


Service Dominant Logic and asymetrics information

In previous lessons

- ▶ Asymmetric information
 - ▶ Information gap
 - ▶ Filling the information gap
 - ▶ Role of IT in filling the gap
 - ▶ Role of government on information market
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Knowledge we need more

- ▶ Service System
- ▶ Elements of service system
 - Client
 - Provider
 - Target
- ▶ Consequences and relations

Service system

▣ Provider

- ▣ Individual

- ▣ Organization

- ▣ Any of previous combined with the technology and/or piece of environment

- ▣ Technology that provider is responsible for

▣ Client

- ▣ Individual

- ▣ Organization

- ▣ Any of previous combined with the technology and/or piece of environment

- ▣ Portion of reality owned by Client

▣ Target

- ▣ The reality to be transformed or operated on by Provider for sake of Client

- ▣ People, dimensions of business

- ▣ Dimensions of products, technology artefacts & environment

- ▣ Information, codified knowledge

Client – Provider Relationship

- Information Sharing
- Knowledge Sharing
- Negotiations
- Balancing and establishing Value Proposition
- Repetitive reviewing of previous items
- In Mention Mode

Client – Target connection

- Client owns the Target
- Client owns rights to use and/or manipulate the Target
- Client has (owns) problem
 - Client recognizes a problem on the Target
 - Client is willing to invest to the problem solution
- The solution involves an operating and/or transformation of the Target
- Relation is in Use mode

Provider – Target Connection

- Kind of competence
- Provider knows and is able to operate on the Target
- Provider knows how and is able to transform the Target
- Provider understands the Target and is able to plan operation on transformation of it
- Provider improves in a way the Target for its better utilization by the Client (benefit for the Client)

Mentioning and Using

☞ Mentioning

- ☞ To think about future actions

- ☞ What / how / who / where / when / why / for how much

- ☞ Negotiation between client and provider

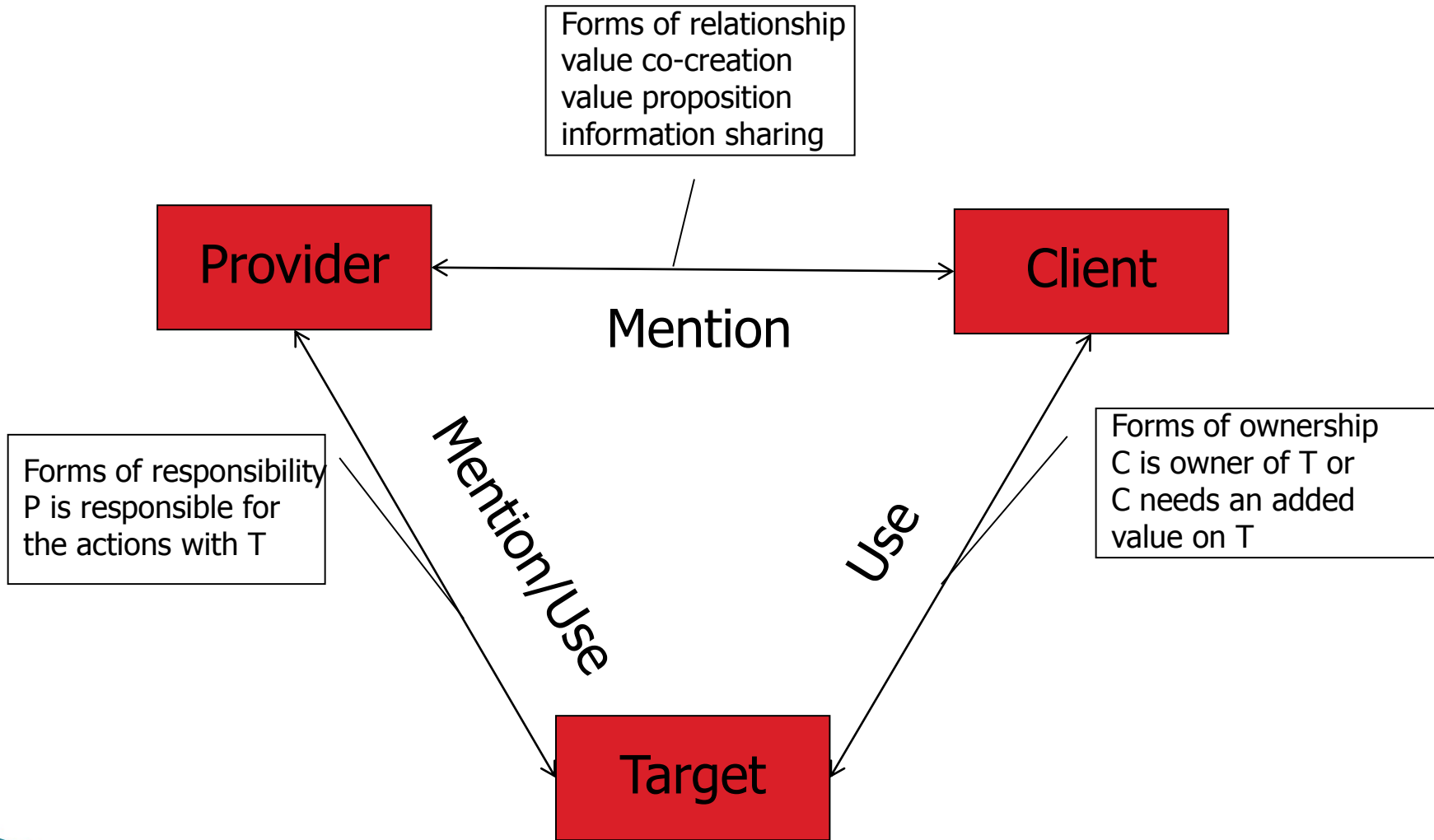
☞ Using

- ☞ Use our capabilities to do some action to **bring a value**

- ☞ Duality between mentioning and using

- ☞ Project management


Mention – Use



Problem of moral hazard

- ❏ a tendency to take undue risks because the costs are not borne by the party taking the risk
- ❏ The customer is able to affect an event he is insured against, but the seller has no power to monitor or affect this event.
 - ❏ ERP supplier has limited information about customers IT security
 - ❏ Provider has limited information about the basement of the real client's problem
- ❏ Double moral hazard
 - Client does not know if the provider is able to operate on the particular target


Double moral hazard

- ▶ Illusion of value proposition
 - ▶ Provider is not able to see the basis of target
 - ▶ Client is not able to see the benefits of the cooperation
 - ▶ Both are motivated to share information and knowledge
 - ▶ Value proposition can not be set up
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Example

- ▶ The company needs information system to support its core business
- ▶ The company has serious problems with
 - communication with customers
- ▶ But also hidden problems
 - publishing information
 - time spent on one particular business case is too long – mostly caused by bad communication inside the company


IT company

- ▶ Offers a big customised ERP system together with CMS system
 - CMS system has connection to Social Networks
 - ▶ The problem to solve is the communication
 - ▶ But it is not a part of the problem
 - ▶ IT company needs to find its paths through particular targets – to analyse the situation if the client
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Value

- ▶ Value proposition is hidden
 - is hidden by the hill
- ▶ Hierarchy of barriers hiding the target
 - have to be overcome step by step
 - leads to process of value estimation
- ▶ **Value can not be proposed**
- ▶ **It can be only estimated**
 - is used to find value proposition
 - there is not a target, only target area
 - target area is the space of all sub-targets, corresponding with particular value estimation

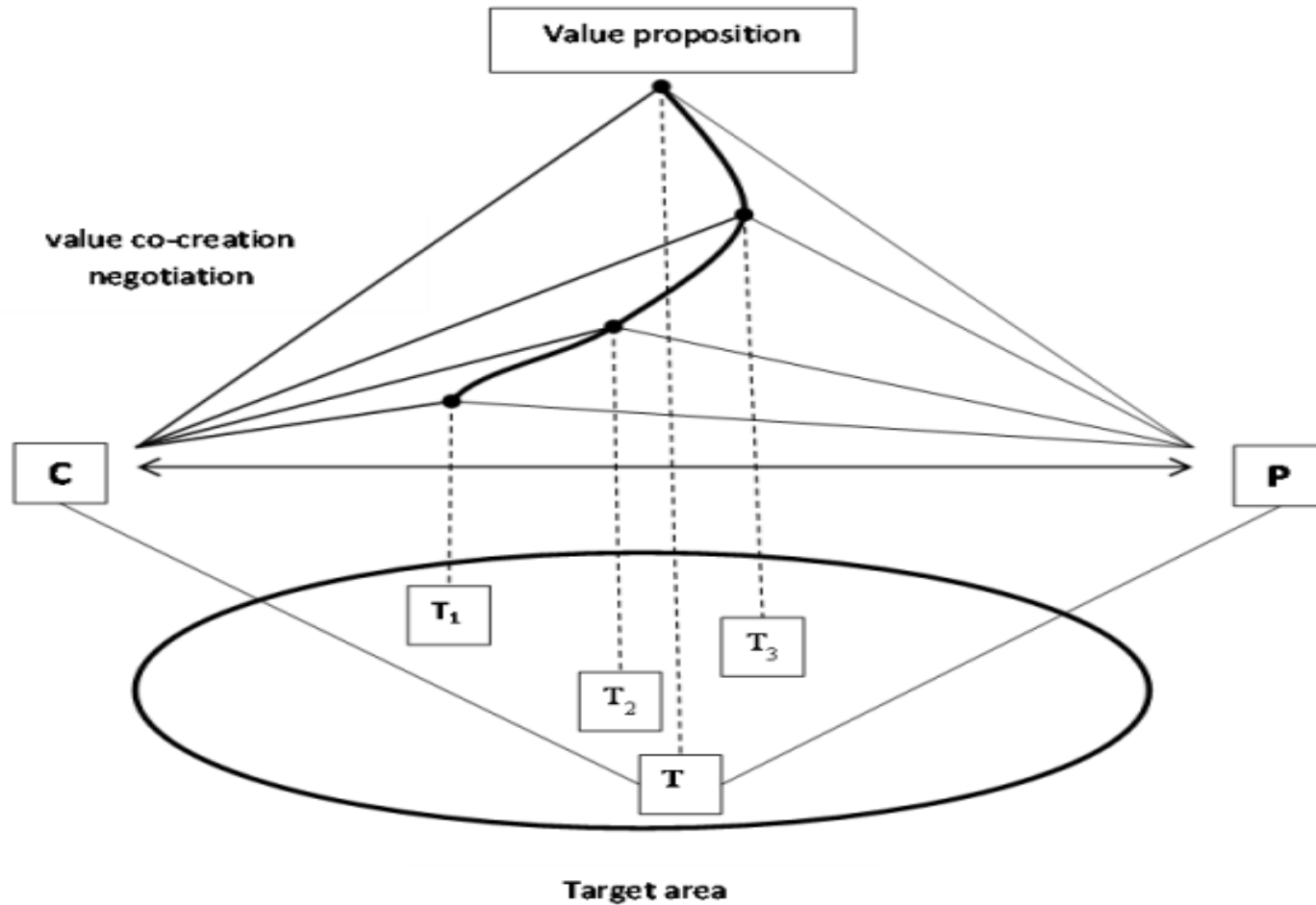
Value estimation

- ▶ modified by the value co-creation process
 - ▶ motivated by the decreasing of the level of information asymmetry of both parties
 - ▶ the process is about particularize of value estimations
 - ▶ till the moment of founding the value proposition
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Value proposition

- ▶ **can be found in the moment client and provider can see the target**
 - share the same point of view
 - both can see the utility level
 - and share as well
- ▶ **both partners agree with concrete mutual criteria of success**
 - variables to test
 - no of customers
 - profitability
 - target values
 - number of customers rise of 30%
 - profitability rises more than 10%

Value proposition



Costs of value estimation

- ▶ must be shared and paid
 - problem is complex
 - must be understood and explored
- ▶ provider must be paid for using his sources to do it
- ▶ **Client is paying for the analysis of the target area**

Conclusion

- ▶ Information asymmetry and its role in service system
 - ▶ Value estimation
 - ▶ Target area
 - ▶ Negotiation and information sharing
 - Leads to target finding
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