Co-Creation of Value and the Value Stack

The Value Stack

Value is an abstract concept specific to the needs of the individual perceiving it. Value realization has to do with meeting expectations based on capability (does it do what I need it to?) and effort (how hard is it for me to do?). High value is realized when we can do more than we expected or accomplish what we expected to with less effort than anticipated.

While we can strive to create services that provide value to our customers, ultimately the customer determines what is valuable. Inevitably the customer must play a key role in high value services.

As organizations differentiate by designing high-value services, a few critical dependencies emerge. The Consortium for Service Innovation has developed a model called "The Value Stack" to highlight these dependencies.

At the base of the Value Stack are the break/fix activities. These are the basic reactive support activities of resolving customer issues. While it is important that we resolve issues quickly, it is not a high-value activity. Customers expect us to be very good at responding to their requests for help.

As we move up the Value Stack, our activities move from reactive to predictive and preemptive. Rather than waiting for customers to request help with issues, we are telling customers about things that will help them avoid (or minimize the impact of) issues they are likely to encounter. We have to pay attention to who the customer is and what they are trying to do. We have to have sophisticated monitoring and analysis tools in order to develop predictive capabilities.

The move from predictive and preemptive support to customer success and productivity requires a shift in focus from our services to understanding the customer's business and strategy and their definition of success.

The greatest value comes when we focus on helping our customers support the success and productivity of their customers.

As the value of the service increases, we see an increasing dependence on four key enabling factors:

Know-Me Factor:
The degree to which we know our customers as individuals and as a business.
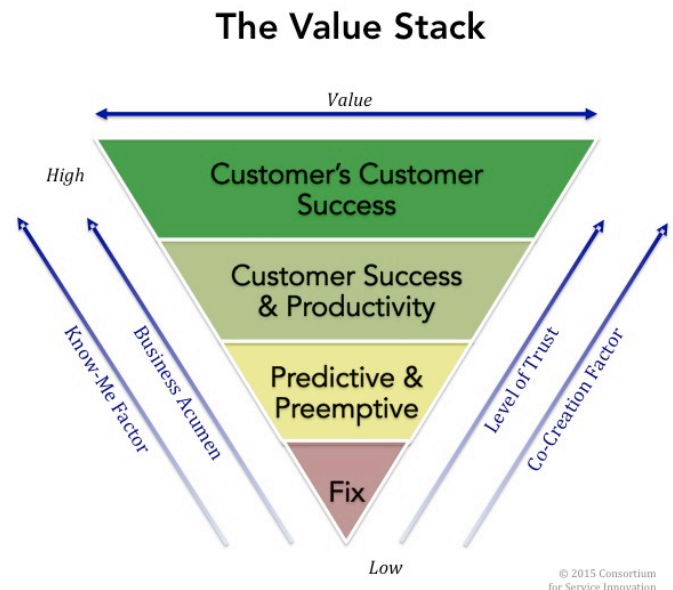
Business Acumen:
We have to have an understanding of the customer's business and the functions within their business in order for us to help them be successful.

Level of Trust:
High value services require that we know a lot about the customer, what are they trying to accomplish, and how our services fit in their environment. In order for customers to share relevant information, they have to trust that we will hold that information in confidence and use it in ways that benefit them. If customers don't believe we have their best interests in mind, they will not share the information we need to align our activities to better serve them. Also, in order for customers to see us as trusted allies in the business functions they depend on for success, they must trust that we have a deep understanding of those business functions.

Co-Creation Factor:
Unlike a product-based business, where the value is largely inherent in the product, value realization from services requires a high level of participation from the customer. The customer has to 1) agree that this service is of value, and 2) take the necessary action or provide the necessary information to enable the service. Value realization is dependent on their participation. The co-creation of value factor dictates that customers should participate in the design of the services: "If it's about us, don't do it without us."

We'll explore these topics and more at the Consortium's Annual Executive Summit happening in Chatham, MA, September 30-October 2, 2015. Contact [Greg Oxton](#) for an invitation.