Service innovation in a nutshell

INNOVATION – as applied to products and technology – is well understood by consumers and corporations alike.

But global companies, consultants and academic researchers have begun broadening the innovation focus to consider the services businesses offer, if not directly, then in the course of bringing products to consumers.

BT speaks to Singapore Management University’s provost, Rajendra Srivastava, about the concept of “service innovation”, which is fast gaining traction in the business world.

BT: What is service innovation?

Dr Srivastava: Service innovation can be defined as creating value for customers through new services or those that are complementary to existing products and services.

From customers’ perspective, it directly answers their needs and desires. From a firm’s perspective, it creates value and generates new revenue stream.

For example, IKEA offers assembly services that make it more convenient, especially for older consumers. This accelerates the sales process and brings in additional revenues.

Technology-related breakthrough is typical of service innovation. General Motors offers On*Star as a service to electronically unlock cars via satellite-based GPS systems to enhance convenience to customers. But there are other forms such as brand innovation (eg, Harley Davidson) or process innovation (eg, e-filing of personal income tax in Singapore, airline check-in).

BT: How can companies harness service innovation to grow in a sustainable manner?

Dr S: Innovation and creativity are close cousins. Companies can be creative when they generate lots of new ideas. However you need to be able to bring these ideas to market, turn these ideas into value for the firm.

This is what innovation is about, turning ideas into profitable venture.

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But there are other innovations, customer-driven innovation is also vital.

For example, ideas for many Walkman-related innovations (waterproof, shockproof products) came from consumers.

Innovation should be a solution to customers’ pain-points or it should create the need in customers. Innovation should also be inherent in the company culture.

Service innovation is not the responsibility of the R&D or marketing department alone. These often come from frontline operations employees.

BT: How widely is service innovation practised in companies globally today?

Dr S: My opinion is that this is still at early stage development. We have just moved from a manufacturing era to today’s economy that is largely driven by services.

But you need to look at service innovation broadly to include business services and services that complement other products and services.