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How Customers can be Involved in Developing New Service Innovations

EBRF 22.-24. September 2008

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Purpose of the Study

To find new ways to develop service innovations, especially by listening customers' voice during the development process and utilizing their expectations and experience as ultimate service users.

Research questions:

1. How and in which phases customers can directly take part into innovation processes?
2. How to gather relevant customer information during innovation processes?



Theoretical Alternatives to Study Service Innovations

- New Service Development (NSD)
- Service Design
- Service Re-engineering
- Development of Innovation Processes



Perspective of the Study

- Focus: Customer involvement in service innovations processes
- Theory: Development of innovation processes (e.g. Johne & Harborne 1985; Morgan et al. 1995; Cooper & Kleinschmidt 1994; Chrysochoidis & Wong 2000)
- Challenge:
 1. There is no tradition how to engage customer in innovation processes in service literature
 2. Very few published research in service sector.
 3. Ideas from usability theories



Bringing Customer Perspective into Innovations

- **Innovation is a process by which organizations use their skills to develop new goods and services or to develop new production and operating systems so that they can better respond the needs of their customers.**

(Hill & Jones 1998)



Defining Service Innovation

- ***Service innovation is in large intangible and benefit providing object of exchange process that includes to some extent inseparable production, marketing, consumption and other service processes, and is better targeted to produce value to customers and providing organizations, and evolved by using skills and knowledge of service providers and customers in simultaneous interaction.***

(Lehtinen & Järvinen)



Data & Methodology

Multiple data analysed by multimethods:

- Qualitative data consisting of consumer group discussions
- Quantitative data analysed by Delphi
- Mystery shopping data

Empirical data is gathered in Vinha-project



VINHA-project

- = Development of an innovative, holistic concept for the wealth management of private investors
- 11/2006 – 01/2009
- Development work is based on research conducted during the project.

The aims of VINHA-project are:

- Develop a concept to be utilized by consumers and financial institutions for the presentation and management of total wealth in a comprehensive form
- Assist consumers to make better decisions on the management of their wealth
- Unify the practices and modes of operation of customer service in financial institutions.



Preliminary Results of the Study

- Mystery shopping brings customer perspective to developing service encounter
 - In this study it reveals that service processes were dictated by computer programs
 - It also reveals that first meeting is a real test, "the moment of truth" that has to be planned carefully
 - It gives ideas why customer expectations are not fulfilled
- Mapping and comparing customer and specialist data assist in taking both perspectives into account
- Customer focus groups can give ideas and evaluate innovative service concepts in various phases of the development process
- Stories of positive and negative service experience analysed by CIT-technique create a picture of successful and unsuccessful services



Remarks

- Customer trust and involvement in service innovations is essential for the success of a new service and it can be managed by letting customers take active part in development processes and by word-of-mouth
- Communication plays a key role: avoiding "financial jargon" but using words that are familiar for customers.





Discussion

- When developing new services it is most important to follow customer logic
- Customer logic deviates between routine and non-routine decisions
- Customer behaviour is irrational; dreams and experience are important

