

**THE HONG KONG POLYTECHNIC UNIVERSITY
DEPARTMENT OF MANAGEMENT & MARKETING**

DEPARTMENTAL RESEARCH SEMINAR

"Perspectives on Value-creation Through Service"

By

**Prof. Bo Edvardsson
University of Karlstad, Sweden**

Date: Friday, 18 May 2007

Time: 10:30 a.m. - 12:00 noon

Venue: M802

All interested are welcome

Perspectives on Value-creation Through Service

ABSTRACT

Prof. Bo Edvardsson

University of Karlstad, Sweden

Companies are searching for new and better ways to create value and differentiate their market offerings in order to attract and keep customers, and make a profit. Many companies are at a cross-road where they try to stay competitive and create value through customer involvement in service development, favorable customer experiences and attractive values. The aim is to present and discuss value-creation through service.

Services are in time and space linked activities and interactions, provided as solutions to customer problems. The service logic is the core of value creation. Value-in-use is the basis for the assessment of service value. Value is created and assessed when services are used. A service experience is defined as a service process that creates the customer's cognitive, emotional, and behavioral responses, resulting in a mental mark, a memory.

Many service providers recognize the value created by providing unique or memorable customer experiences and emotions (for example Ritz Carlton and Singapore Air-lines). Value can also be created by involving customers in the co-creation and/or personalization of their experiences. Customers can be involved in the pre-experience testing of a service, like test driving a new car, allowing them to experience, at no risk, the nature of the service in order to enable them to assess not only the functional qualities, but also to experience the likely emotional qualities.

The role of the pre-purchase service experience is to help customers assess the quality and value of the service in context, thus facilitating assessment and decision-making by the customer. Customers can contribute in various ways in service development. A company should make it possible for their

customers to contribute. A company should know when and how customers are to be involved and on what conditions.

A new model is presented depicting how organizations can help customers test out and experience a service prior to purchase and consumption, or use. When customers buy a new car, for instance, they are allowed to test drive it to get the feel of it, for example its performance and handling. When customers wish to purchase services, such as holidays, home solutions, surgery, or even education, it can be more difficult to provide customers with a 'test drive'. In some service situations, service organizations can, and do, provide 'test drives', but it is suggested that such experiences take place in a simulated setting. I introduce the notion of hyperreality; the simulated reality of a service experience. I also introduce the concept of the 'experience room'; the place where the simulated experience takes place. Based on the existing literature, six dimensions of the experience room are suggested and apply these dimensions using one detailed example to demonstrate how organizations can co-create value with the customer, through hyperreality in a pre-service experience.

BIOGRAPHY

Professor Bo Edvardsson is professor of Business Administration and director of the Service Research Center (CTF) at the University of Karlstad, Sweden. He is on the editorial board for five scholarly journals and a co-chair of QUIS (Quality in Services Symposium). He is the editor of International Journal of Service Industry Management from 2005 and a fellow at Center for Service leadership at Arizona State University.

Bo is author or co-author of 15 books and has published 70 articles in scientific journals. His research focuses on Service quality, New service development, Dynamics in customer relationships and Value creation through service and customer experiences. Dr Edvardsson has active links with many private and public organizations through his research, management training and consultancy activities both in Sweden and abroad.