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Questions & Answers
CONCEPT DEVELOPMENT IN SERVICE INNOVATION

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Successful service firms compete through innovation because how a service is designed and delivered is in large part not protected by patent or copyright. This set of ten questions and answers provides ideas suggestions for how to engage customers and staff in the innovation process.

1. What is the best source for innovative ideas?

By far the most common source of innovative ideas in services is from customers (78%), followed by the newspaper or other reading materials (50%). Staff can also be an excellent source of ideas.

Generating new ideas for service innovations is both easy and fun, as long as you have a structured process. As a quick yet effective way to solicit ideas for service innovation:

- Ask customers, "What one thing would you like us to improve about our service?"

- Ask employees, "What one thing would you like changed about your job?" or "What is the biggest problem you face in doing your job well?" or "If you could do away with one type of customer complaint, what would it be?"

2. What are good ways to get customer input?

The single best source of innovative ideas is from your customers themselves. The positive aspect of soliciting ideas from customers is that they feel more engaged with your company and hence more loyal. The challenge at the idea generation stage is not to raise expectations that cannot be met.

When you are new to an export market, you will need a proxy for customer input Try using potential customers in Canada from that target market, students or executives studying in Canada from that target market, or knowledgeable experts on the target market.

You can get ideas from your existing or former customers by analyzing their responses on:
- Your existing customer comment card or feedback form
- Items placed in a Suggestions Box
- Follow-up customer satisfaction surveys

Other sources of ideas from customers include:
- Frequently Asked Questions
- Customer complaints
- Interviews with new repeat customers to learn why they are becoming more loyal
- Exit interviews with customers that have stopped using your service
- Focus groups that ask participants for critical incidents

3. How can I maximize the benefits from customer feedback?

Soliciting feedback from customers can increase loyalty if handled well or generate ill-will if handled poorly. Here are some tips:

- Make sure that the feedback you request is relevant to customers.

- Ask for feedback early enough that customers have time to respond.

- Give customers an opportunity to respond after they have completed the entire service transaction.

- Provide a mix of closed questions (where customers tick a response option) and open-ended questions (where customers can provide detailed responses).

- Provide space for customers to comment on issues important to them but not covered by your questions.

- Make sure that you are not inconveniencing customers by asking for feedback.

- Respond individually to specific problems customers raise, thanking the customer for raising the issue and briefing the customer on how it is being handled.

- Thank customers for complimentary feedback received, not only complaints.

4. What are good ways to get staff input?

The second most useful source of ideas are your employees, especially those that interact with external customers. Here are some ideas for how to become more systematic in getting staff input:

- Ask employees at each staff meeting to share interactions with customers that gave them an idea for a service innovation such as a complementary service that could be added or a current service that could be improved.

- Set up a Suggestion Box linked to a contest for the best innovative idea and awards for the winners.

- Share customer complaints with employees and ask them to problem-solve how to avoid a similar problem in the future.

- Share congratulatory letters from customers with employees and ask them to suggest how that satisfied customer's experience could be extended routinely to all customers.

- Reimburse employees for shopping from a competitor and observing what that competitor is doing particularly well.

- Have employees "mystery shop" with your own firm – anything from calling in as a potential customer and reporting on that front-end experience, to actually making use of the service (again, any costs being reimbursed) incognito.

- Reimburse employees for networking activities with colleagues from other service firms (such as lunches, receptions) in order to learn from them about best practices in their service firm.

- Brainstorm to "wouldn't it be nice if ..." to capture fantasies about an ideal service or service environment, and then ask "How might we...".

5. How else can I get ideas for innovations?

There are many sources that can help spark ideas for innovation either by identifying existing international best practices that could become "country first" innovations for your target market or by suggesting a new service through lateral thinking. Some of they are:

- Newspapers, particularly articles about new technologies or management techniques.

- Websites that focus on innovation or benchmarking.

- Trade press.

- Entrepreneurship magazines (such as *Inc.*) that feature new service concepts.

- Articles or books on service quality or service excellence, which give examples of best practice services.

- Articles about winners of service quality awards that describe their services.

- Industry overview articles (e.g., in the *Economist*) that highlight new trends in service offerings or organizational structures.

For value/breakthrough innovations, the main challenge is to imagine a service context that does not yet exist and ask "Why not?". Often you are targeting needs that customers have not articulated because they assumed that they could not be met. Staff whose problem-solving style is based on *replacing* the existing service with a new one can be particularly helpful.

In generating ideas for innovations, it may be helpful to recognize that the *modification* process for incremental/distinctive changes is different from the *replacement* process for value/breakthrough changes. You will find that most staff excel at one or the other, not both. Those that can be particularly helpful in *modifying* a service are staff whose problem-solving style is based on adapting or improving an existing situation.

6. Why should I clarify customers' priorities?

Changes in a service or delivery process will only be well-received if they enhance the benefits that customers value. A customer wanting rapid service, for example, will respond poorly to an interactive relationship marketing initiative. There are five main customer priorities:

a) *Transactional efficiency*
These customers want to know that the service will be "right on time." Innovations addressing this type of customer focuses on increasing response speed, increasing access convenience for customers, and decreasing the effort customers need to expend to make use of the service. Ideal service, in this instance, is either self-service from the customer's location or service handled entirely by the service provider.

b) *Relationship building*
These customers value either a sense of belonging and/or a sense of special status. Innovations addressing this type of customer focus on enhancing the value perceived from the relationship between the customer and the service provider.

c) *Reliability of service delivery*
These customers want to know that the service will be "right the first time" and that they can have increased confidence that they will receive good quality consistently. Innovations addressing this type of customer focus on strengthening internal controls.

d) *Point-of-sale excellence*
These customers want more than a "no-problems" experience. Innovations addressing this type of customer focus on how to "delight" the customer.

e) *Value for money*

These customers want to feel that they have received precisely what they paid for. Innovations addressing this type of customer focus on clarifying and delivering the value proposition for customers.

7. **How can I benefit from a recovery strategy?**

Service firms depend on positive word-of-mouth in the marketplace to convince potential customers to take a risk on a new service provider. Unfortunately, research by the U.S. Technical Assessment Research Program (TARP) shows that on average only four percent of customers with problems actually complain to the service firms; instead, they tell on average 9 to 10 other people about their dissatisfaction. Getting customers to tell you, instead of generating negative word-of-mouth, needs to be an important part of your overall quality assurance strategy. How you then "recover" with the customer represents an opportunity to actually increase customer loyalty.

Innovation in recovery strategies can serve a dual purpose of protecting existing market share and differentiating your firm from others who are viewed as less effective at recovery. Here are some suggestions for a successful recovery strategy:

a)   Make it easy for customers to complain, remembering that complaints are opportunities to increase customer satisfaction.

b)   Minimize the effort that customers have to expend by:
- Resolving problems quickly, ideally on the spot.
- Resolving complaints on first contact without reference to a supervisor.

c)   Use a complaints database to analyze trends and prevent recurrences.

It is the analysis of complaints that is particularly relevant to the innovation process. Properly analyzed, former problems *and their resolution* can be a rich source of innovative ideas. It may well be that an individual recovery initiative could be transformed into a permanent service innovation.

8. **How can I benefit from customization?**

Frequently staff (particularly front-line staff) make modifications to a service in order to customize it to meet a particular need of a customer. If such customization is logged/reported and tracked, it can be analyzed for patterns that would suggest the possibility for a service innovation. The dynamic is that of moving from a one-off occurrence to a replicable service.

9. **How can I nourish new ideas?**

While it is relatively easy to generate ideas theoretically, in practice the process depends on how managers receive new ideas. Here are some suggestions for enhancing the idea generation process:

- Encourage as many ideas as possible. Often initial ideas are less creative than those that emerge after the more obvious responses have been exhausted.

- Let relevant persons know the status of a given idea – e.g., is it being developed or tested?

- Never "kill" an idea; instead, categorize ideas as usable immediately, usable with modification, or shelved for later consideration.

- Allow for failure and be pleased with a ratio of one great idea out of every four or five you explore.

- Celebrate progress in developing an idea.

10. How can I assess a new idea?

Once a number of ideas have emerged, you will need to evaluate the feasibility of each idea through a three-step process:

Step #1: Is it feasible?
> Screen the idea against your primary criteria, i.e., those characteristics that all innovations must possess

Step #2: Does it enhance our position as a key player in the market?
> Screen the idea against your secondary criteria, i.e., those that would be nice but are not essential

Step #3: How does its potential compare with our present capabilities?

Here are examples of screening criteria that you might use:

Primary Criteria	**Secondary Criteria**
- Compatible with corporate goals - Compatible with service standards - Provides superior customer benefits - Reinforces customer loyalty - Leverages own strengths - Increases purchases from existing customers - Enhances existing services - Increases profitability	- Attracts new, compatible customers - Enhances staff skills