



Photo: Mia Oscarsson

Involve customers in servitization

When companies that have traditionally focused on manufacturing physical products start adding services and solution offerings, inward- and product-focused thinking are no longer good enough. The customer must be involved in the process. Here are some tips from my and other's research.

By **Elisabeth Johansson**

IN RECENT YEARS I HAVE STUDIED how manufacturing companies have begun including services and solution offerings in their offerings. Between 2014 and 2016 I closely followed three small manufacturing companies' servitization journeys, and performed a survey of 239 European companies. In particular, I have examined the companies' efforts to increase their knowledge about their customers and how the latter have been involved in the work to develop services. Even though many people who work with these issues on a daily basis have intuitive- or experience-based knowledge, many questions lack clear answers from a scientific perspective. How, when and why should companies involve their customers?

The research situation – some uncertainty reigns

Researchers in the field agree that customer involvement should occur at least during the early stages of service development. If a company is satisfied with capturing the needs that customers themselves can express, then methods like customer interviews, focus groups, surveys and other "reactive" methods are suitable for gathering information. If a company wants to understand its customers more deeply and explore unstated latent needs, then more long-term collaboration is required. Involving leading customers can be a good way of understanding which way the trends are heading.

One question that many researchers are focusing on is the degree to which customers should be involved in the practical work of the development process. On this topic, researchers are not entirely in agreement. Some studies show that the more customer involvement the better, especially in the deve-

lopment of new services. This applies, for example, to participation in development teams with projects that can continue for some length of time. However, sometimes the opposite is shown, especially regarding the development of physical products. In that case a some amount of customer involvement is seen as good – but not too much. The customer is perceived as being able to describe its needs or give feedback about prototypes, but not to be sufficiently technically knowledgeable for deeper forms of involvement. Thus the more technically complex the product is and the higher the level of innovation, the less the customer is considered able to contribute to the development process. Other studies suggest that certain customer groups, especially lead users, can certainly be involved at a high innovation level.

More successful innovations

The results from our European survey showed that companies that use several methods in parallel to gather customer information gained a higher level of customer knowledge. We also saw that having high customer involvement (particularly early on) and a development team comprised of people from various sections within the company provides more knowledge about the customers and more successful results. One example of this is that development engineers and sales reps have different perspectives on the customer and its use of the products. Having various job roles involved and contributing will in the end lead to better service innovations.

For manufacturing companies, customer involvement proved to be particularly beneficial in the case of smaller, incremental service innovations. In contrast, when companies

chose to implement radical service innovations, the customer involvement was less valuable. When manufacturing companies involved customers during the service development process, the service innovations also became more profitable.

Three small companies' servitization journeys

Manufacturing companies that introduce services to their offerings encounter many challenges. One of these is to adapt their development processes so they can also handle service development. When I began following the small and medium-size manufacturing companies that were trying to introduce services, at first they had difficulty letting go of their focus on the physical product. Their main goal was continued product sales, with service being an add-on. The possibility of seeing which services could be included and added to the product was neglected.

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As a rule, manufacturing companies rely on technically skilled product developers, who often start with the technical possibilities or their own perception of customers' needs. But to succeed with service innovations, the customer must be involved. The customer, who a manufacturing company often only encounters during the sales process and when problems arise, is an important player in the delivery of services and must therefore also be involved in the development process. This is something that many manufacturing companies lack experience of. These companies need to adopt new approaches, methods and thought processes.

At an early stage of the project we already convinced the companies to increase their customers' involvement. The companies visited the customers in their factories and discussed issues such as “how are you using our products, what are your customers asking for and how are your customers using your products?” This method offers great possibilities to involve the customers more in order to discover what their processes look like and how the services can be adapted to them. This situation was new to the companies, and they initially lacked the skill of systematically taking advantage of the possibilities. One of the companies worked in the recycling industry. The company selected specific customers to represent various areas where the product was being sold. The company visited the customers a number of times and on each occasion tried to gain a deeper understanding of how the customer was using the product and what problems arose. It turned out that many customers were insufficiently knowledgeable about the

laws and regulations governing the use of the products. The company then developed various training packages in order to disseminate knowledge and support the customers to repair the products themselves and to approve the repaired products. This was a success and the company has now developed an on-line training service. One lesson from this case is to examine the product's use and what the customer is doing with it. This results in new service innovations.

Developing solutions takes time

If providing add-on services is the initial stage of servitization, providing solution offerings is the mature stage. The solution offering is when products and services are integrated and create added value for the customer. Part of the task here is to support the customer in their value-creation processes, which means that the development of the solution offering must occur cooperatively between the company and the customer. The company thereby gains a lot of knowledge about what the customer does and can customise its offering. In turn, the customer can gain more knowledge about how the offering can be developed and adapted to its own processes.

In our study of the three manufacturing companies, we learned that as the complexity of the solution offering increases, so, too, does the time required until the offering is operational. One example of this is a company in the health-care sector. Its solution offering rests largely on the movement of hospital personnel and patient beds within the hospital. In order to learn about its customer's movement patterns, the company monitored a hospital department for a longer period of time. Among other things, the company observed and shadowed the personnel and implemented pilot projects. The aim was to be able to demonstrate what value the solution could offer and which alternative costs would disappear. This long-term but important work gave the company invaluable information about how it needed to design the solution so that it would suit the customer's processes. ■

My three most important tips about servitization are:

- Explore how the physical product is used. Exploit this information – it is the key to many new services.
- Involve the customer more in the development of (small) incremental service innovations compared with the development of (large) radical service innovations.
- When you are developing a solution offering, make sure that you work closely with the customer and let it take time. If the comprehensive solution is to support the customer's processes it must be thoroughly customised.

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Read her thesis: Understanding Solution Quality, which is available online (search to find it).