

# COVID-19 and service value chains: Recovery and reconfiguration

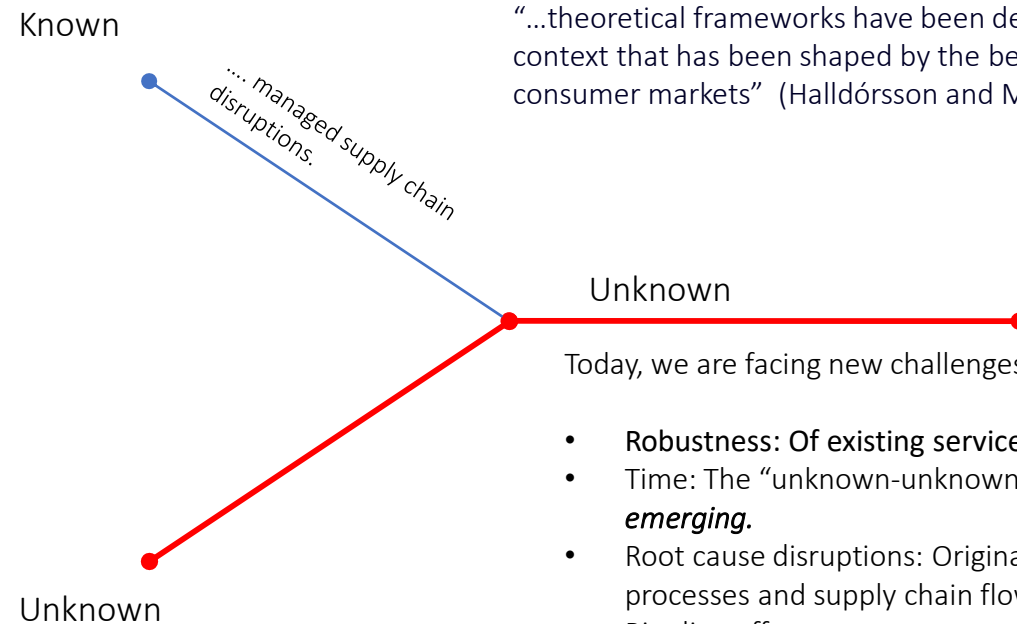
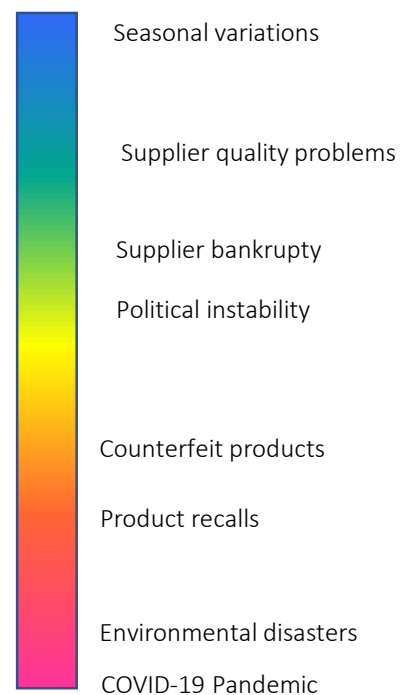
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# My approach and building blocks

- Key task: To sustain supply
- Service value chains (or supply chains), including:
  - Pure service sectors
  - Logistics services
  - Manufacturers that offer (aftermarket) services and solutions to their customers
- Impact (consequence) – recovery (immediate response) – re-configuration of and through:
  - Services
  - Value chains

# COVID-19 as an “unknown-unknown” supply chain (or value chain) disruption



Many frameworks and value chains build on ‘knowns’ and ‘known-unknowns’:

“...theoretical frameworks have been developed to inform decision-making in an industrial context that has been shaped by the belief in a trend for steady growth in a large number of consumer markets” (Halldórsson and Macbeth (2011))

Today, we are facing new challenges:

- **Robustness:** Of existing services and their value chains *varies*
- **Time:** The “unknown-unknowns” can be explained in terms of passing of time: *immediate vs. emerging*.
- **Root cause disruptions:** Originate outside the value chain but have an immediate impact on processes and supply chain flow.
- **Rippling effects:**
  - a) COVID-19 -> political tensions -> flow in global supply chains
  - b) “domino effect” in the value chain (originate at the supplier or customer end).

Background material: Halldórsson, Á. And Macbeth, Douglas (2011): “From core triggers and contributory factors towards generative mechanisms: The unknown unknowns of supply chain disruptions”. Presented at the Logistics Research Network conference, September 8<sup>th</sup> 2011, Southampton, UK.

# Service value chains differ, and so does the potential impact

## Focal service value chain actor

Traditional Service sector....

Traditional manufacturing -  
> servitization

Recent, often purely digitalized service offerings

## Growth pathway pre-COVID-19

....*growing* fast, getting *bigger*

Servitization of manufacturing  
(product-service offerings)

New types of services  
(Netflix, In-car deliveries, etc.).

## Emerging COVID-19 implications

The impact on service-based sectors varies heavily.

- **Services that are produced and consumed simultaneously in the exchange process between provider and customer**, such as travel, hotels, and restaurants, are heavily affected, especially by fallen demand. Some efforts to reach customers through new logistics solutions that accommodate 'social distancing'.
- Sectors such as energy, construction, and waste collection are to some extent "**local**" with respect to capacity, materials and other resources. Some impact, but not as abruptive as in other service sectors.
- **Local logistics** services such as home-deliveries have increased in importance.
- **After-market services** becoming more important in some sectors.
- Demand for **digital services** such as entertainment and communication increases, at least in short-term. '