

# Consumer Participation in New Service Innovation

## **Abstract:**

As important components of the new service development landscape, understanding and innovation the concepts that affect consumer acceptance of new services can help ensure firm success. This study discusses how service firm develop new concepts for service innovation logic, suitable for individual consumers, through firm customization efforts, which involves transforming users' perceptions into service innovation elements. This study therefore provides a unique concept for firms to understand a new service logic structure and produce service design decisions that integrate optimum individualized designs.

**Keywords:** Customization, Coproduction, Intangibility, Codesign, Optimum service design.

## **1. Introduction**

Beginning in the 1980s, many new frames of reference that were not based on the 4 P's and were largely independent of the standard microeconomic paradigm began to emerge. Perhaps most notable was the emergence of services marketing as a subdiscipline, following scholars' challenges to "break free" (Shostack, 1977) from product marketing and recognize the inadequacies of the dominant logic for dealing with services marketing's subject matter (Dixon, 1990).

The marketing literature rarely mentioned "immaterial products" or "services," and when it did, it mentioned them only as "aids to the production and marketing of goods" (Converse, 1921; Fisk, Brown, and Bitner 1993). The service-centered view of marketing is customer-centric (Sheth, Sisodia, and Sharma, 2000) and market driven (Day, 1999). This means more than simply being consumer oriented; it means collaborating with and learning from customers and being adaptive to their individual and dynamic needs. Interactivity, integration, customization, and coproduction are the hallmarks of a service-centered view and its inherent focus on the customer and the relationship. Davis and Manrodt (1996) approach a service-centered view in their discussion of the customer-interaction process: It begins with the interactive definition of the individual customers' problem, the development of a customized solution, and delivery of that customized solution to the customer. The solution may consist of a tangible product, an intangible service, or some combination of both. It is not the mix of the solution (be it product or service) that is important, but that the organization interacts with each customer to define the specific

need and then develops a solution to meet the need. It is in this sense of doing things, not just for the customer but also in concert with the customer, which the service-centered view emerges. It is a model of inseparability of the one who offers (and the offer) and the consumer. As Berger, Möslein, Piller and Reichwald (2005) show, manufacturers possess specific process knowledge (e.g., R&D, production) but often lack interaction capabilities; retailer personnel often lack motivation to learn from their direct interactions with customers or transfer their knowledge. Therefore, the development of new service ideas often relies on a one-way communication process. If firms could consider consumers' preferences and demands and then integrate them with the innovative ideas of professional designers, they could form a two-way communication path with much greater utility. This benefit also could help solve the problem of inconsistent recognition by designers, firms, and consumers.

During the new product idea or design development process, customization can indicate the optimal product design. Consumers base their evaluations on the combination of many product attributes to choose products that will offer them the maximum benefit. In this structural context, the firm must be able to generate innovative ideas and put them into practice in the shortest possible time. The use of customization also can reveal the relative importance and best product combination for consumers with regard to each attribute of services, which in turn can serve as an important reference for the design and development of new services.

## **2 Literature Review**

New service design gains new potential from emerging and converging intangibility, which enable providers to communicate directly with customers and develop customized services. Service innovation generally adopts either special process to design services that fit better or customization to create unique service designs. Fiore, Lee and Kunz (2004) argue that customization represents a customization option, because the product design is based on a customer's selections from a range of design feature offerings. Customization provides professional assistance as the customer assesses service selections, makes design choices, and facilitates image depictions. This option requires the consumer to interact with a trained design manager, who provides the degree of assistance required for the customer to create customized product (Anderson-Connell, Ulrich and Brannon, 2002). Thus, its objective is to deliver goods and services that meet individual customers' needs, and it implies a new form of cooperation: The firm must interact with the

customer to obtain specific information that defines and translates the customers' needs and desires into a concrete product specification (Berger, Möslein, Piller and Reichwald, 2005).

In turn, customization offers greater value for customers because it helps them develop differentiated, unique products and services. As codesigners, customers create unique services from an array of design options and experience the creation take shape on the individual service. The resulting service offers better fit or meets the customer's design specifications better.

Many products and services are subject to customization, from automobiles and insurance to fashion products (Fiore, Lee and Kunz, 2004). Customization services may offer memorable experiences that entice the customer. In this study, the customization process presents service design options and computer modeling to help customers select the options they prefer, which should foster an engaging experience due to the novelty, creative expression, and interface associated with advanced service. To ensure the services produced from the codesign process offer maximum efficiency, the analysis reveals those service attributes that may be codesigned and communicated easily for a realistic evaluation. In addition, these attributes must be realistic.

### **3. Discussion**

A service-centered view of exchange points in an opposing normative direction. It implies that the goal is to customize offerings, to recognize that the consumer is always a co-producer, and to strive to maximize consumer involvement in the customization to better fit his or her needs. It suggests that for many offerings, intangibility may be a limiting factor, one that increases costs and that may hinder marketability. Many observers believe that service innovation begins with a new service idea, which causes most innovation studies to focus on new technology generation. However, whereas that approach isolates users' problems and then seeks solutions to those problems, a customization approach identifies the service innovation concepts that most likely have value for the consumer. A service with a good core benefit proposition is critical for effective new service development. In customization area, the ideas provide a useful source of information for service managers, who should consider the use of customization to design the best services for individual consumers and decrease the risk of design failure, as well as promote consumer loyalty and satisfaction toward the service. The study provides a unique idea to understand the new service innovation concept and make service design decisions that integrate optimum individualized design.

The customization process involves a high level of consumer input and stimulation. Therefore, this suggests that marketers should focus on the level of consumer involvement and the control over the final service. Future research needs to link specific target markets for customization service and entrance strategies for companies seeking to fill niche. Furthermore, service innovation could explore relationships between willingness to use customization and exploratory tendency factors of innovativeness, brand switching for change or novelty. This study presents an early attempt to understand the emerging paradigm of customization for consumers, and firms' perspectives. Finally, the study provides an initial blueprint for understanding potential implementation of customization for the service innovation.

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