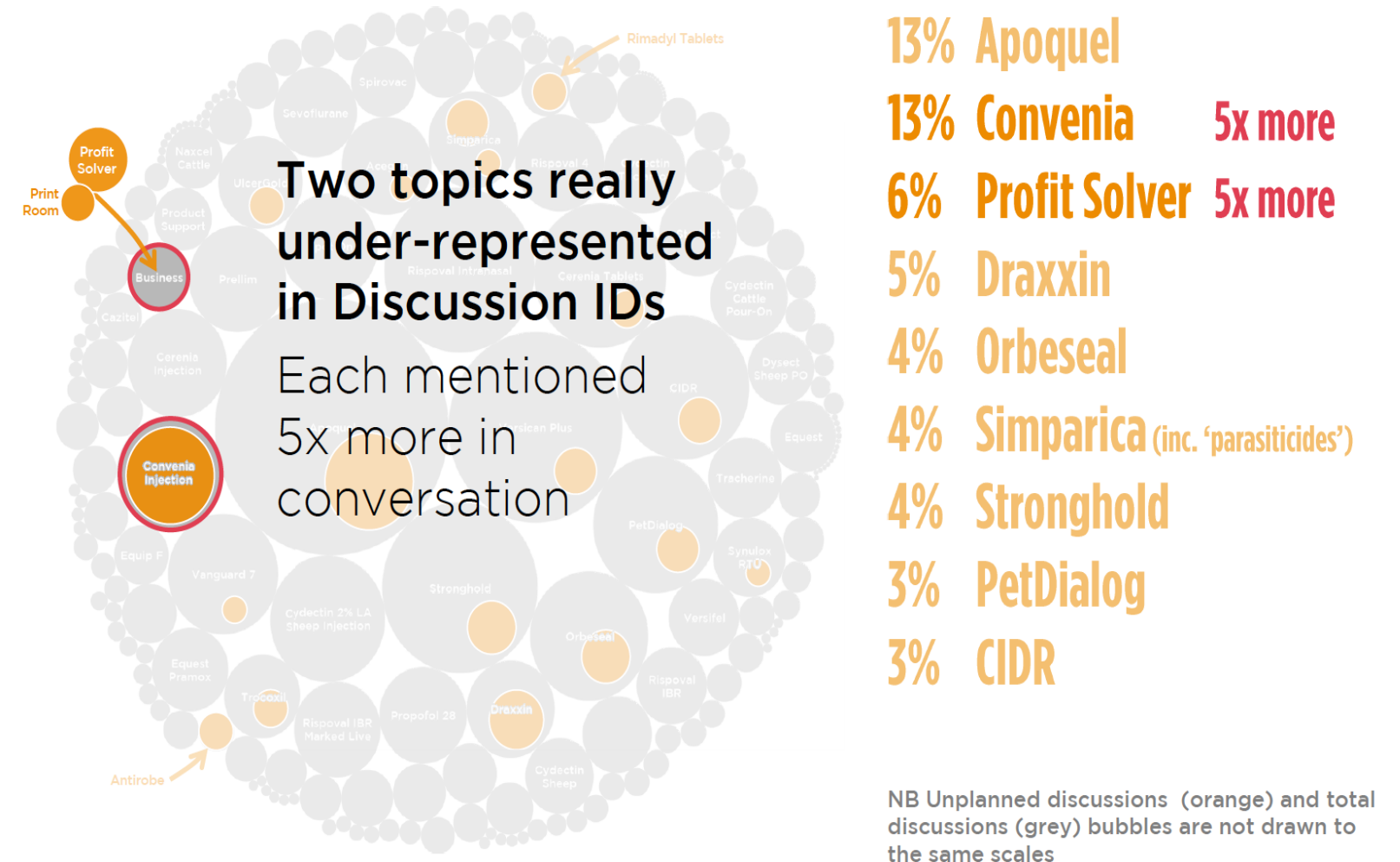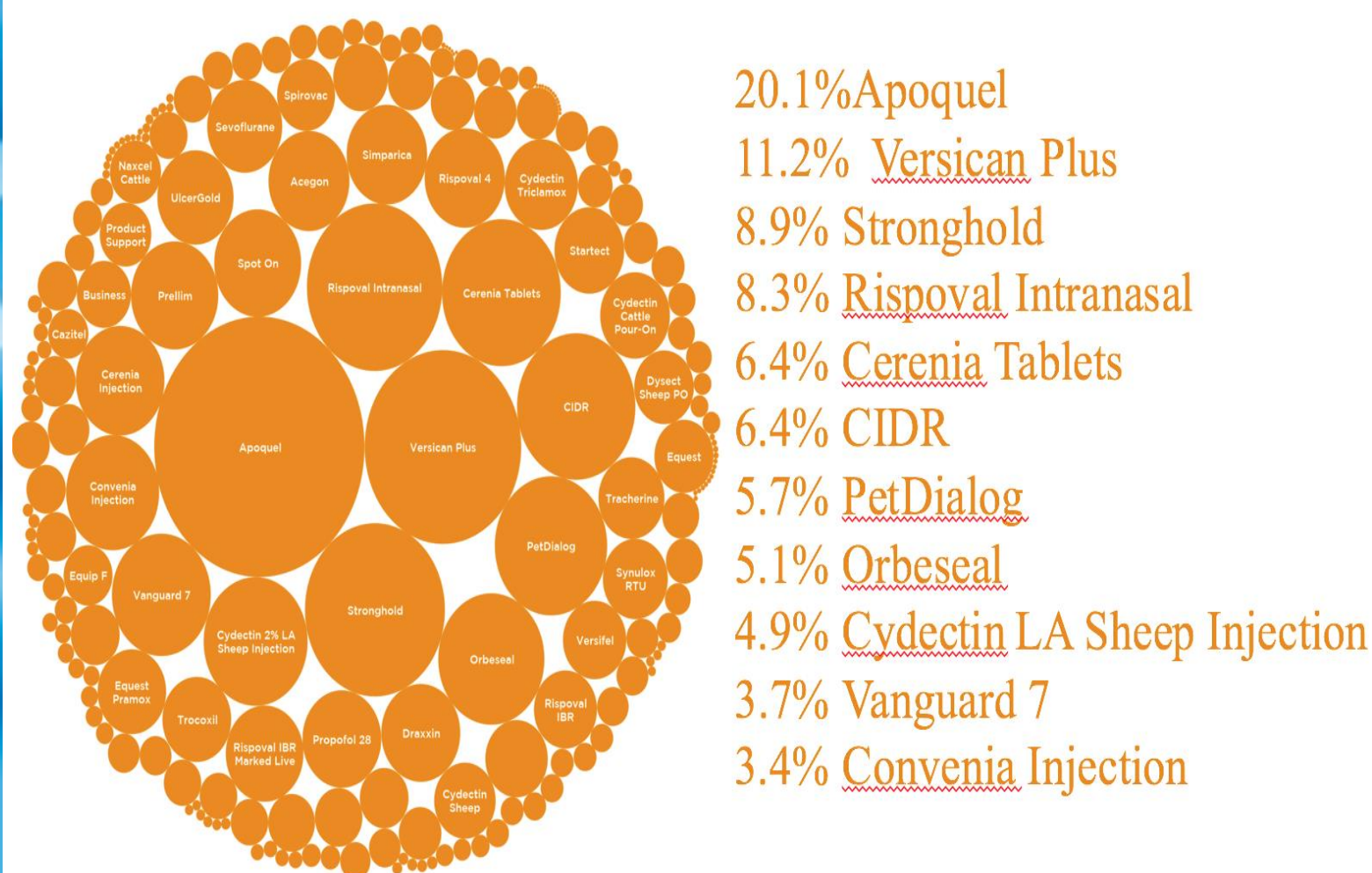
Background

Customer Experience Management (CEM) is being acknowledged as the next competitive battleground for service firms to grow market share. The project proposes systematic multi-methods using text mining to capture and analyze customers' data, based on the 360-degree view of customers. We used social media data to identify critical pain points from real-time data and unmask underlying sources of friction at the various touchpoints. Also, the study used CRM data to understand how sales professionals can engage with customers and customize solutions offered to customers.

Data Sources

Call notes of sales reps on every customer stored in CRM - 18 months of data.

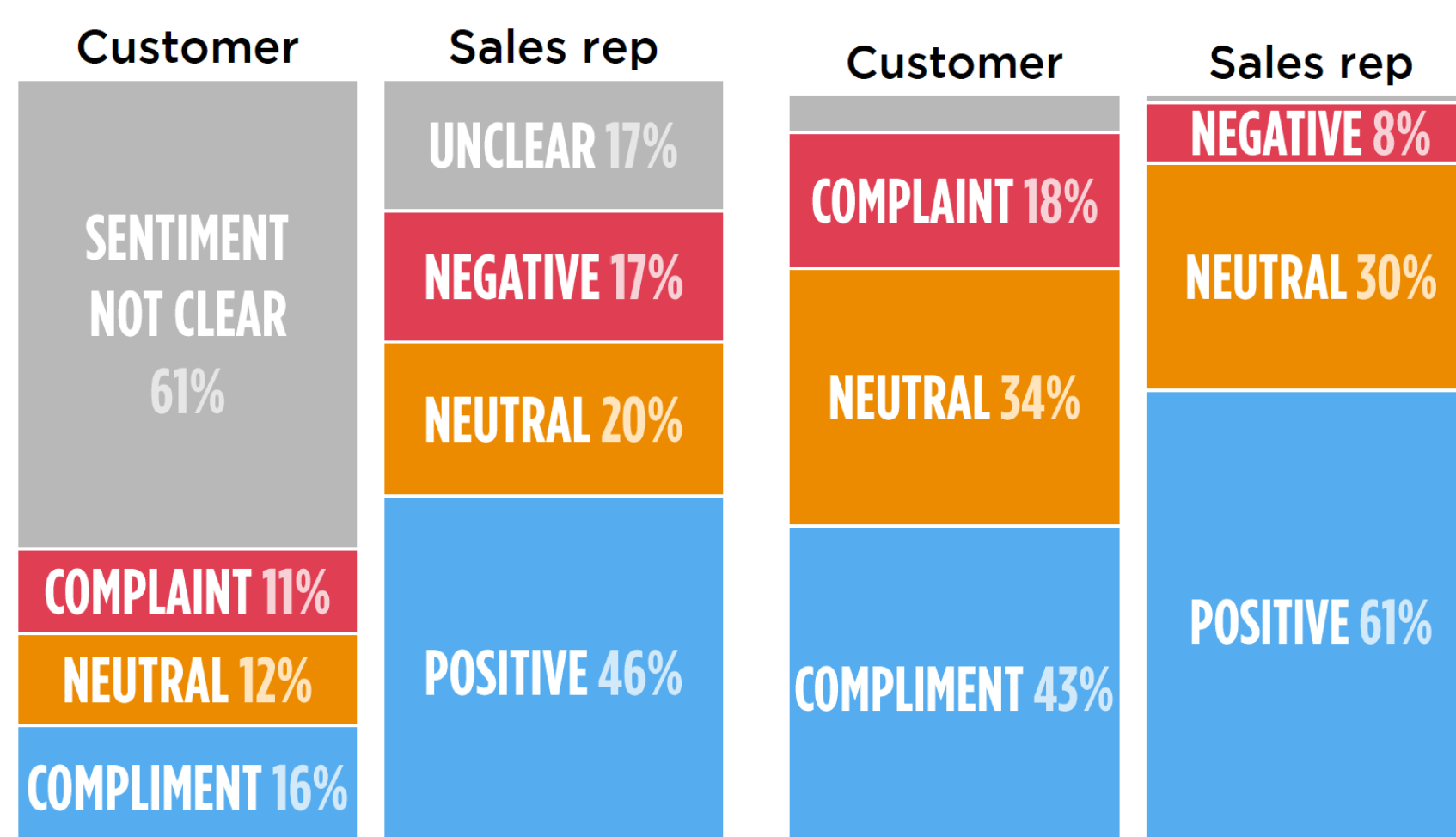*Crawl Social media data* of different products and services.

Importance of Text Analytics- Discussion ID

20.1% Apoquel
11.2% Versican Plus
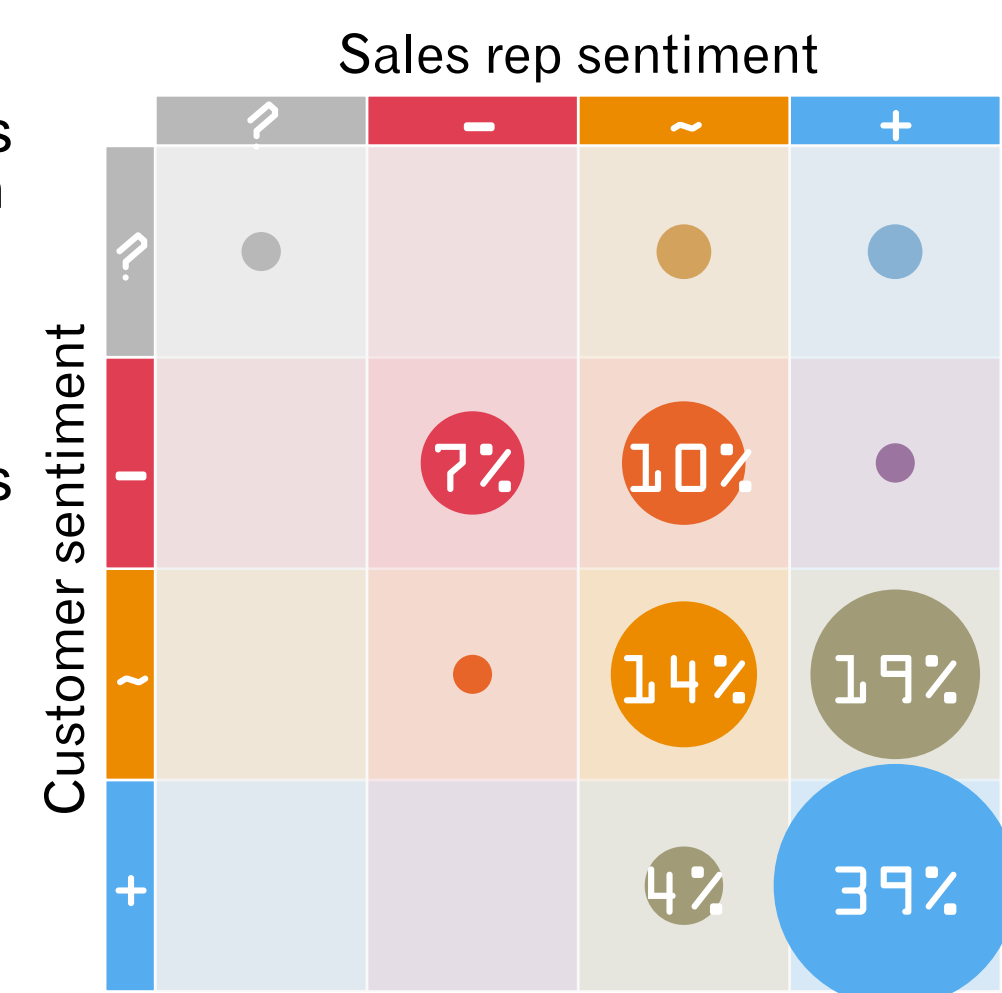8.9% Stronghold
8.3% Rispoval Intranasal
6.4% Cerenia Tablets
6.4% CIDR
5.7% PetDialog
5.1% Orbeseal
4.9% Cydectin LA Sheep Injection
3.7% Vanguard 7
3.4% Convenia Injection

Two topics really under-represented in Discussion IDs

Each mentioned 5x more in conversation

13% Apoquel
13% Convenia — 5x more
6% Profit Solver — 5x more
5% Draxxin
4% Orbeseal
4% Simparica (inc. 'parasiticides')
4% Stronghold
3% PetDialog
3% CIDR

NB Unplanned discussions (orange) and total discussions (grey) bubbles are not drawn to the same scales

Customer and Sales Rep Sentiment

Sentiment per unit of information

Customer
SENTIMENT NOT CLEAR 61%
COMPLAINT 11%
NEUTRAL 12%
COMPLIMENT 16%

Sales rep
UNCLEAR 17%
NEGATIVE 17%
NEUTRAL 20%
POSITIVE 46%

Sentiment per whole Message

Customer
COMPLAINT 18%
NEUTRAL 34%
COMPLIMENT 43%

Sales rep
NEGATIVE 8%
NEUTRAL 30%
POSITIVE 61%

The customer and sales rep sentiment plotted in a matrix

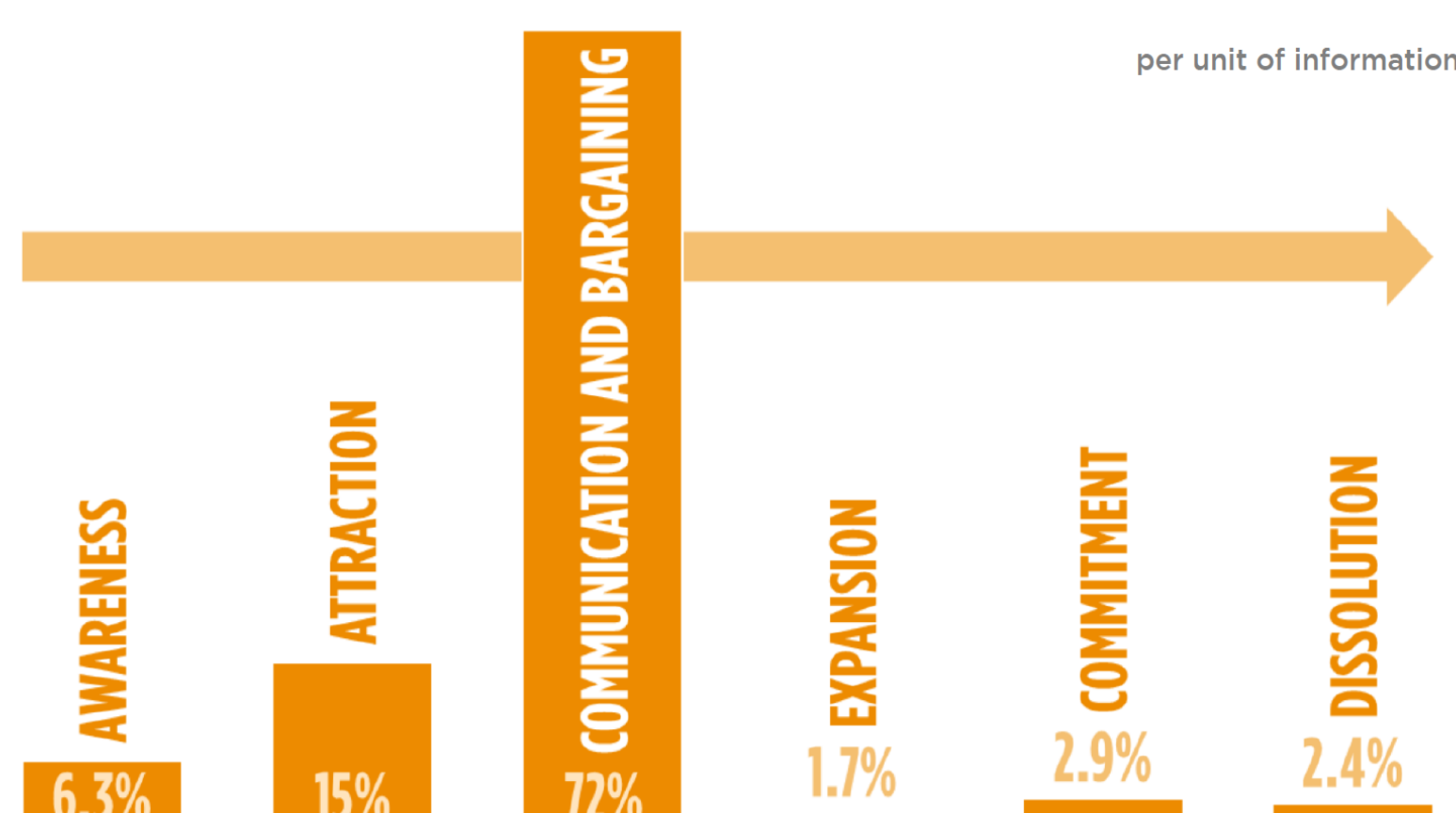The customer and sales rep do not always have the same evaluation

Sales rep generally more positive than customer

Sales rep sentiment

	?	−	~	+
?				
−		7%	10%	
~			14%	19%
+			4%	39%

Customer sentiment

Customer-Buyer Relationship

Describing stage in ongoing relationship

per unit of information

AWARENESS 6.3%
ATTRACTION 15%
COMMUNICATION AND BARGAINING 72%
EXPANSION 1.7%
COMMITMENT 2.9%
DISSOLUTION 2.4%

Recurring Customer Pain Points

Lost sales
13% clients switched away or were considering a switch
"Synulox RTU - have switched back to Combiclav **based on price**."

LOST 13%
TARGET 19%

Trying to win sales
19% clients largeled for using a compelilor
"Discussed Stronghold. She uses and likes but **it won't be first line as it is too expensive** compared to Frontline Combo."

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Resources

3

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Manufacturing Metrics:
Using Big Data to inform policy

Background

Manufacturing is moving rapidly with new phenomena and emerging characteristics, such as the shift to services, the fast development of disruptive technologies, the deepening of globalization, etc. In such circumstances, the appropriateness of the current manufacturing metrics is challenged.

Policymakers have been relied on official statistics to understand the manufacturing industries, such as the Annual Business Survey published by ONS. The data is robust, reliable and internationally comparable, but fails to capture some new trends and provide insights of the profound changes and transformational visions of the manufacturing industries.

Aim

The rise of big data potentially enables policymakers to understand the manufacturing industries better, to supplement the official statistics and to improve policymaking. The research is composed of three pilot studies, aiming to explore the possibilities and directions of using big data to inform policy.

Process

Mapping Alternative Sources of Data for Manufacturing Analytics	Exploration of Company Reports as Alternative Data Sources	Exploration of Company Created Data as Alternative Data Sources
☐ Policymakers' roles in the era of big data are identified.	☐ Examples of using alternative data sources are illustrated.	☐ Policymakers can access to firm data. But barriers exist.
☐ Opportunities of using big data to inform policy exist.	☐ Data is easy to access, useful, but with unclear reliability.	☐ Firm data provides additional insights for policymaking.

Illustrations

Using commercial database to inform policy: where are UK's pure manufacturers (in yellow) and servitized manufacturers (in red) in 2015?

% Country Spend on Services in the Americas

SUM(% Services)
0.0000   0.4896

2011   2015

Using firm-created data to inform policy: the share of country revenue allocated to services of the case firm.

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4

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Effects of Social Capital on Risks of Outcome-based Contracts from the Supplier's Perspective

On the journey of servitization, the services to be provided are moving from basic services to advanced services where capabilities are delivered. In this circumstance, outcome-based contracts (OBC) are increasingly used. Two important issues in OBC are risk and relationship (social capital).
An outcome-based contract refers to an agreement between the supplier and the customer that the supplier gets paid based on the outcomes of total solutions or the outcomes of customer value in a continual use situation. Two approaches to deliver outcome-based contracts are first, the supplier and the customer keep an arm-length relationship and second, they form an alliance / joint venture to deliver services to end users.

Effects of social capital on risks of OBC with an arm-length relationship approach

In the supplier-customer arm-length relationship approach, two major risk categories are commercial risk regarding the contracting of OBC, and operational risk regarding the implementation of OBC. Eighteen risk factors in six categories are identified to be the influencing factors. Social capital can prevent and mitigate risks to a certain extent.
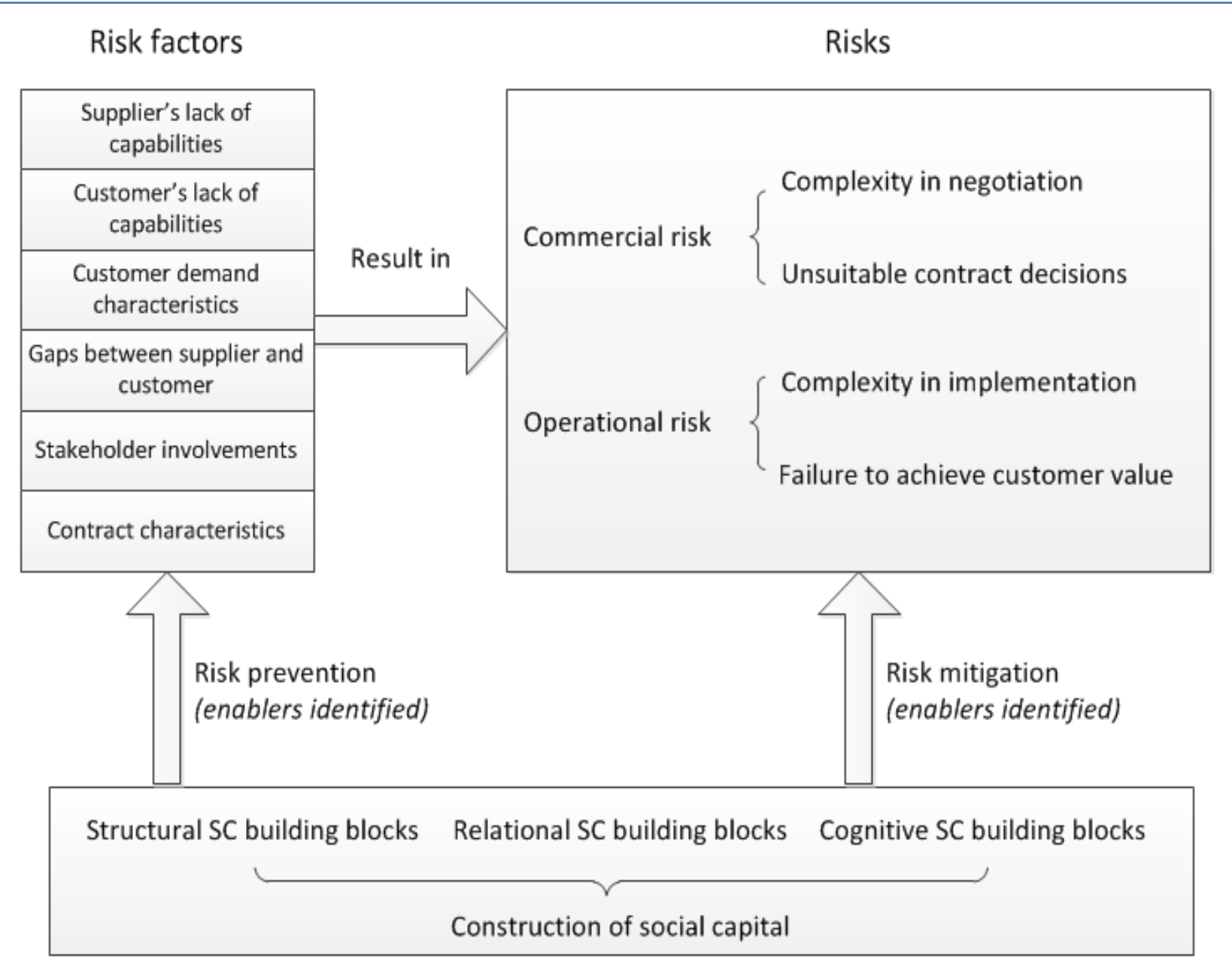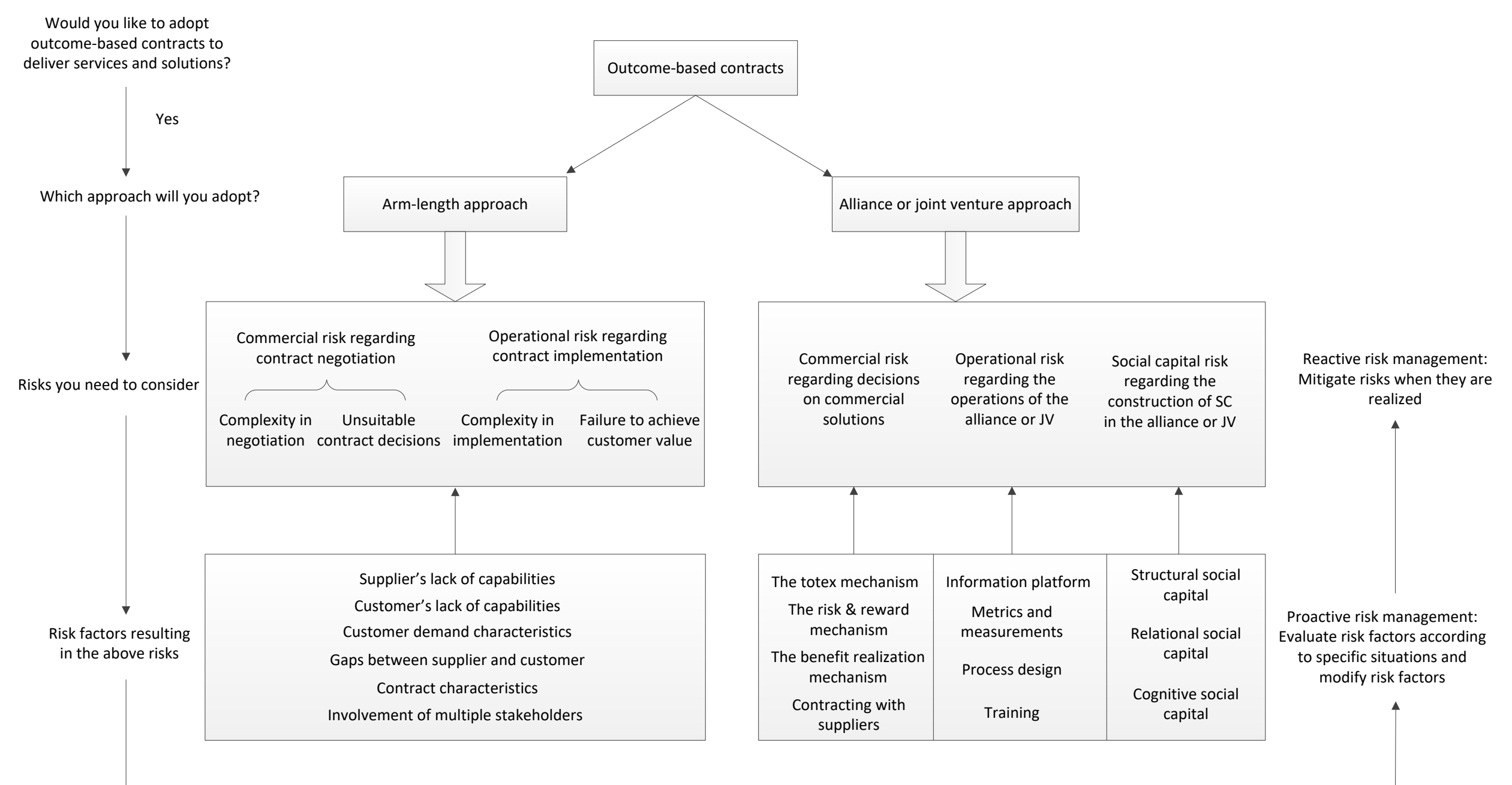

Risk and social capital building blocks in OBC with an alliance or joint venture approach

In the alliance or joint venture approach, three major risk categories are commercial risk regarding the commercial solutions among partners, operational risk regarding the operations of the alliance, and social capital risk regarding the construction of social capital in the alliance. The three risks mutually influence each other.
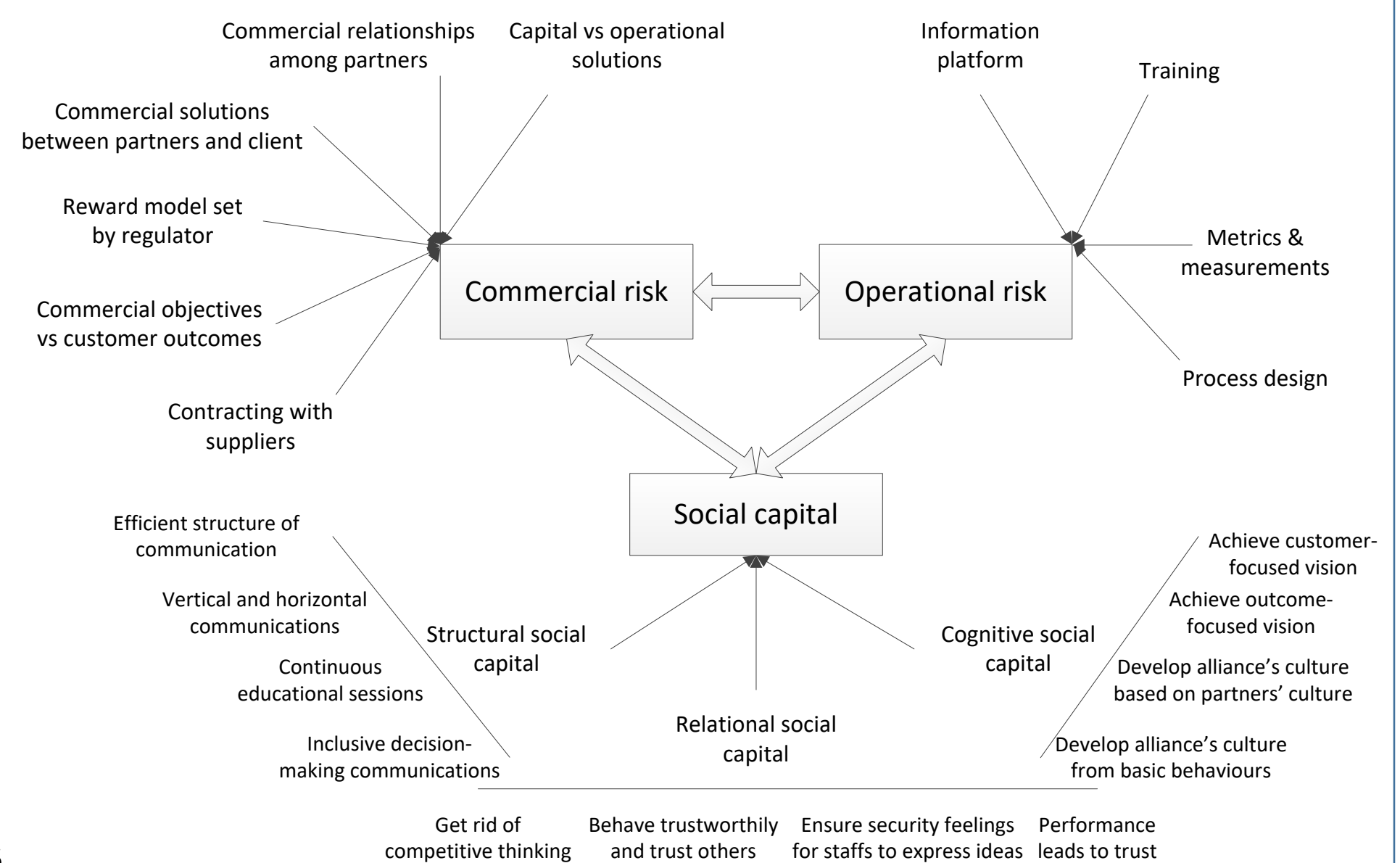
The risk management process of outcome-based contracts

Facilitating Co-creation in Living Labs: The JOSEPHS study

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Cambridge Service Alliance

NEMODE

Katharina Greve

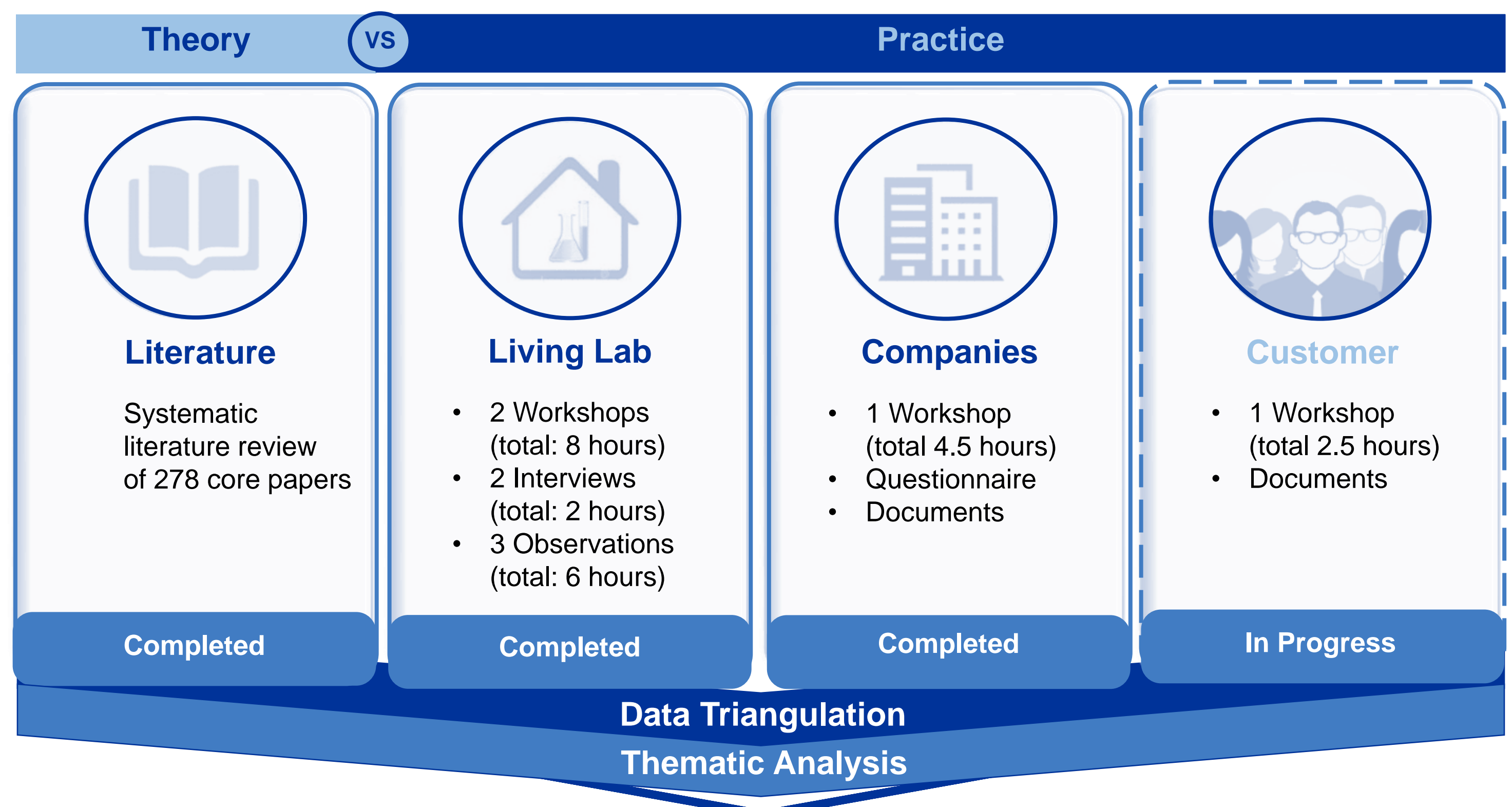kg403@cam.ac.uk

Background

Organisations are increasingly using open innovation to reach beyond their own boundaries, enhance internal innovation and expand their markets. Living labs provide a new platform for companies to engage customers in a process of co-creation. However, to develop new products and services that better meet consumers' wants and needs, it is crucial to identify elements that facilitate co-creation in living labs.

Objectives

The objective of this study is to *analyse factors that are critical to the facilitation of co-creation in living labs*. To achieve this objective, the study integrates findings derived from:

i. existing **literature** with
ii. primary data collected with **JOSEPHS'** managers and researchers,
iii. **companies** that have utilized the living lab.

How can co-creation be facilitated in living labs?

Theory		Practice		
Literature	**Living Lab**	**Companies**	**Customer**
Systematic literature review of 278 core papers	• 2 Workshops (total: 8 hours) • 2 Interviews (total: 2 hours) • 3 Observations (total: 6 hours)	• 1 Workshop (total 4.5 hours) • Questionnaire • Documents	• 1 Workshop (total 2.5 hours) • Documents
Completed	**Completed**	**Completed**	**In Progress**

Data Triangulation

Thematic Analysis

Five Critical Factors for Facilitating Co-creation in Living Labs

1 Customer Engagement	2 Relationship Management	3 Operating Principle	4 Design Layout	5 Data Collection Approach
Attitudinal factors	**Dialogue**	Proactive, enthusiastic guides	Access to operant resources	Data collection tools
Willingness to co-create	Participation	Room for action/ interaction/ discontinuation	Service Facilities	Explicit research question
Social context	Relationship	**Comfortable atmosphere**	Clear structure & storyline	Workshop to reach specific audience
Perceived relevance of service	Integration/ Involvement	LL as a consulting/ service provider	'Hands-free' approach	Capture first impression & receive authentic feedback
Customer capabilities, skills & motivation	Interaction	Continuous feedback & immediate adjustments	Design of island: key elements & order	
Mobilizing behaviour	Expected benefits	Establishing themes	Intuitive elements of familiar behaviour	
Type of product/ service	**Managing Expectations**	Relevance for B2C & B2B	Reflect WIP status to encourage feedback	

Relationship JOSEPHS — Customer	Relationship JOSEPHS — Company	
Convey the seriousness of customer contribution	Background information about company	Self- explanatory signage
Tailored approach for guidance	Sharing best practices	
Opportunity to give feedback about JOSEPHS	Consulting through a tailored project template	
Recruitment & continuous training of guides	Creation of networking opportunity	

Theory, Living Lab & Companies agree

Living Lab & Companies agree

▢	Literature
▢	JOSEPHS
▢	Companies

Conference paper
Webinar
Podcast
Blog

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6

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Leveraging Institutional Forces to Harness Service Platform Adoption

Background

"In 2015 Uber, the world's largest taxi-company owns no vehicles, Facebook the world's most popular media owner creates no content, Alibaba, the most valuable retailer has no inventory and Airbnb the world's largest accommodation provider owns no real estate." - Techcrunch, March 2015

They are in essence, multi-sided platforms. These platforms serve the function of **matching the needs and resources of two or more groups of customers**.

The most distinctive feature of a platform is **enforcing positive correlation** between the number of participants and value of network.

Platforms have made a significant impact across many industries in recent years. However, how to make a platform more successful remains unclear. This research constructs a new theoretical framework to help inform platform practices.

Objectives

This research analyzes the dynamics of the platform ecosystems in order to understand why a platform would succeed while others fail.

i. Why do customers adopt a platform?
ii. How can a platform leverage its network externalities?
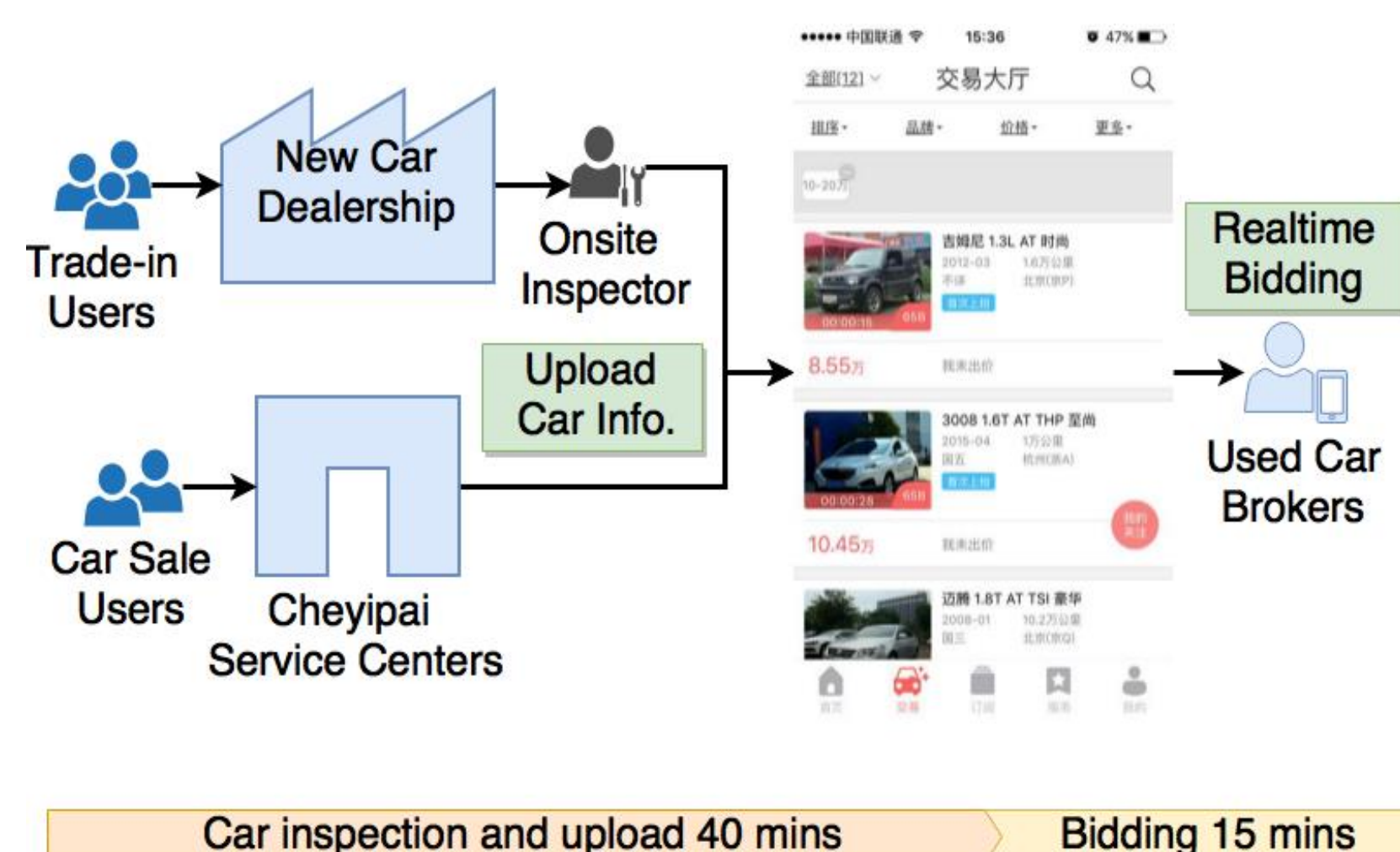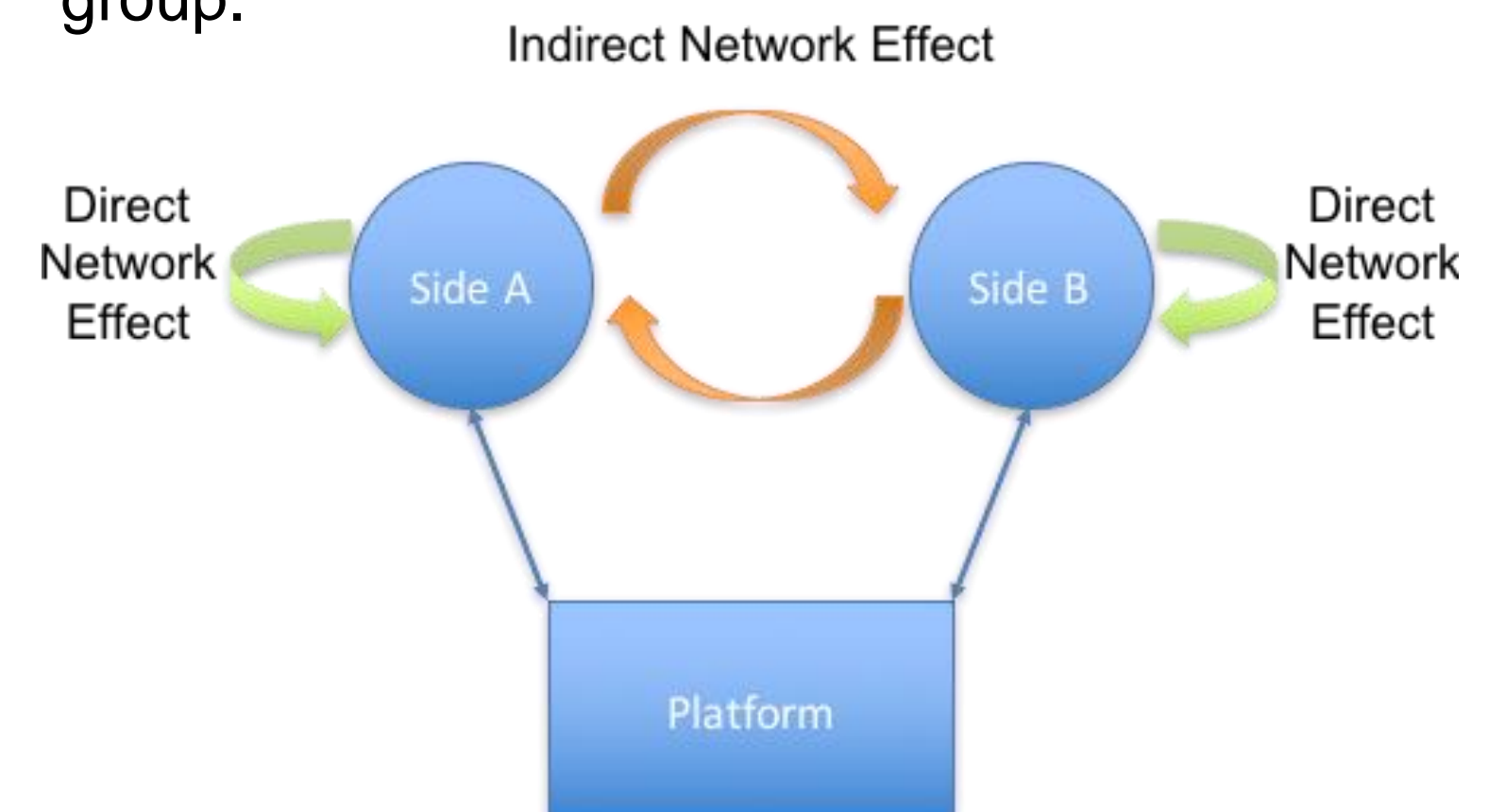iii. How does a platform maintain its leadership position?

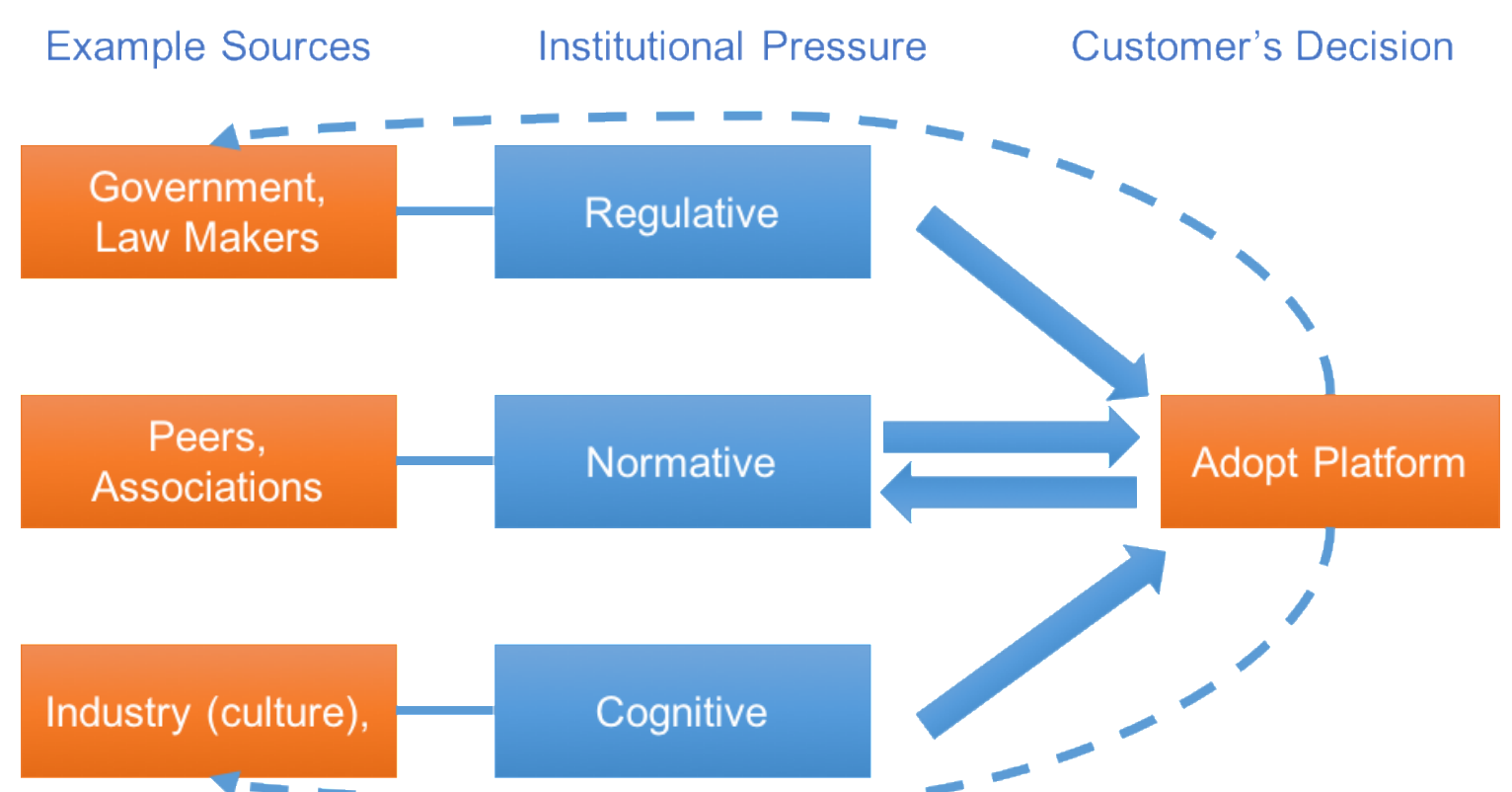## Network Effects

Leveraging network effects is essential:

Direct Network Effect: Customers can benefit from additional member within the same group.
Indirect Network Effect: Customers can benefit from additional members from another group.

Theoretical Framework

This research looks beyond economic explanation of platform success. It employs "institutional theory" to explain users' decision to adopt a platform as a result of "legitimacy seeking" process.

Illustrative Case Study:
Cheyipai, China's Largest Online Used Car Trading Platform

Background:
➤ Cheyipai (CYP) is the largest online used car sales platform in China.
➤ In 2015, the platform has processed over 350,000 vehicle transactions.
➤ It has raised approximately $200 million of capital investments.

CYP's Vehicle Sales Process

Car inspection and upload 40 mins | Bidding 15 mins

Analysis:

CYP was launched in 2007. The company had suffered from limited success for many years. After adjusting its strategies, CYP has now become a platform leader by leveraging the three layers of institutional forces.

➤ **Regulative:** CYP has benefited greatly from license plate restriction legislations since 2010. The platform quickly gained mass adoption from the suppliers side.
➤ **Normative:** The company leveraged normative force by partnering with authoritative used car markets early on to convince brokers of its legitimacy.
➤ **Cognitive:** The platform benefited from the culture of its customers, who are "internet natives" and "automotive newbies".

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7

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Service Experience Patterns

Background

A service often involves a series of service encounters, at which customers can experience delight, satisfaction, or dissatisfaction depending on if performance exceeds, meets, or falls below their expectations. Customers' experience patterns in the process of service delivery play an important role in influencing customers' cumulative satisfaction with services. Drawing on regulatory focus theory, this study investigates how the distribution patterns of delights and dissatisfactions influence the overall service satisfaction of a customer. This study seeks to provide a comprehensive framework for service providers designing and delivering effective service experience patterns with a regulatory fit with customers' regulatory focus orientations.

Research questions

- When is the best time for service providers to make customers delighted?
- When is it of the less negative effect to yield to a bad service experience?
- When is the best time for service providers to take actions to rectify mistakes occurred during service delivery?
- Whether the service provider should spread delight experiences or dissatisfactory experiences in terms of maximizing customer satisfaction?
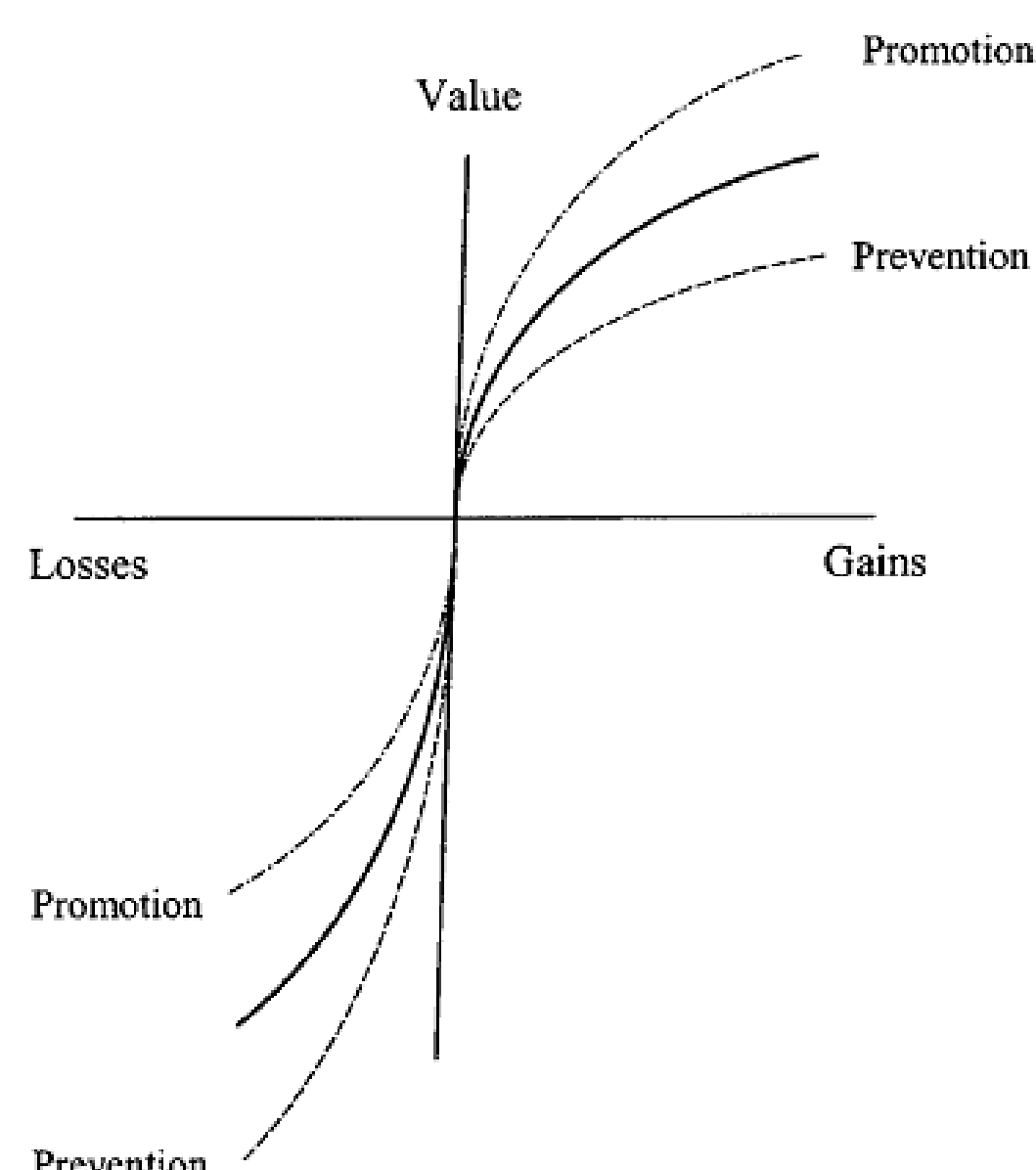
Regulatory focus theory

Figure 1. Value function of regulatory focus theory (adapted from Chernev, 2004)
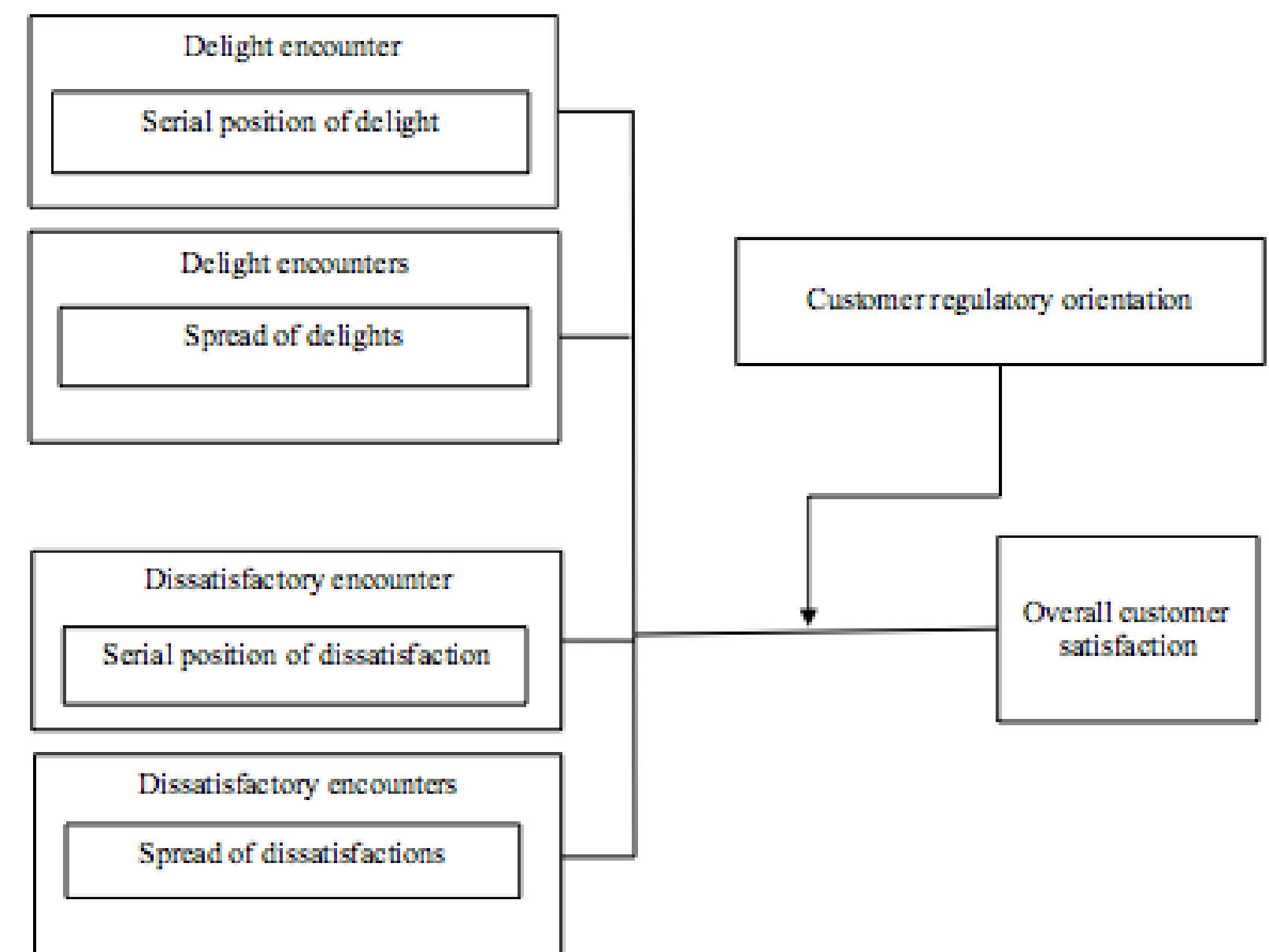
Research framework

Figure 2. Research framework

Findings

- Compared to customers under prevention focus, customers under promotion focus are more sensitive to the serial position of service delight and prefer dispersed delights to concentrated delights.

- Customers under prevention focus are more sensitive to the serial position of dissatisfactory experiences.

- Two similar dissatisfactory encounters occurring close together has a less adverse effect on the overall satisfaction of customers under prevention focus than the two similar dissatisfactory encounters occurring further apart in the service delivery process.

- The proximity of two similar dissatisfactory encounters does not significantly influence the evaluation of overall service satisfaction of customers under promotion focus.

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8

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Through-Life Accountability: Managing complex services

Source: https://www.linkedin.com/pulse/ accessed on 18/04/16

Through-Life Accountability

is the duty to inform, justify and accept the consequences of decisions and actions taken during the entire lifecycle of assets and associated services. It involves understanding the boundaries of and responsibilities for safe and consistent outcome delivery over an extended service contract involving multiple organisations.
(Fielder et al., 2014)

Background

An increasing number of manufacturers will need to offer services in the future in order to remain competitive. Markets and customers are becoming more demanding and providing services in an efficient and safe manner is of the essence for manufacturers. The successful delivery of services requires both organisational and cultural change from manufacturers and customers, and organisations are currently looking for ways to do this. With this research we work closely with these organisations in order to help them face the challenges in making the shift to services.

Objectives

The objective of this study is to understand *how servitized manufacturers can manage safety challenges, given the large networks involved in service provision*. In order to realise this goal, this study uses data from:

i.   Services literature
ii. High-Reliability Organisations literature
iii. Case studies with servitized manufacturers
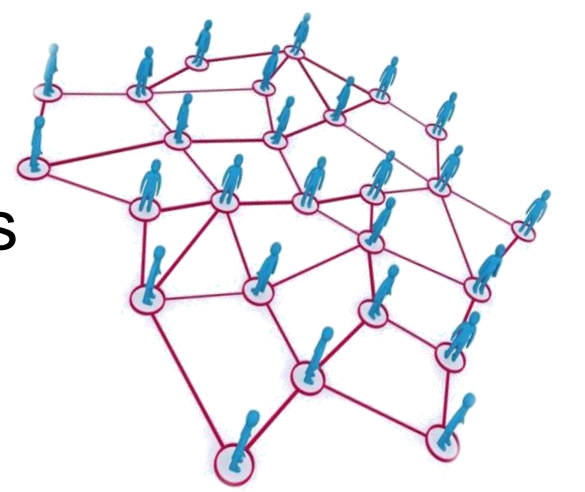
This research is conducted in partnership with BAE Systems and is sponsored by **EPSRC**

Preliminary Results
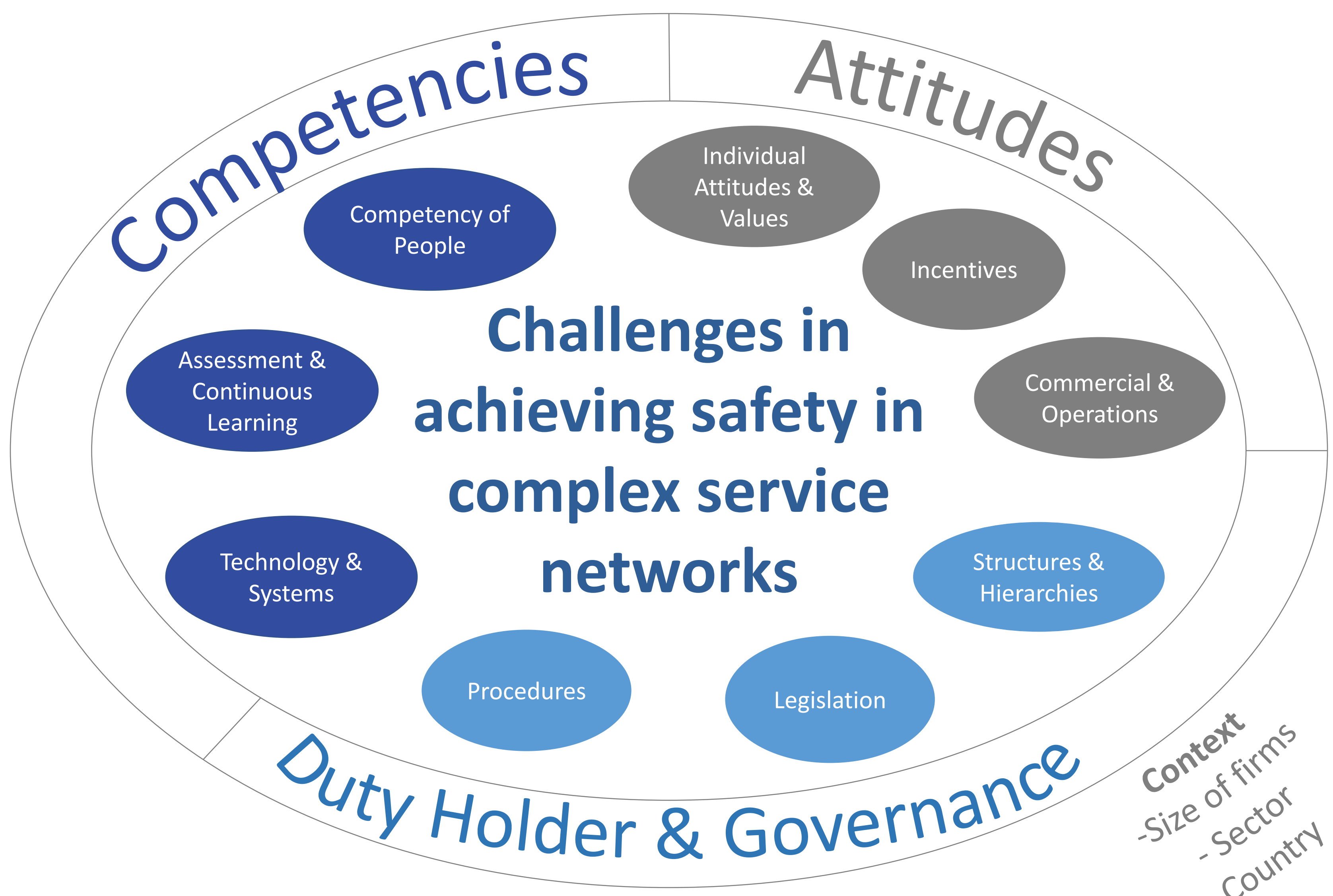
Based on the analysis of 23 interviews with experts in services. For more information scan the QR code or visit the CSA website

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9

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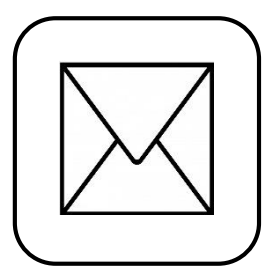
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