Lecture – 18
Customer Co-Creation of Services

Hello, I am Jayanta Chatterjee from IIT, Kanpur and we are discussing services management contemporary issues in today's world. And how the service philosophy is changing businesses all across and that will be a core topic for our entire set of sessions. But, in this particular session we will focus more deeply on this customer involvement in value creation or what we call Customer Co-Creation. So, in the past I would say maybe for the past 30, 40 years marketing as a concept or even organizational business strategies as a concept.

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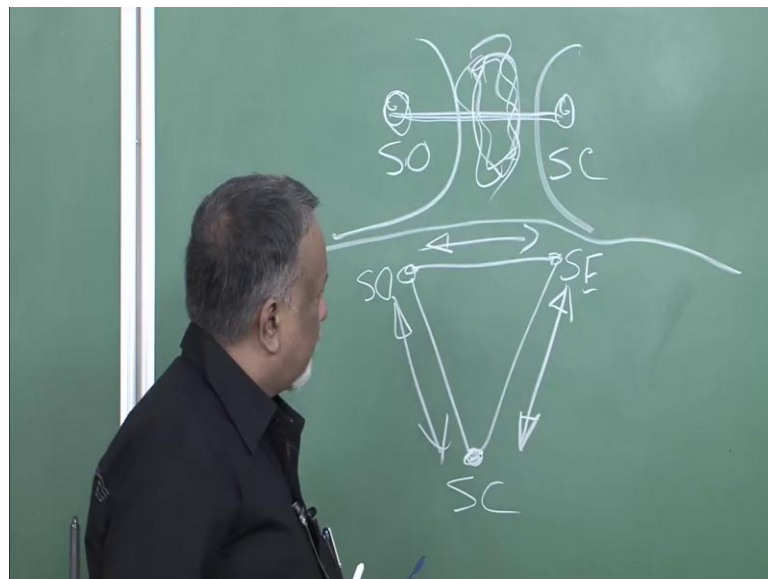
Dependent on what we call the service organization, I am at this moment using service organization. But, really all organizations looked at customers across some kind of a barrier or some kind of a place somewhat physical, somewhat virtual. And so service organization and service consumers were separated and the business was what we call market to the businesses, marketed to the consumer in between where distributors, dealers, stock and so on, in between there where system enhancers, system builders and so on.

But, these two entities remain distinctly separated and this side marketed to this side. The

paradigm is changing today to sort of a this diagram, this diagram I have shown once before, but I am going to explain it in greater detail today. Here, as you see you still have this service organization and service consumer, they are on this side, but we have now included service employees. In this diagram, as you will see service employees are almost separated from service consumers.

So, you had some define interaction, but you are not actually part of that employee shift, in this situation what we are looking at is that service organization, service employees, service consumers, they form a triangle and then interactive triangle. That means, service consumers can interact and can often actually alternate places with the service employees. As a result today we have new terminologies like say internal marketing and external marketing.

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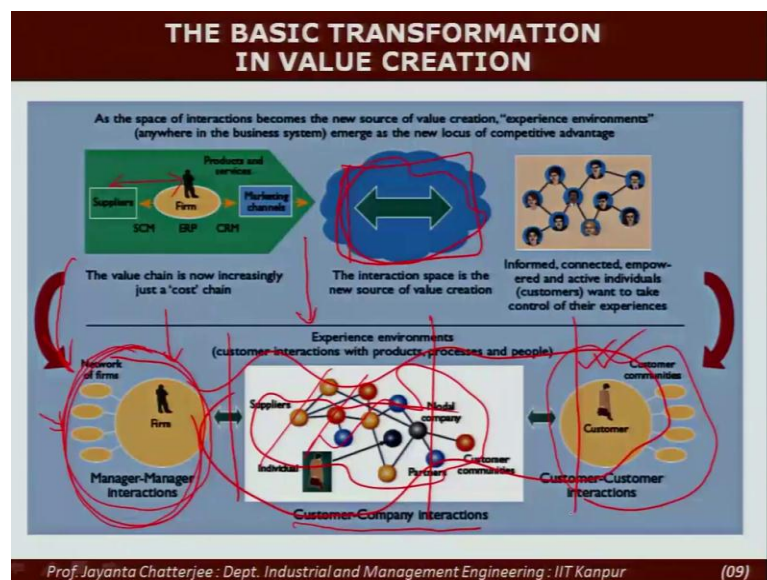
I will now move to this next slide inspired by professor C. K. Prahalad and Ramaswamy land mark work, that how in today's world value is getting created. So, we are no longer in this world, where organizations and consumers are separated, but as you see here that this diagram which is on top, where the old world is depicted, where in this middle is this the interaction space, on one side we have the organization with it supply chain and delivery chain and on the other side, we have the customers. This diagram is therefore, now getting change to the diagram here, this arrow.

So, we have here the organization, the firm and we are now looking at the organization is a network. So, even here there is not a supplier buyer relationship, we are looking at the

whole constellation as a network and we are looking at the customers also as a network. Because, now we realize and when Professor Prahalad and Ramaswamy did this work I think maybe 10, 12 years back at that time there was lot of far sight in this.

But, today with the rapid proliferation of social media and ubiquitousness of communication and information technology, this is an absolute reality. If you are unhappy with the service from a particular health care center or from a hotel or from a restaurant or your mobile phone service has created a problem for you by not explaining it is tariff mechanism. You will be on face book, you will be on different other platforms, voicing your concern, voicing your unhappiness and often it will rapidly spread even across the world which we say going viral.

So, customer is a network, the organizations are in a network, so we understand that now there is not much of a barrier. So, this boundary is defused, it is customer company interaction no long that takes place in a distinct space, it permits on both sides. So, customers provide input, even at the idea stage. Earlier, we did market research, took ideas from customer and brought it back. Now, customers often participate in real time in new product idea creation, we will see some interesting example say a little later.

So, this transition from the traditional to the new world of value co creation and those of who you are interested, please do read up I think most of the work from Prahalad and Ramaswamy are available on the net for free reading, please do read their work to understand this paradigm shift.

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CO-CREATION IS IMPORTANT BECAUSE IT IS:

➤ All about relationships: we stress the importance of focusing on the quality of the interactions between people rather than on technologies per se

➤ A learning process: we need to intertwine knowledge and processes in an overall co-creation framework, rather than just enabling co-creativity, if we want to achieve wider organizational impact.

➤ From 'Co-creation: New pathways to value, An overview', by Nick Coates, Research Director, Promise, 2009.

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The co-creation is very important, because it actually understands that now the relationships cannot be segregated, the relationships are actually quit connected. So, that is why there is so much of emphasize on who has how many connections, who has how many followers and how many people are you following. Because, that creates this tremendous power of communication through social media, that can change the meaning of a brand, that can change your marketing message. So, it is no longer that you do market research, come up with some ideas, tinker with some ideas, create a product and then introduce the product, get some feedback and then tinker with the product, no.

The whole thing happens now as a seamless back and forth process in almost real time and dynamically. So, new flavors can be introduced for ice cream or yogurt, almost in real time as you understand the customer reaction coming to you continuously. Customers participate that I did this and I mix this ice cream with this ice cream and it was wonderful and a new flavor is created. So, fusion is a new very popular world and it derives lot of strength from co creation and co creation is also a learning process, be in real time connection, organizations and customers can learn from each other.

So, I would also refer to this particular interesting research paper by Nick Coates 2009, Co creation New pathways to value, lot of more examples and process are described there and also the C. K Prahalad book that I refer to.

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So, main movements that are happening, that from passive buyers customers are becoming active agents, instead of organizations listening to customers and then doing

their own interpretation, you are now in a constant dialogue, customers are partners and each other's points are to be understood almost in real time. Experiences are to be shared and there has to be a continuous knowledge flow between the organization and the consumer and less reliance on interpreting experts.

So, with various kinds of big data analytic tools market research in many ways now are less dependent and market research exports. Managers can understand customers needs and opinions and reactions almost in real time through the system of gathering information, interpreting information and providing back knowledgeable feedback.

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So, Prahalad that actually configured this interesting acronym called dart, which is a pre recursive for successful customer involvement in co creation of value and to expend, it stands for dialogue, access and risk management and transparency.

So, dialogue is very clear that you are not actually now doing store forward messaging between the organization and the customer. So, it is not exactly as we showed here that you are not dependent on time lack communication with time lack, you are looking at communication almost in real time and therefore, from listening to customers we are moving to dialogue with the customers. So, that is the first important point what we call dialogue. Access, earlier customers in the access to what was going on between the organization and it is employees.

Now, this barrier is dissolved, the employees and the customer consumers can be in direct dialogue as can management being direct dialogue. So, knowledge that was earlier only available within the organization is now often put out for understanding and interpretation and commands from the customer. So, access to knowledge bidirectional, consumer as well as organization and expertise for interpretation, expertise for sharing experiences, construct new paradigm is an important element.

Risk management means; obviously, as more knowledge, more internal information will be shared there will be a sense of risk that whether confidential information, whether critical information will leak out, but we find that the transparency and the sharing of information, no doubt increases the risk. But, it also at the same time brings more responsibility and the customers mind. So, customers care for their serving organizations and that is a self management of confidentially in most cases.

So, and the whole our experience source that transparency is good, there is a amount of

risk that needs to be managed, need to calibrate it, you can have some customers with you can share a product at its beta stage software at its beta stage they are your core customers, privilege customers you do not need to do it with everybody. But companies like Microsoft has gained enormously by sharing the problems and they have been able to identify flowers and bugs in their software for more faster by sharing, by involving the lead users in the software development.

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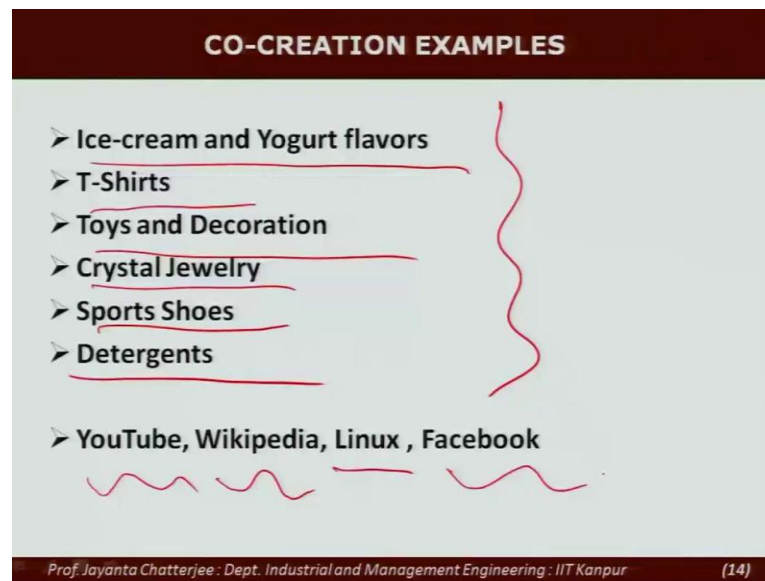
So, when we look at the examples; obviously, we have examples like new ice cream and yogurt flavors being created through this value co creation method, customers participated in value creation method. T-shirt design, toys and decoration, high price crystal jewelry, jewelry design, jewelers new, all alone that there where customers who were quite artistic and they advice the jeweler to create new designs.

Now, in many cases these designs with customers permission and sometimes sharing of some royalty with the customer this designs are use globally. So, this whole domain which is called crowd sourcing or often idea of source through competitions among customers or even customers and their employees or customers and their friends and so on. So, new design for sports shoes, detergents, so if you see these types of companies you will see many of their websites have active areas for crowd sourcing of ideas, for customers involvement in product ideas, customers involvement in product redesign or refinement and so on.

And of course, we cannot conclude a discussion on co creation without discussing the

enormous gains that have been made by come software companies, like Microsoft or Linux or creation of services, like YouTube, Wikipedia or face book. In fact, in this particular session or many of the session of this particular course as you enjoy it an YouTube and you participate in the forum and you share your experiences and you share your concerns and you put forward your questions and answers are given by your colleagues. In participating in this course, we are in the process of co creation of knowledge.

This is the new world, where a teacher is no longer, a sage on the stage, we are no longer preaching, we are interacting, we are sharing our knowledge and your bringing, your expertise and experience and in the process each such session for times to come, for days to come can be an enriched session. Because of this knowledge flow, because of this knowledge co creation through participation, think about it and you will understand the power of this new paradigm.

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I will conclude by showing to quick examples of the work done by our students at IIT, Kanpur. This first group of students who were working on the so call project of treasure from trash, you will looking at how waste material of different types can be reused and put to productive area.

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So, this particular group they worked on electronic waste, one of the most troublesome waste types of modern world. And I am not going through the whole presentation how they did it, but the interesting idea is that this group of students they created, the leader was Vivek and they created a service which can be an additional source of income for rack pickers, people who are at the lowest strata of the economic premed.

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And they can take this electronic waste which they collect and this group of students particularly Vivek develop simple machines by which our rag pickers kabaliwalahs pickers can develop this beautiful jewelry using electronic waste parts of printed circuit boards or electronic components through in away garbage bin. Wonderful, look at this

frame it will cross something like they with the machines they had developed they calculated that maybe a frame like this can be produce by those simple set of machines in about 10 minutes. The production cost will be 15 rupees and they did check with the market that it can easily be resold at least and 150 rupees.

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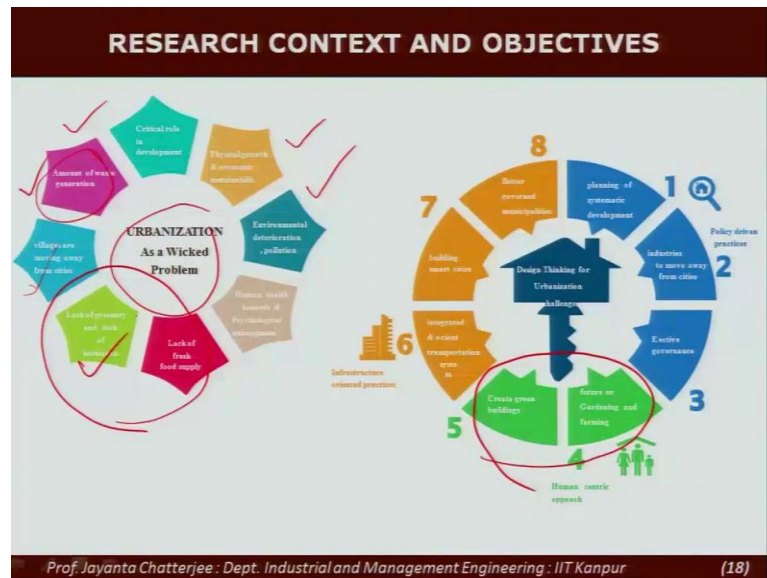
So, this is an example of wonderful ideas created through the co creation methodology by involving the rack pickers and creating beautiful product reassignment. Another small example as a last one, this is a group of students recently use was one of my students there, they looked at urbanization and the many problems thrown up by rapid urbanization in India, like villages are moving away and away from cities, huge amount of waste generated, but they focused on this thing that lack of greenery and lack of horizontal surface for gardening and lack of fresh fruit, flowers, vegetables in cities.

And the decided to look at this area of urban, vertical gardens using the vertical surface of tall high rise buildings to grow vegetables, flowers and beautiful green tower which is productive as well as very good for mental health of citizens.
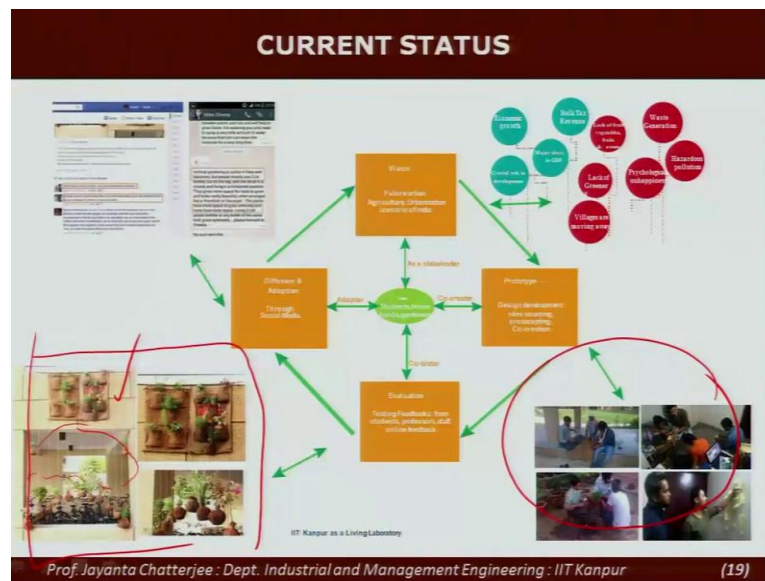
Now, to do this Piyush actually interacted with gardeners, interacted with other students and created a new service which can be provided by a new generation of gardeners who will have that competency and that training to create an horizontal surfaces, tall horizontal surfaces of buildings, beautiful gardens using almost waste material. If you can see here, they have used coconut husks, they have used material drawn from a palm tree barks which usually falls down at the base of the tree after some time.

The used thrown away jute sacks and converted the whole thing in to a hanging garden, they adopted the Japanese hanging garden design integrated that with this and understand the this was done in a way involving the customer number of residents of our campuses co creator involving the gardeners who will become now a higher level service provider in an urban citing, who will actually supply you all the gardening not only the plants. But, all the implements that will allow you to develop that hobby and convert the barren vertical surface of your high rise building in to a garden growing flowers, vegetables for productive consumption.

Power of cloud sourcing of ideas and co creation by involving customer and they are associates in the process and creating new service possibilities, new service entrepreneurs we believe that some of these gardeners will to become tomorrow and entrepreneur rather than an employee. And over time we will see many such new ideas taking shape becoming reality through the power of co creation and crowd sourcing of idea is and participatory immerse implementation.

Thank you.