

New Service Development

Grounded Antecedents of Success

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Why study service development?

“in ... service economies such as the USA and UK, services create up to three-quarters of the wealth and 85% of the employment, ...**yet we know little about managing innovation in this sector**”..... (Tidd and Hull 2003, p. iv)

“service innovation and new service development are poorly researched and understood”...(Edvardsson et al. 2000, p. 9)

A content analysis of leading academic journals in NPD, R&D, management, and marketing confirmed a dearth of research on new service development.....(Page and Schirr 2008)

How are new services developed?



Research Questions

How are new services developed?

***What is the role of customer collaboration
in new service development?***

Grounded Research

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***What is the role of customer collaboration in new
service development?***

Subjects from 27 diverse service firms committed to:

- (1) Two one-hour meetings a week or so apart,***
- (2) Taped discussions,***
- (3) Review and clarification.***

Subjects

Subjects were selected by purposeful and theoretical sampling (Spradley 1979).

- Diverse industries
- Rich subjects

Grounded Research (Glaser and Strauss 1967)

Study 1: Subjects

Service Sector	% 2005 GDP	Subjects
Real Estate, Rental and Leasing	13%	-----
Government	12%	Healthcare innovation agency
Finance and Insurance	8%	8-Diverse including banks, exchanges, invest.
Healthcare and Social Assistance	7%	2-Hospitals
Professional and Tech Services	7%	3-Mgmt consulting firms, 2-Industry assoc.
Retail Trade	7%	National retailer
Wholesale Trade	6%	Industrial supply and wholesale
Information	5%	Urban newspaper, Credit information
Administrative & Waste Services	3%	Industrial and household cleaning
Transportation	3%	-----
Accommodation & Food Services	3%	Restaurant chain
Other Services	2%	2-NGO providing social services
Utilities	2%	-----
Management of Companies	2%	-----
Arts, Entertainment, Recreation	1%	Cable company
Educational Services	1%	2-Universities
Total Services	80%	

New Service Development

I've worked in a lot of different categories, and I've seen, you know, how traditional consumer companies, as well as a lot of B2B [goods] companies, constantly are innovating, testing and rolling out new products... I know what those models look like, and *I can assure you the service industry is nothing like any of those.*

It is all about the customers

The best ideas derive from identifying customer needs and problems:

Software application firm: with all innovations... knowing a problem exists is first and foremost.

Microfinance NGO: [new products start with] ...customer demand... what we were hearing from our clients and... what we saw that they needed

But the most innovative new services come from needs that are hard to identify:

Industrial supply firm: [in our customer dealings we found out]... how hard it was to find real knowledge,— and codify that knowledge... some problems that appear to be ridiculously simple on the surface, might actually turn out to be very complex under the covers.

Customer Orientation Culture

P1: *Customer Orientation is an antecedent of NSD success.*

P2: *Customer Orientation with a focus on sticky or contextual information and future needs of users is an antecedent of NSD success for more innovative services.
[Proactive Customer Orientation]*

Hearing the customers

- NSD managers *change their organizations*
 - Train service reps and salespersons
 - Management visits with users
- NSD managers search for better tools to understand user needs and problems
 - Site visits, experiments, web labs, prototyping, etc.

Tools to engage/understand users

P3: *Market research methods to understand customer needs are antecedents of NSD success.*

P4: *Market research methods that engage a customer with the service or facilitate one-on-one open-ended discussion with a user will have more effect than other market research methods for more innovative or radical new services. [“ICE”]*

Iterations with user input

Newspaper: [We got feedback] ...through e-mail, but also we did extensive sampling. *We had reader feedback mechanisms built into the marketing plan. We plan for iteration, customer input, and rapid change. We will test and change... Built in flexibility.*

Community banker: As we install more and more customers on the service... the questions change. We have to keep incorporating them... That's an open dynamic. You *never stop* with the troubleshooting and questions.

Cable company: iterative approach where we can get customer input early and use that to shape how we bring products to market.

Community hospital: We're known for *ready, fire, aim...*— everyone was amazed how quickly we pulled this together and... it's a beautiful program.

Industrial supply firm: I just need to get this out there. It's something that we're actually getting a lot better at just in the last couple years —we used say we were *experimenting*, but what we were really doing, ...was *prototyping*...

Process

P5: *An iterative process—breaking NSD into small pieces, making swift changes to respond to test results and prototyping—is an antecedent of NSD success.*

P6: *A formal process is an antecedent of NSD success for new services – if iterativeness is not hindered.*

It is *all* about the customers

- **Culture**
 - NSD Execs work to make their organization more customer-centric
- **Tools**
 - Working on methods to better understand customer needs and problems
- **Process**
 - Formal process is desirable, but it must also be iterative to adapt to user feedback.

Culture

More customer-centric:

Suggests customer-orientation, **NOT** market orientation

May be consistent with other research

- **Lukas and Ferrell (2000)**
- **Henard and Szymanski (2001)**
- **Narver, et al. (2004)**

Tools

Customer research methods:

- Focus on Tacit or Sticky knowledge
- Participation
- Similar to “ICE” methods discussed last year (Schirr and Page 2007)

Process

- Iterativeness is vital in order to benefit from user input
- Structure is difficult
- But some formality desirable

An interaction term of both iterativeness and structure may be the process antecedent!

Antecedents of NSD Success

- Culture
 - **Customer Orientation** -- **Proactive-CO**
- Tools
 - **GCR** (traditional MR) -- **ICE** (user engagement)
- Process
 - Both **Formal** and **Iterative**

NGO organizations fit model

International Micro-finance & Homeless Action Organizations

- Client-centric: strategy to service targeted clients
- Focused on problems and needs
- Working to uncover latent new needs
- Culture-Tools-Process

Professional organizations did not

Hospitals & Universities

- “Doctor-centric” not user-centric
- Focused on research but not end-service
- Innovation that spanned boundaries difficult

Given the importance of these industries, these are interesting findings and area for further study.

Questions

How are new services developed?

*What is the role of customer collaboration
in new service development?*



How are new services developed?

- NSD is iterative and often evolutionary
- Structured processes, such as Stage-Gate® are difficult to apply to NSD, but some structure is useful.
- Identifying customer needs, especially tacit ones, are essential to NSD.



Customer collaboration in NSD

NSD is customer centric: it is all about the customers.

Executives involved in NSD work to

- (1) make their organization cultures customer-oriented,
- (2) seek methods to uncover sticky or tacit knowledge or information while engaging users in NSD, and
- (3) maintain a flexibility and iterativeness in the process so that user suggestions can be incorporated.

It is more than a focus on customers -- it is more like an obsession.

Culture / Tools / Process

Organizational Culture Customer Research Tools NSD Process Characteristics

Customer Orientation
Proactive CO
(one or the other)

ICE Methods
GCR Methods
(both)

Iterative Methods
Formal Structure
(both or interactive)

ICE: individual customer engagement methods

GCR: grounded or constrained methods – traditional market research

[From an earlier conference proceedings (Schirr and Page 2007)]

New measures as antecedents

- Use of ICE methods of customer engagement
- Iterativeness of NSD
- Interaction of iterative-ness and formality
- CO instead of MO?

Grounded user-centric antecedents

These three categories of proposed antecedents of NSD success emerge from qualitative data. Each factor is user-centric:

- **Culture** – Customer orientation
- **Tools** – research methods to engage users
- **Process** – some structure but must be iterative to take advantage of user input.