BACHELOR of ECONOMICS
International Program

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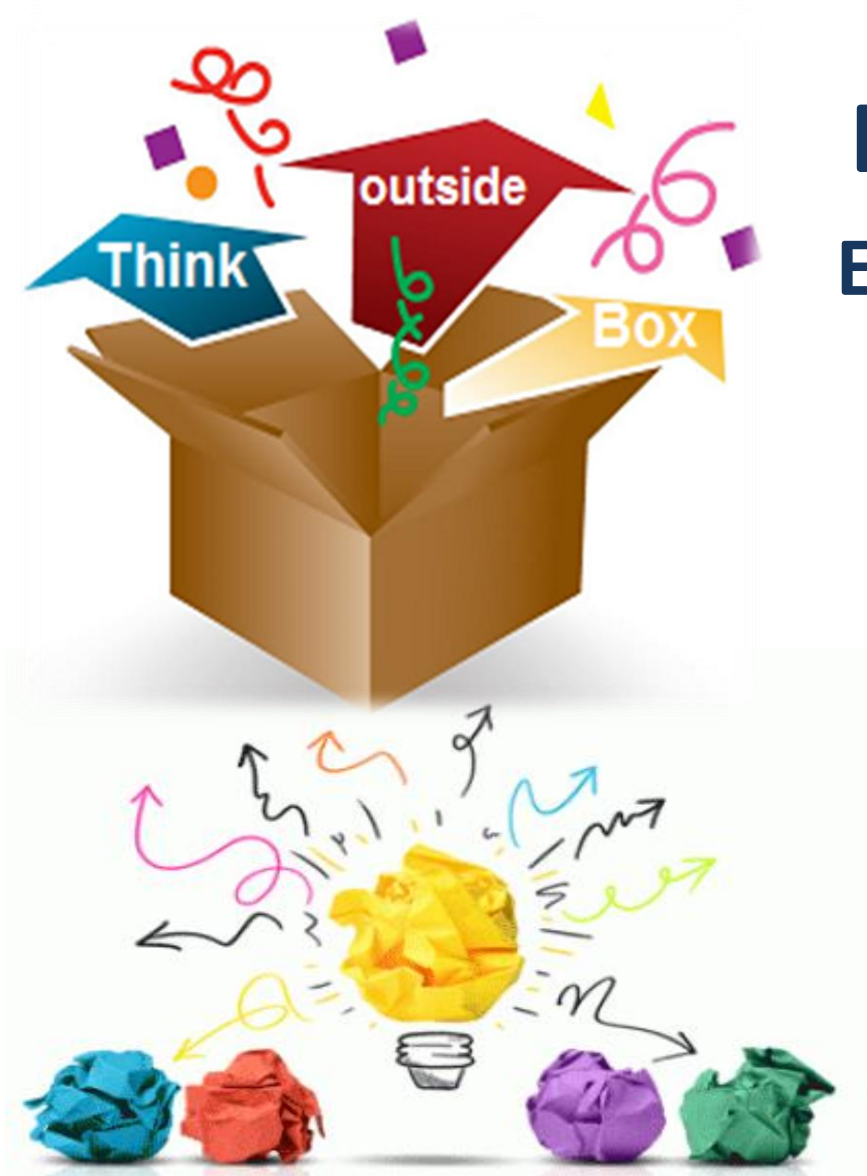


EE 366

Economics of Services Sector

Service Innovation

1 Services Innovation Categories

Overview of the categorization of service innovation

	Degree of change	Type of change	Newness Means	Means of provision
Main categories	**Radical, incremental**	**Product, process**	**New to the market, new to the firm**	**Technology, organization**
Explanation	**A service innovation is based on new core characteristics or improvements to existing core characteristics.**	**A service innovation is based on changes in the core characteristics related to the output or service provision.**	**A service innovation that has not been provided by competitors or is a new service for the specific service provider.**	**A service innovation is provided in a new way through technology or new organizational arrangements.**
Core references	Gallouj and Weinstein (1997)	Pearson (1997) Mansury and	Mansury and Love (2008)	Van der Aa and Elfring (2002)

Source: Synder et al. (2016)

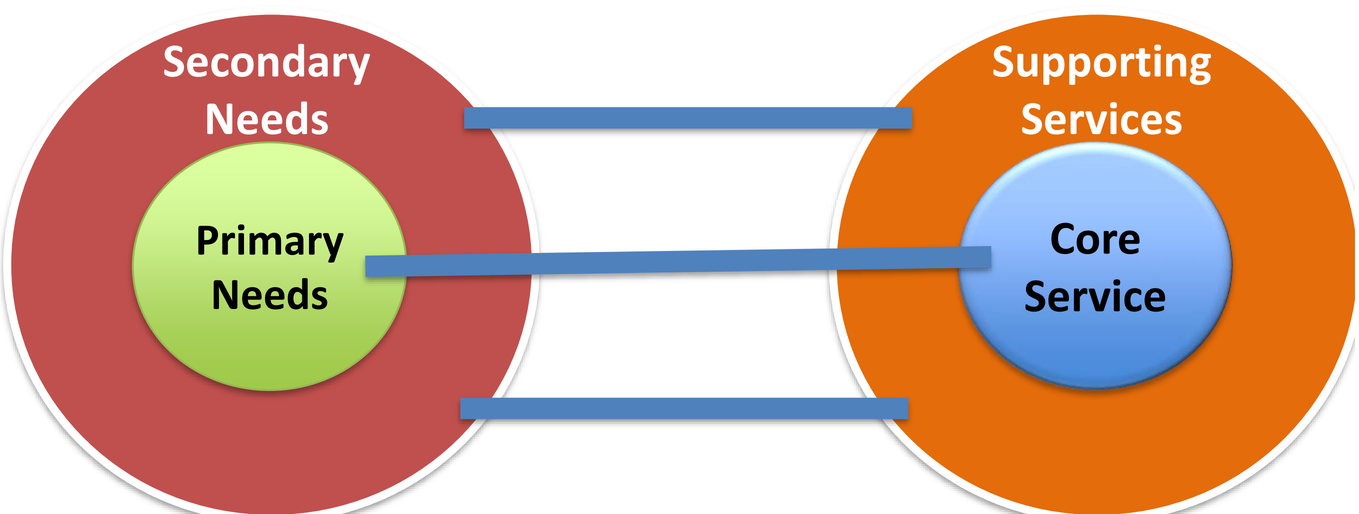
2 Service Innovation Model

- ✓ Service development includes the whole process from idea generation to the market introduction of a new service
- ✓ Three concepts: 1. Service concept, 2. Service process and 3. Service-system & resource-structure

1 Service Concept

A. Customer Need

B. Design of the Offer



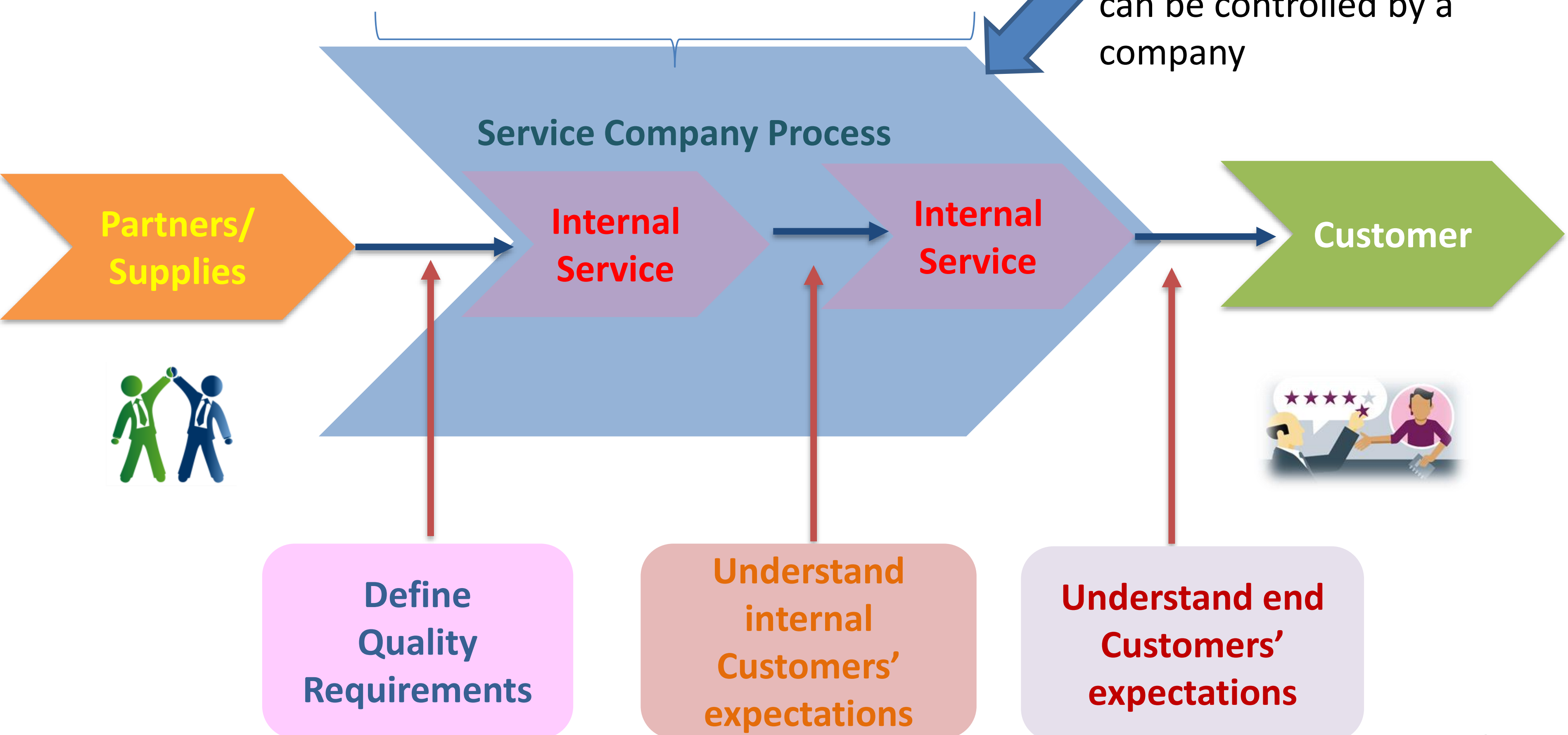
Source: Edvardsson and Olsson (1996)

2 Service Innovation Model (Cont.)

2 Service Process

- ➢ **The service process partly consists of activities at partners' and customers' premises**

Only Internal service process can be controlled by a company



Source: Edvardsson and Olsson (1996)

Service Innovation Model (Cont.)

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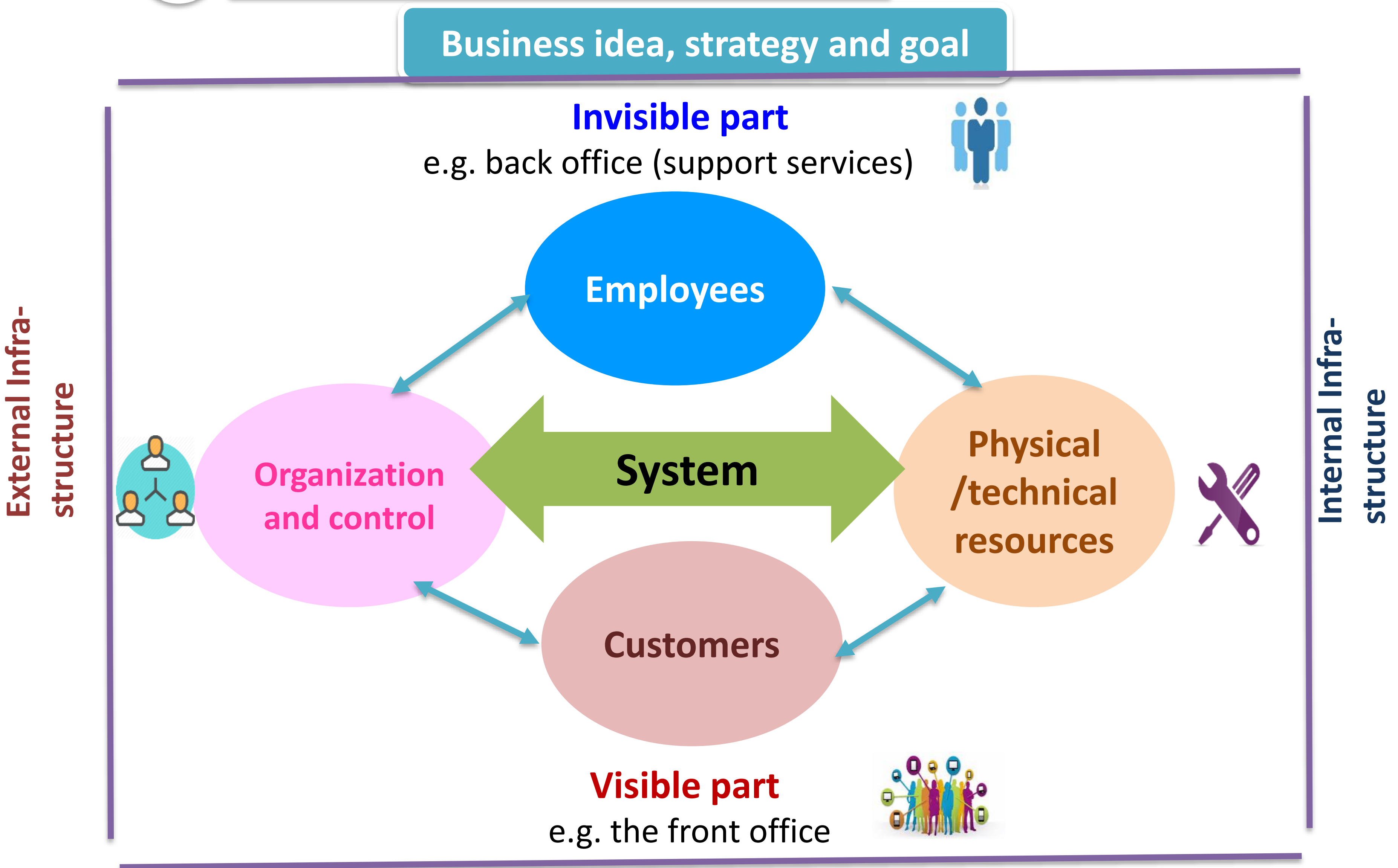
3 Service System & resource structure

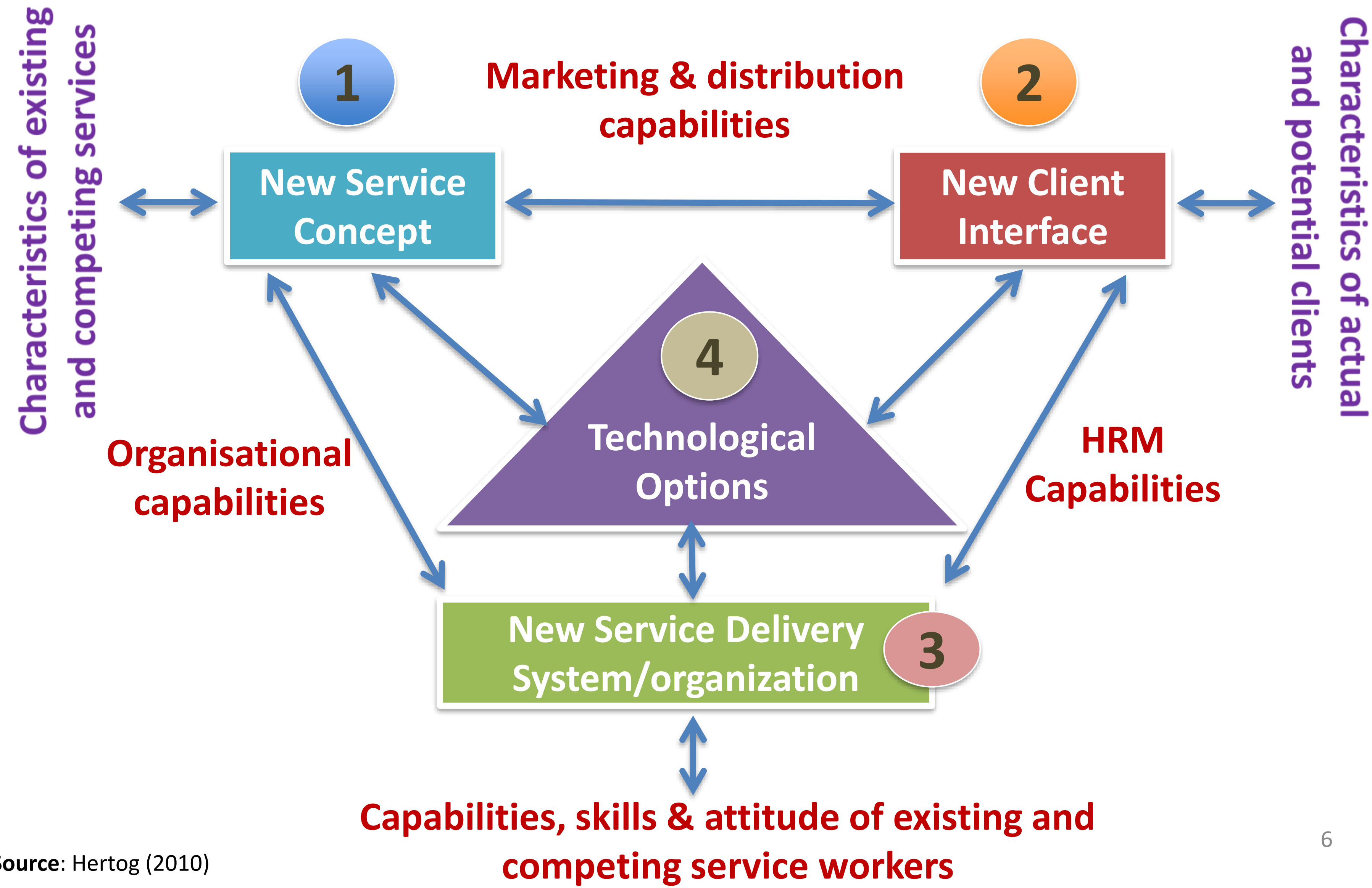


Competitors

Source: Edvardsson (1997)

2 Service Innovation Model (Cont.)

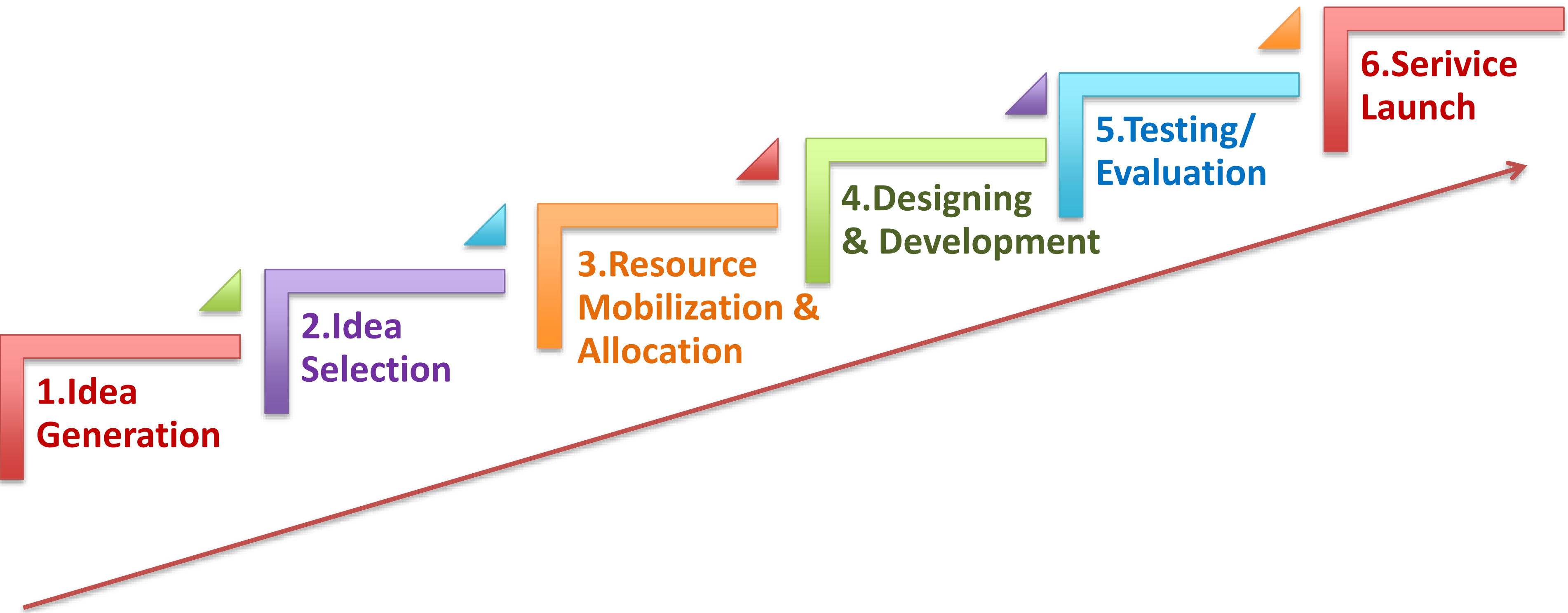
❖ **Four dimensional model of service innovation** (by Den Hertog)



Source: Hertog (2010)

3 Innovation Strategy

➢There are 6 phases of the innovation process



Source: A.H. (Hanneke) Vos (2010)

3 Innovation Strategy (Cont.)

1.Idea generation

- Relating to creativity with "out of the box thinking "

- Conway and McGuinnis (1986) identified several ways to detect ideas:

Customer driven	Market driven	Close follower	Technology driven
Customer knowledge (type of customers and trend of their behavior)	Through market changes, market needs and adaption of strategy	Following and anticipating competitors	The ongoing technological development and availability of novel technology.

Source: A.H. (Hanneke) Vos (2010)

3 Innovation Strategy (Cont.)

2.Idea Selection

Centralization

- ✓ Economy of scale
- ✓ High internal communication links
- ✓ Lower risk of distraction
- ✓ Reduced risk of copying
- ✓ High amount of space to create network opportunities

Decentralization

- ✓ Focus on Back Office activities
- ✓ High communication links with other organizational functions and teams
- ✓ Competitive surveillance in specific locations (especially overseas)
- ✓ Establishment of innovation unit anticipating on local market needs

Selection Systems

- ✓ Market, financial & preference of customers
- ✓ Competitors, strategies & offerings
- ✓ Strategy, planning, budget, evaluation
- ✓ Attractiveness, analytical demonstrated or subjective
- ✓ Champions, support for potential

Source: A.H. (Hanneke) Vos (2010)

3

Innovation Strategy (Cont.)

- ✓ Financial mobilization sources (source of funds)
- ✓ Design of a project team
- ✓ Design of products/services

- ✓ Present the designed innovation to some customers in the pre developed target market
- ✓ Evaluate based on defined targets (sales, costs, profits)

3.Resource Mobilization and Allocation → **4.Design and Development** → **5.Testing and Evaluation** → **6.Service Launch**

- ✓ **Development of a business case**:
  - Commercial feasibility
  - Technical feasibility
- ✓ **Project team**:
  - Transfer ideas into design and
  - are responsible for speed and quality

- ✓ Service Launch Training of employees
- ✓ Holistic approach (external, internal and interactive marketing)
- ✓ Clear distinction between core and supportive services.
- ✓ Brand strategy

Source: A.H. (Hanneke) Vos (2010)

Discussion

- Give examples of innovations in your group service industry based on types of innovation in slide no. 2
- Give examples of 6 phases of innovation process of your group service industry (see slides no. 7 – 10)

Source

- A.H. (Hanneke) Vos (2010). Service Innovation: Managing Innovation from Idea Generation to Innovative Offer
- Edvardsson, B. (1997). Quality in New Service Development: Key Concepts and a Frame of Reference. International Journal of Production Economics , 52, 31-46.
- Morrar, R. (2014). Innovation in Services: A Literature Review, Technology Innovation Management Review
- Tidd, J. and Bessant, J. (2013). Managing Innovation: Integrating Technological, Market and Organizational, 6th Edition