Change in mindset needed

Both marketing and service research experts agree that service innovation must involve a new strategy, reports TEH SHI NING.

Developing a culture of continuous, strategic innovation, where the CEO is the service innovation champion, is the most important. This is the first step.

-- Roderick Brodie, head of the marketing department at the University of Auckland's Business School

It (Pay-Any-Card service) was quite a radical change and feedback from customers was that they've been waiting for something just like that.

-- Dennis Rhee, general manager for retail banking products at Standard Chartered Bank Singapore

'Singapore is just starting, but there are indications that Singapore could leapfrog the rest of Asia and much of the rest of the world because of the government's strong focus on service.'

-- Roderick Rust, marketing professor at the University of Maryland's Robert H Smith School of Business

Many businesses, especially in Asia, find it difficult to marry the concepts of service innovation and profitability. But marketing specialists say this is changing rapidly.

"Profitable service innovation is in its infancy. Too many companies still focus exclusively on cost-cutting, but the real money is in revenue expansion through better service," says Roland Rust, marketing professor at the University of Maryland's Robert H Smith School of Business.

However, in countries where economic growth has not been associated with significant service innovation, "The typical business strategy in manufacturing is making goods using cheap labor, but the real action is in the service sector," Prof Rust says.

Both marketing and service researchers agree that service innovation must involve a new strategy, a new approach that makes services more efficient, more effective and ultimately more profitable. "Service innovation provides something that is new to a market, that changes market behavior," Prof Brodie says.

"Being conscious of the bottom line should be a business priority in pursuing strategic innovation, but not to the exclusion of the revenue side. Typically, service innovations involve building more profitable relationships, rather than just more profitable transactions," says Prof Rust.

Easing the cost of entry to the business-to-business or B2B segment, where effective service demands that businesses extend and deepen their relationships with customers, which are in effect profit-driven businesses.

And at the business-to-consumer or B2C end of things, Prof Brodie adds two broad ways in which businesses are harnessing service innovation.

The first is the sort of widespread in the 1990s -- marginal improvements to the provision of service thanks to the relevance of the Internet. "These were associated with providing better interaction between users and better access to information," he says.

But a second, more transformational type of service innovation goes beyond initiative or incremental improvements to service -- to create new markets. "Consider, for example, market creators such as Google and eBay, and more recently social media innovations such as Facebook," says Prof Brodie.

The first type of service innovation could lead to more effective market delivery, which in itself can create a competitive advantage for the company based on cost or quality. But the most profitable innovations are market-creating ones.

"Rather than just selling more products and services, it's about creating a market and changing market behavior. The role of the CEO is crucial," Prof Brodie says.

"Apple is still well ahead in the area with its iPod, iTunes, iPhone and iPad is the envy of the music, entertainment and product design industries. "They've been waiting for something like that. It's great because customers then remember you as one who's customer-focused and anticipate their needs," Mr Khoo says.

But the concept of creating this online payment service, which makes use of existing credit card mechanisms that allow merchants to refund credit card purchases back through thought from employees "to be the first in providing technological change and bring it to fruition," says Mr Khoo.

And so, agreeing with Prof Brodie, he too thinks successful service innovation in Singapore will begin with individual companies each creating an environment and culture conducive for people to be innovative.