

# Service Co-Creation Activity in Health Industry

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## Abstract

Many people suffer from chronic disease. The number of patients is likely to rise if the risks that associate with chronic diseases, such as lifestyle, exercise, smoking, and diet, are not addressed. Healthcare expenditure is increasing dramatically as a result of aging population and high incidence of chronic disease. Helping each individual take the responsibility for self health is important in the control of chronic diseases. This study focuses on the service innovation in wellness centers which initiate new services for chronic condition control based on the service co-creation activity with customers to enhance their participation in disease prevention. The study also presents a practical model of how the wellness centers create new services in enterprise level. Its result indicates that due to the health information asymmetry the progress of service co-creation in health industry is slow. Service providers need to create database and collect customer experiences and needs to form a knowledge base. New services are created by value creation activities when understanding more about customers' expectations. Relying on the customer management information, service providers launch new mode of service and then establish new business units to create new value for their businesses and customers.

**Keywords:** *Service Co-Creation, value creation, Health industry, Health promotion*

**Paper type:** Research Paper.

## **Introduction**

Aging population and the change of lifestyle have made chronic disease an important factor affecting people's health. Financial burdens of chronic disease care increase dramatically thereof. Trying to curb the increase of financial burden in health care becomes a mission impossible for many governments. In the past patients stood in the passive role and uncomplaining receivers ( Morris and O'Neill, 2006 ). They accepted the medical regime without debate. In order to help manage the chronic disease more effectively, patients should be given more responsibility. On the other hand, the wellness center is required to establish a new position, here we call it "advisor", to instruct patients the skills they need for self care, reversing the role of healthcare receivers from simply the recipients to activist in self care plan. The advisor has long-term observation on customer needs. The developments of public health focus on health promotion and enabling individual to have good life. Service receivers need more information about what to do or how to take care of themselves after health examination. This paper describes how the advisors are derived by co-creating with customers and form a new service unit.

## **The changing role of the wellness center and healthcare receiver**

Wellness center is an institute that provides health examination for customers. In Taiwan, the National Health Insurance does not cover the payment scheme of wellness center. The wellness center could be a subsidiary unit of hospital or operated by independent shareholders. Service packages launched by the wellness center include health examination items like physical examination, laboratory test, CT, MRI, etc. In the past the wellness center encourages their customers to receive health examination regularly. However, after the examination there are no continuous tracking for abnormal cases. Customers are on their own to follow their abnormal health data. At the same time, most people do not do anything even though their health condition reports show chronic disease symptom. Most of the abnormal data translate into the beginning stage of chronic disease like hyperglycemia, hypertension and so on. Proper instruction and monitor are helpful in chronic disease prevention and health promotion.

Consumers typically have little influence on value created until the point of exchange that service or product is transferred to the consumers. In recent years, knowledgeable consumers can make more informed decisions and participate in the service design

and delivery process. What customers need is not only to understand their health but also to shoulder the responsibility of taking care of themselves. They no longer play a passive role in their healthcare. Healthcare providers invite clients to participate in their personalized care program planning and ask their compliance. Designing a good service model that leads customers to take care of themselves is in the wellness center's interest. Customer can be active during the service design process and make their needs be met.

## **Service co-creation design**

In the past decades, the consumer's role has changed from passive to active, from being isolated to participate. During the service design process, users are placed at the center of plan. Customer's insight is an integral part of service design. The dialog with customer is pivotal to the co-creation approach (Prahalad and Ramaswamy, 2004). Besides, understanding more about users' latent needs and emotions is the first step to business success. By realizing more of the customers' needs and wants, service providers are able to deliver proper service.

Service co-creation can facilitate the communication between users and providers and reduce the risk of launch failure. These co-creation processes include participants and advisors turning their perceptions, latent desires, and expectations into a source of service development.

The service delivery and outcome make the participants feel that the co-creation solution could happen (Cottam and Leadbeater, 2004). Service providers have to learn to work in new ways and to relinquish the control power within the system. Good design makes service useful and desirable. The process has to connect people and organization continuously and repeatedly.

## **Co-creating in practice**

Prahalad, *et al*( 2004 )had mentioned that creating value with customers is the way for gaining competitiveness. The concept of value is integral relationships between service provider and receiver (Ulaga, 2001). Consumers could be a part of the value creation. Customers are actively co-creating and re-creating value with suppliers (Ramirez, 1999). The interdependence degree and the interaction over time determine the feasibility of value co-creation (Figure 1).

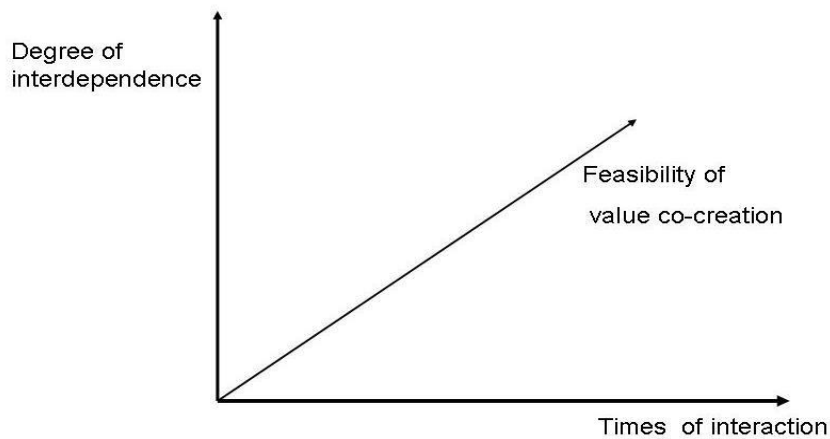


Figure 1 The feasibility of value co-creation

Ueda and Takenaka (2007) mention the co-creation engineering is considered to dissolve the service design problem. Their study proposes three service categorization; include providing service model, adaptive service model, and co-creative service model. These models consider the relationships among service providers, service receivers, and service environments. In the service co-creative model, the provider and receiver cannot separate each other (Figure 2). In the model the service environments have important impact on the service delivery (Ueda and Takenaka, 2007). The participation of provider and receiver generates and co-creates the value of service.

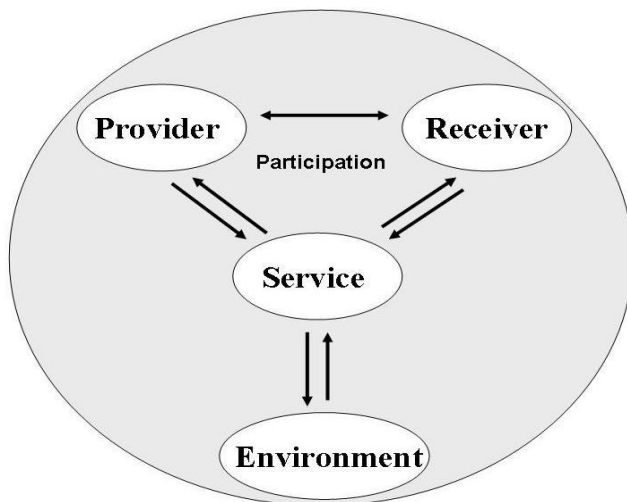


Figure 2 Service co-creative model ( adopted from Ueda and Takenaka 2007 )

The co-creation concepts are implemented in different industries and healthcare fields

as well. The co-creating approach is being tested in practice that is related to chronic disease management and successful aging (Cottam and Leadbeater, 2004). For the chronic disease, the co-creation approach helps the service design center more the users' healthy lifestyles. For example, RED unit perform co-creating service for diabetes cases in Bolton (Cottam and Leadbeater, 2004). The co-creation process entailed diabetes' patients to learn preventive principles. This diabetes management project reduced the cases that need amputation.

## **The purpose and method**

This research tries to explore how the new service implementation in wellness centers creates from customer understanding and observation. The objective of new service is about how to enhance the customers' responsibility to care for themselves and set up a new department for new services. The target users are the clients who had done health examination in wellness centers. In this study mention a case that is a private owned wellness center and established almost 20 years ago in Taiwan. During the research period, this study use depth interview with chief manager, marketing manager, and two users to collect ideas and the process about the service co-creation.

## **A description of the service concept change: from generalize to personalize**

The wellness center is a service provider that helps people understand more about their health. This kind of wellness services provides health examination and consulting for customers. This industry is very competitive. In order to maintain the long-term relationship with customers, providers keep contact with customers and follow their health conditions. If the customers need further conclusive evidence, the wellness center can help them seek second opinion from experts. The economic logic for the wellness service is to buy equipment and provide examination service as efficiently as possible, and to sell the exam package at competitiveness price. The customers buy exam packages from own pocket. In some cases the enterprises buy health exams for high-level managers. Since the launch of service by the wellness center, its service model has changed. In the beginning stage, the service is generalization to cover the customers' needs in order to expand market share. In the second stage, new providers come to the market. The service design has to compete with competitors. The research case has to keep contact with customers to maintain the relationships. In the third stage, the research case creates new business unit to deliver personalization services. The service model came out from the continuous relationship with customers and co-creates the value to meet customers' need.

## **1. Generalization stage**

The service models are changed according to the concept change about the health prevention and the depth of interaction between provider and receiver. There is new market segment that was willing to pay for their health exam. In the early stage of the service launch the provider provide wellness exam to customers and the receivers provide the information about their health problem. In this segment the customer buy high quality health exam services and can make an appointment as they accessibly. The relationship between provider and receiver are independently. The moment of truth is the time that service provider contact with customers for health examination. At this time provider explain the exam purpose and process completely to receiver. After examination health data and results send to customer by mail. Service provider is passive to answer the customers' question. Most of the cases that do not actively call back to service providers have no further follow up after sales. The service content is generalization and limited in some packages in this stage.

## **2. Competition stage**

In second stage the service environment is changed and new competitors like hospital owned or new established wellness center start to provide the high quality services also. New competitors enter the market and the rivals of the wellness service increase. New competitors drive the wellness center to face customers need and to create new value for customers to strengthen competitiveness. The value creation is between the service itself and the environment that compare with competitors. In this stage the service content is increase and customers have more choices to satisfy their need. Service providers make customer more options on services than before. Besides in order to keep consumers' loyalty service providers adopt to contact with customers after sales and provide health education, and information to solve their dubious interpretation. During this stage the service value is generated from the environment and competitors. The competitive environments bring about many operation and management pressures in wellness center. From the manager's point of view the service deliver has to adapt the environment change to design and provide proper services for their customers. To collect customers' frequent ask questions should aggrandized the service design process. This second stage is the triggers making service transform from generalize to personalize.

## **3. Personalization stage**

According to the competition the wellness center pay more attention to the customers need and design more health exam packages to satisfy. The connection between provider and customer become very intimate. Maintaining the customers relationships

are the key issue for the service to get more profit. In this stage the service provider involve the customer health need satisfying and provide them health advisory to make them feel comfortable on their health status. The wellness center manager arranges senior nurse staff contact with customers providing health advisory service. Advisory staff teach customer how to care themselves in everyday life. After communicate with customers senior nurse understand the cases' health data and endeavor to get their lifestyle pattern. The self care plan base on the lifestyle pattern and provide personalized advisory such as the diet intake and exercise scheme. Keeping connection with customers make them feel comfortable. Senior staffs make customers understand more about what they can do to care their health. Customers can take the responsibility to care themselves because they know how to do prevention in daily life when find some chronic disease symptom in health examination. The feedbacks from customers are positive when they receive health advisory services.

To gather more customers' needs is important information for service improvement. Base on the customers' needs collection the new service dimension was established to help people closely to manage their health when finish health exam. After the pilot scheme the health advisory services are not free of charge now. The customers buy a membership to receive health advisory and management program. The cost is about USD\$ 8000 per year per person. The service is a brand-new idea in the healthcare industry in Taiwan. The service team includes a specially designed staff, health advisor, to coordinate the member's need and other services (Figure 3). Due to the members growth there is a new business unit set up for concentrated in health adviser and arrangement.

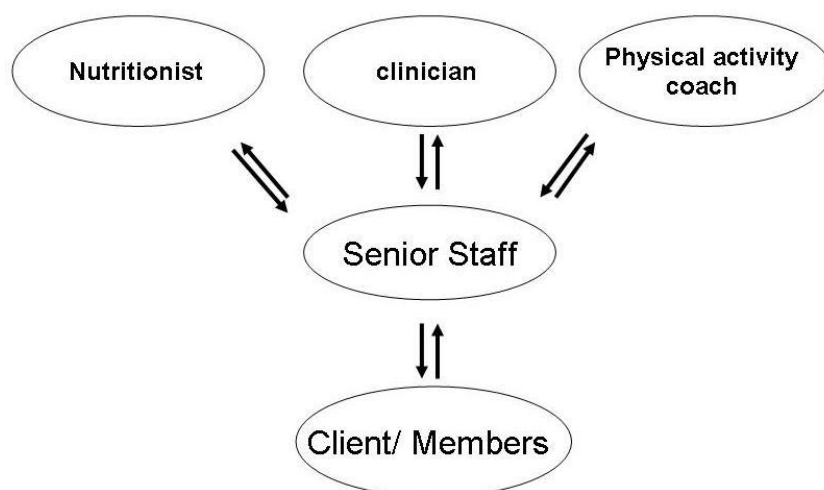


Figure 3 The service coordination by senior staff

## **Some consideration on the service co-creation in healthcare industry**

The new business unit operated for eighteen months and provided holistic health services for members. All of the members are introduced from the wellness center. People apply for membership and pay for themselves. The health advisory service was created by the service provider and customers. When the competition pressure increases the wellness centers have to find new ways to retain customers. However what kind of services can satisfy customers are the task that provider has to figure out. For co-create services trust established is the first step. In healthcare industry trust is the key factor making the relationship between service provider and receiver sustained. In this case the wellness center keeps connection with customer and use specific coordinator to arrange the customers' need. Each of members has his/her own health coordinator. The health information comes from single person who can be trust. The care plans are easier to implement and members do not feel interference.

To dig out the customers' need base on the trust relationship. The service coordinator discusses with members to figure out the real service value they want. Then the service design is a critical processes that combination of knowledge and expertise to fulfil the members' expectation. A repeat process help service design to satisfy needs that is to collect members' feedback and to refine the service process. This co-creation process ensures the service more 'user-friendly'. The platform like ICT is the usable tools making the customers' needs collection in well organized.

## **Future developments**

Health prevention and promotion is not new in healthcare domain. However to execute the health promotion is not easy for individual. Lack of knowledge to proper self care is the barrier to perform good health promotion. In this study the wellness center uses their experiences and expertises to create new service for their customers and finally make customers buy new services. Customers now are willing to pay the health consultant and management services that deem free of charge to be nature and right before. The impacts not only the new service business comes into existence but also the customers change their value about health services. Good inter-relationship between users, workers and professionals contributed to co-create effectively. In the future the service co-create in healthcare industry would be emerge to fulfil customers' need. The financial impact when cases do continuous health management activities are worthy to keep track of.



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