

The full version of presentation on

SERVICE INNOVATION

Adam Hazdra for the VSE class
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Aim of the presentation

1. What the hell is service innovation?
2. Why bother anyway?
3. How to do it?

Organization of the 90 mins



1. What is service innovation?

1.1 Services

- 1950s** **Marginal activities** accompanying production (Miles 1993)
- 1970s** **Post-industrial argument** (Bell 1973)
- 2000s** **Experience economy** (HBR 1998)
S-D logic (Lusch and Vargo 2004)

1.2 Case I: Google



Search, AdSense, YouTube, E-mail, Analytics, Google Docs, Chrome, Google Maps with StreetView, TV, Android, Books and Scholar, Orkut, Earth, Blogger, iGoogle, Picassa, Google News, Labs ...

But **unsuccessful with tangible products**
(only 1% other than web revenues)



1.3 Services defined (partly)

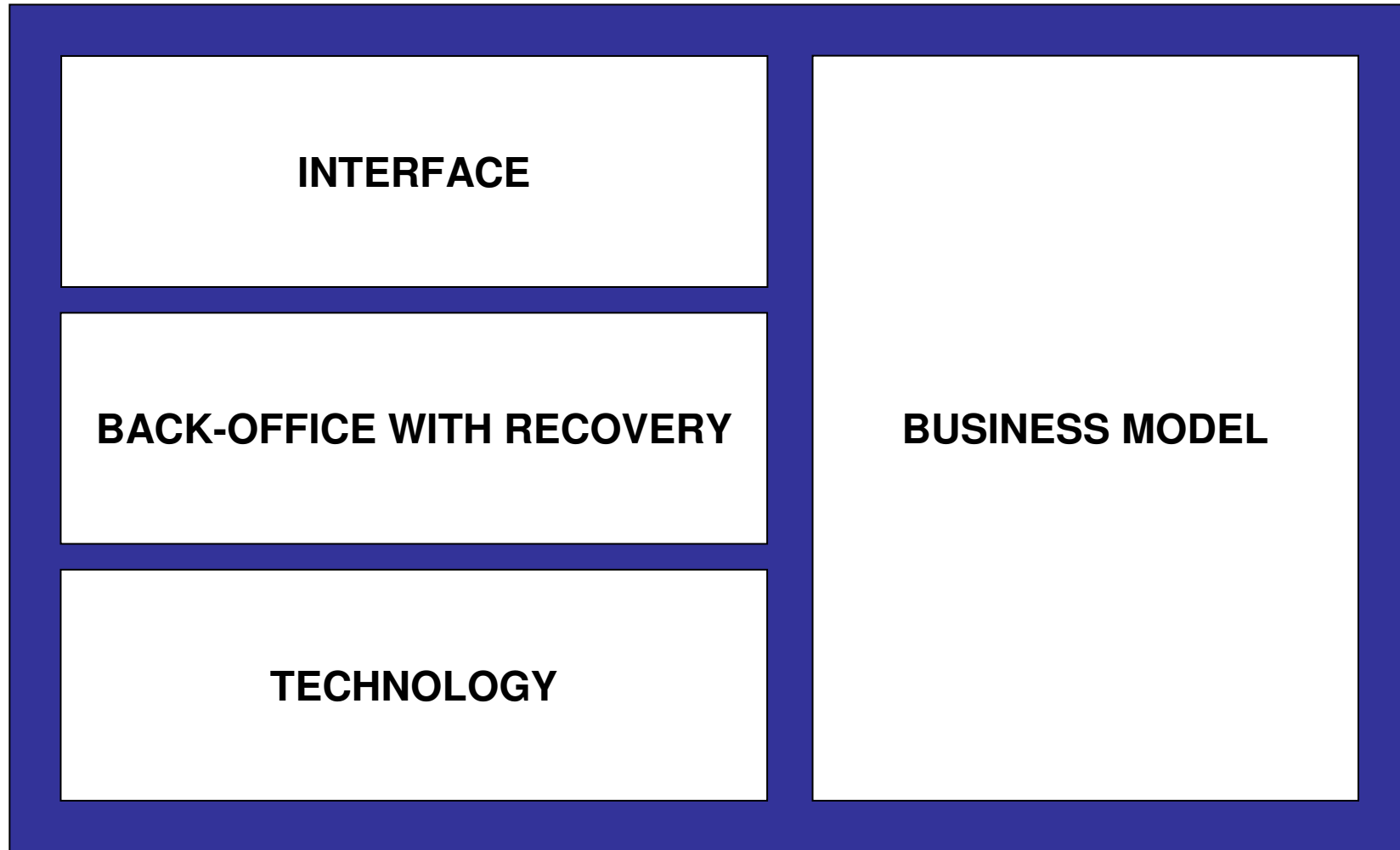
Service dimensions:

- **Intangible** (immaterial)
- **Interactive** (value co-produced)
- Consumption **inseparable** from production

High-tech v. high-touch (Grönroos 2007)

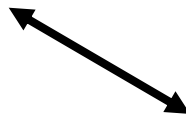
Customized v. mass-produced

1.4 Service framework

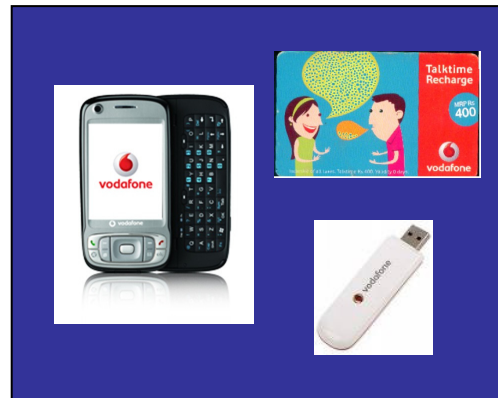
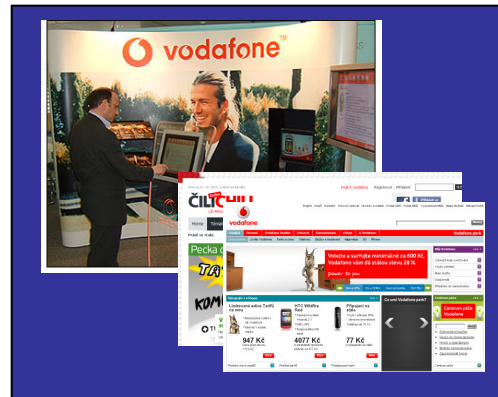


1.5 Case II: Vodafone

Clients

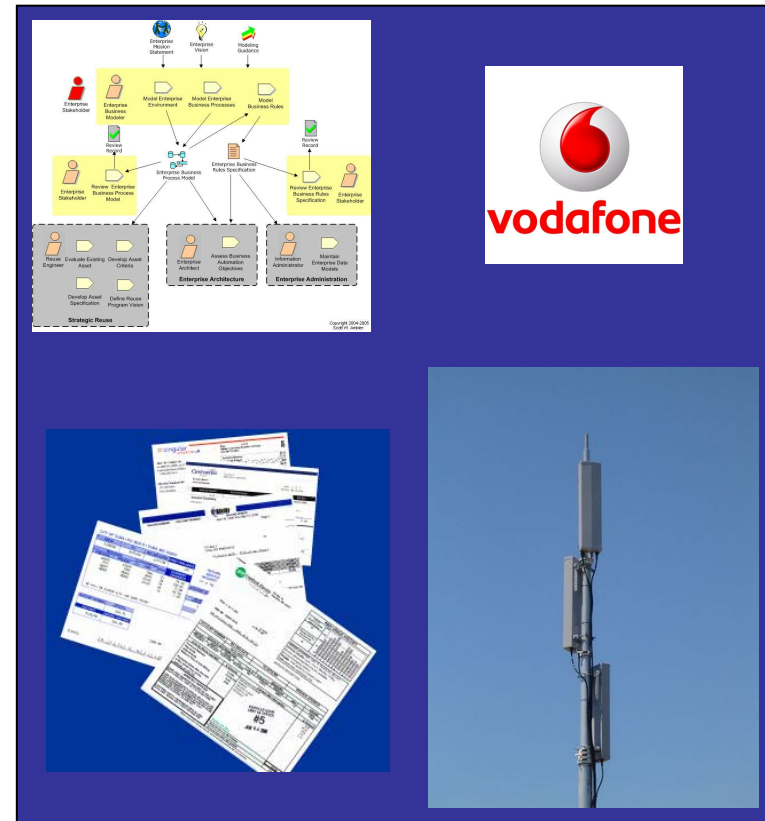


Interface



Technology

Back-office



Business Model

2. Why bother?

2.1 Customer loyalty matters

82% customers **stopped doing business** due to poor customer service

73% ... unpleasant staff

55% ... delivery delays

95% of them **took an action** (complaint, told others)

92% would give **second chance** if the mistake was corrected

Only **22%** actually **got any response...**

2.2 Case III: Hotel Atos

Problem:

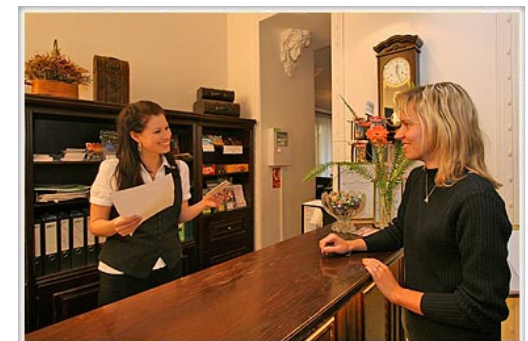
Room was overbooked, so she was transferred to a cheaper hotel ... for a full price. And we approached a deadlock with complaint.

Service perspective:

- Managers who make decisions don't work on Sundays
- No process for problematic situations
- No front-office empowerment

Result:

1 ½ hours lost from 4 hour trip



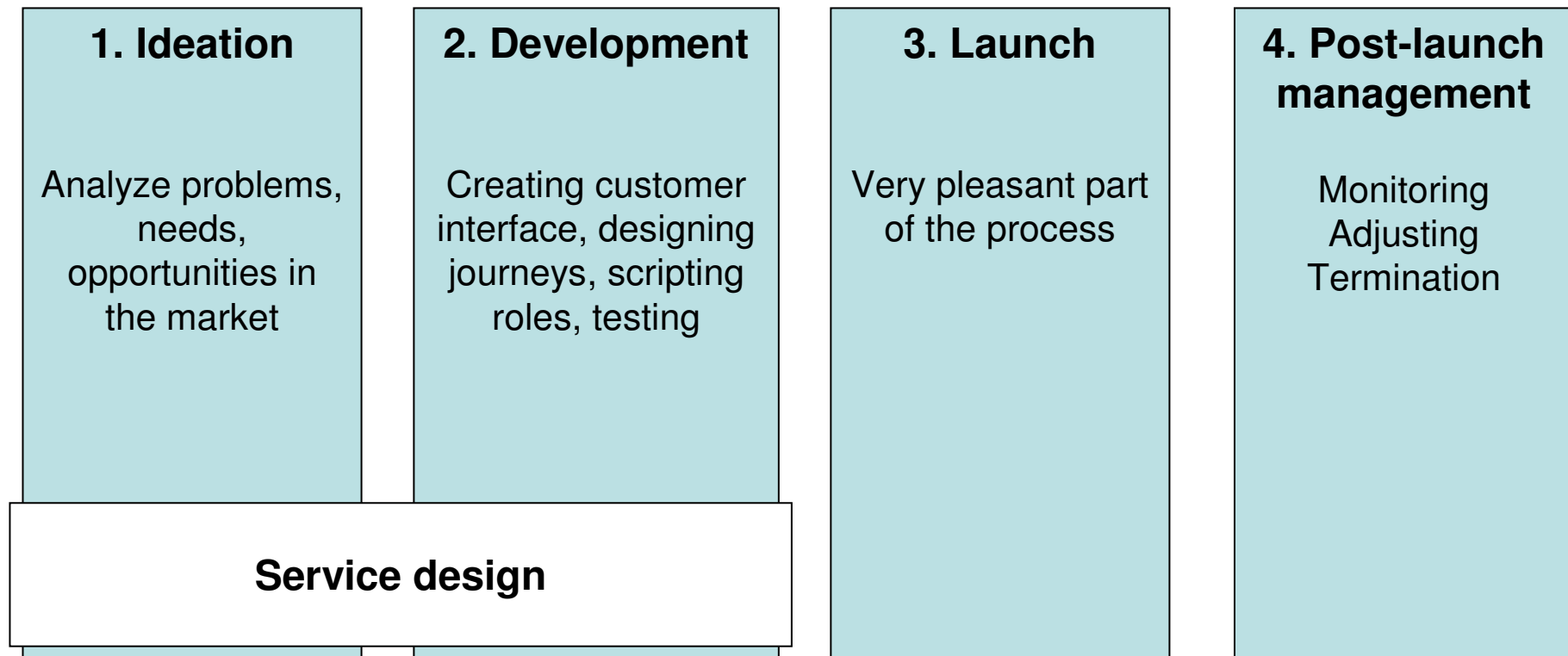
2.3 Differs from NPD

- Service R&D mostly using soft tools
- Technological innovation not always crucial
- Dependent on market insights
- Difficult to standardize

3. How to do it?

3.1 Doing service innovation

● Time →



3.2 Service design

Research

- Ethnography
- Shadowing
- Customer Diaries

Development

- Customer Journey Analysis and Touchpoints
- Personas
- Process Blueprinting

Prototyping

Engine service design

live|work

IDEO

sdn
service design network

Not a perfect tool

Benefits

- Emphasizing interactivity
- Creating complex experience
- Increasing value added

Drawbacks

- Customer-orientation not new
- Difficult to separate from products after all
- Economic benefits often difficult to measure

And finally the break (videos)

Service design process by Engine

<http://www.youtube.com/watch?v=SBCr6jBCbvg>

Future of books by IDEO

<http://vimeo.com/15142335>

Developing a self-banking experience

<http://vimeo.com/14939329>

The Angry Customer



1. Create **groups of 4-5 people**
2. Select **a service you don't like**
3. **Describe it** (what does it deliver and how)
4. Identify the **problem** (why don't you like it), suggest **a solution** (front and back office, technology, BM, recovery)
5. Prepare max **3 min presentation** of what you've found – use any means (laptops, demonstrations, ...), at least two members of the group must present

We are interested in:

- Framework
- Problem
- Solution
- ... and your creativity!

Deadline: 20 min

Wrapping up ...

Services

... have grown in importance over the past decades

... are intangible, interactive and inseparable from production

... have several elements: Interface, Back-Office, Technology, Business Model

... are greatly dependent on customer's satisfaction from the delivery process

... can be properly designed

Further interesting sources

Bell, D. (1973). *The coming of post-industrial society*. Basic Books: New York.

Grönroos, C. (2007). *Service Management and Marketing*. 3rd ed. John Willey & Sons: Chichester.

Kimbel, L. and Seidel, P. (eds.) (2008). *Designing for services: Multidisciplinary perspectives*. Oxford Business School: Oxford. Downloadable freely here: <http://bit.ly/dyQcUq>.

Lusch, R.F. and Vargo, S.L. (2004). 'Evolving to a New Dominant Logic for Marketing'. *Journal of Marketing* **68**(1), 1-17.

Miles, I. (1993). 'Services in the New Industrial Economy'. *Futures* **July-August**, 653-672.

Pine, B.J. and Gilmore, J.H. (1998). 'Welcome to the experience economy'. *Harvard Business Review* July-August, 97-105. Downloadable freely here: <http://bit.ly/bDq99v>.

Shostack, L. (1977). 'Breaking Free from Product Marketing'. *Journal of Marketing* **41**(2), 73-80.

Verganti, R. (2009). *Design-driven Innovation*. Harvard Business School Press: Boston.

And here are my own papers on the topic:

Do all industries provide services now? (<http://bit.ly/cafePy>)

Design služeb na obzoru (<http://bit.ly/cFmNYs>)

Appreciate your attention!

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