On demand-side sources of service innovation ideas

By Ya-Feng CHANG [a†] & Chun-Ching YEH [b]

Abstract. Increasing degree of consensus has been made among academics and practitioners, that firms should pay special attention to the demand-side factors just to design and produce products/services that gain most loyalty. This article discusses further the specific demand-side sources of service innovation ideas in a multi-layer direct marketing context. Experience marketing, value perception, and re-purchasing process are proposed and articulated. Implications for research and practices are offered.
Keywords. Demand-side drivers, Service innovation, Multi-layer direct marketing.
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1. Introduction

While the boundaries among the industries are tending to become more and more obscure, the industry in the future must gain the profits through "service", and there are reports pointed out that traditional industry must take the service innovation as the change, so as to improve enterprise's profitability accordingly, the contents did also mentioned the various service innovations and practical application situations, including the new service content, customer experience, new delivery interface and service process etc. Bolton (1997) indicated that an enterprise might not succeed in expanding relevant capability and technology of the service, but the proper use could transfer high added value to the consumers, so the service innovation in the aspects of technology and capability was necessary.

Traditional sources of service innovation come from internal development of the service givers. Service processes, contents, and supporting elements were brainstormed internally. However, service satisfaction is a felt perception rooted in individual customer. Thus, it is of equal importance that the service development process should incorporate customer (i.e., the demand-side) thoughts. Bolton (1997) indicated that an enterprise might not succeed in expanding relevant capability and technology of the service, but the proper use could transfer high added value to the consumers. Obviously, the service innovation in the aspects of technology and capability is important for the enterprise to improve customer loyalty. Nonetheless, technology and capability are concerns from the supply side but not from the demand side.

With this in mind, systematic discussion of specific idea sources from the demand-side angle*and* with specific context is relatively lacking. In this article, experience marketing, value perception, service quality, and re-purchasing process are proposed as critical sources of service innovation ideas in a multi-layer direct marketing context. A multilayer direct marketing context is special because, first, the sellers need to offer service (knowledge, distribution, and so on) too; second,

[a†] Department of Business Administration, Cheng Shiu University, Taiwan.
☎ . +886-7-7310606
✉ .
[b] IMBA, I-Shou University, No.1, Sec. 1, Syuecheng Rd., Dashu District, Kaohsiung City 84001, Taiwan.

sellers (service production side) are mostly buyers (service demand side); and third, one layer of the seller-buyer relation is often highly dependent with another layer of seller-buyer relations.

2. Theory and Propositions

Service innovation aimed at transferringadded value to customers through novel service concept different from previous service concept or service transfer or solution improvement method. Weerawardena (2003) believed that innovation could gradually improve products, procedures, services, organization system and marketing system to create customer value. For Woodside's research on the influence of service innovation and relationship marketing on customer perceived value, customer satisfaction and customer loyalty, the tourists in the tourism industry were taken as the example, and that customer satisfaction was generated according to the comprehensive attitude of the customer after consumption, and could reflect product or service preference degree, including positive response or negative response.

Tam (2004) indicated that the company should provide better and newer service or reduce customer perceived cost to improve customer value. Drucker (1985) defined innovation from the aspects of supply and demand, and he believed that from the aspect of supply, innovation was the new capability for creating wealth with resources and changing the output of manufacturer's resources; from the aspect of demand, innovation could change the value and satisfaction provided by resources to the consumers.

2.1. Experience marketingas a service innovation idea source

Zeithaml & Bitner (2000) believed that compared with products, services were more difficult for communication and separation, and were more complicated, and even probably had no compatibility, so the enterprise might focus on promoting trial use when promoting a new service to provide more opportunities for customer experience. The core concept of the experience economy as the demand and the expectation of the consumers for having positive feedback andemotionality and memorable feeling in various commercial experiences, and believed that most future services and products would be provided through the theme-based experience mode. Edwardson (2001) proposed that emotion could influence people's deduction, accordingly influence behaviors and greatly guide people's behaviors, so consumer emotion could influence consumer behaviors. Ittelson (1973) believed that emotional experience was the basic composition of environment perception, and emotion was the first response to the environment, and the impact of environment on emotion was universally dominant in the development of the subsequent relationship between individuals and environment, and the environment regarding individual emotion status included natural environment and individual environment. Bitner (1992) proved in the research that the cognition upon the service scene could lead to convinced emotion, belief and physiological sensation and accordingly influence behaviors, namely cognition upon service scene (environmental stimulus) -> emotion, belief and physiological sensation (emotion status) -> influence behavior (behavior response).

Isen (1984) believed that emotion was strongly caused by a certain specific event to an individual, and was usually accompanied with physiological and psychical response. Feeling is a slight emotion universally existing in daily life, and the strong emotion cannot only disturb people's attention, but also influence consumer behavior. Customer selection could be formed into perceived effect due to the influence of the functionality provided the commodity, the social group linkage presented by the commodity, the feeling and emotion introduced by the commodity, the curiosity and knowledge aspiration satisfaction caused by the commodity and the special condition (Dawson, et. al, 1990). Therefore, the tangible connation of the service is closely related to the emotional experience of the customer, and could influence individual behaviors. Baker et al. (2002) and

Sweeney & Wyber (2002) indicated in the research that emotion had positive significant relationship with behavioral intention (behavior response).

Example. Without experience, customer can only give their indirect, imaginary thought about whether a service is currently good enough. But if they can have a chance to experience it, they will have direct feeling of the service and may implicate on whether the current service should be revised, and on which point should the service be revised.

Proposition 1. Experiential marketing facilitates the generation of service marketing ideas

2.2. Value perception as a service innovation idea source

Bolton (1997) indicated that an enterprise might not succeed in expanding relevant capability and technology of the service, but the proper use could transfer high added value to the consumers. Obviously, the service innovation in the aspects of technology and capability is important for the enterprise to improve customer loyalty. Agustin & Singh (2005) believed in the research "influence of customer loyalty curve on the determination of relationship exchange" that value was the premonition of loyalty and promise.

Alderson (1957) believed that customer value was determined by consumption experience. Havlena & Holbrook (1986) indicated that the most important influence factor of experiential consumption was emotion factor. According to the experience value opinion (Holbrook, 1994), value was classified into intrinsic value and extrinsic value, and the influence of customer emotion on above two values was detected, and the customer was happy and interesting in the process and even obtained benefits in the process, and the result showed that positive emotion and negative emotion could influence customer value, namely: the positive emotion could significantly positively influence extrinsic value and intrinsic value, and the negative emotion could only significantly positively influence extrinsic value. Zeithaml (1988) believed that the highest-level value was usually presented in the inner experience process of the final consumers, and compared with money or perceived tangible value, these positive emotions could significantly influence the customers.

Bojanic (1996) proposed in the research that customer perceived value was positively related to customer satisfaction. Anderson & Sullivan (1993) believed that the product or service provider might influence consumer satisfaction upon the provider due to the customer perceived value. Patterson & Spreng (1997) proposed in the empirical research that the perceived value could positively influence satisfaction. According to above analysis, service innovation can influence customer value. Cronin *et al.,* (2000) indicated in the research on the service industry that the items influencing customer behaviors included service quality, customer satisfaction and perceived value, and indicated that the customer perceived service value could positively influence customer satisfaction. Oh (1999) also proved that customer value could positively influence repurchase willingness. According to relevant literatures in service field, the service value could positively influence behavioral intentions (Cronin, *et. al,* 2000). Sirdeshemukh *et al.* (2002) proposed that customer value could positively influence customer loyalty, and accordingly found that the value obtained in the consumption process could not only improve customer loyalty, but also become the factor concerned by loyal customers.

The customer perceived value is one of the important customer loyalty indexes and can promote the customers for repurchase (Parasuraman & Grewal, 2000), because the judgment result for the customer perceived value can influence the repurchase willingness (Cronin, Brady & Hult, 2000). Scholar Butz & Goodstein (1996) also proposed that customer emotion for the enterprise could be established only when the customer value provided by the enterprise could meet or exceed customer expectation, and the customer loyalty could be accordingly increased. Obviously, customer value could influence customer loyalty. Patterson & Spreng

(1997) empiricallyresearched the relationship between the consultant companies and the perceived value, satisfaction and repurchase willingness of non-governmental organizations, and found in the research that the perceived value was indeed the antecedentvariable of satisfaction and could positively influence satisfaction, and higher satisfaction presented higher repurchase willingness.

Ravald & Gronroos (1996) proposed that for an enterprise, customer perceived value was one of the key competitive advantages of the enterprise. Flint *et al.* (1997) believed that customer value could be influenced by many key events, including service innovation and technological innovation.

Example. The customers' value perception can be mapped and provide feedbacks to supply side's value proposition. Gaining information and clues from customer value perception can facilitate firms to propose proper values to be offered through revised service innovation.

Proposition 2. Perceived value facilitates the generation of service marketing ideas

2.3. Post purchasing process as a service innovation idea source

Commodities are generated in the manufacturing process, while services are generated in the transferring process; commodities are presented in use, while services are presented in experience. Service environment should cover such perceived environment factors as smell, touch, vision and auditory sense, including smell, temperature, hardness & softness, luminance, dimension, volume, background music, etc. Evaluate we can the service scene according to the concept of service consumption enjoyment, and defined the service scene as the real facility related to the real environment, and found in the research that the service scene could positively directly influence behavior intentions.

From this, it is vital to make the deep discussion and study on whether the service innovation, experience marketing and cognitive value have make the related affection on the post-purchase behavior of the customers, this shall also be research motivation of this study. Accordingly, however, it may even be more important to survey the impact of information or clues retrieved from customers; re-purchasing processes.

Example. When a customer re-purchase, s/he desires to release extra information and thoughts, positive or negative, toward the service giver. If this information can be grasped by means of formal or informal conversation about the last purchase, the reason why repurchasing is happening, and so on, the service designer can develop further service based on the hint gained in re-purchasing. Maybe a customer enjoyed last service but think s/he should be able to more selectively skipped some of the procedural steps of last service. S/he then may show discomfort sign when into those procedures. Then these signs become good hint for service information ideas.

Proposition 3. Re-purchasing process facilitates the generation of service marketing ideas.

3. Implications

Innovation referred to products, methods or a set of systems with the potential for creating new market and changing competitor or consumer behavior mode. With this, any kind of innovation, including service innovation, cannot exclude the concerns from the consumer perspective. This article discusses three important demand-side sources of service innovation ideas.

Latter studies can further link all these factors to test if they facilitate service innovation to achieve positive outcomes such as service quality. For example, practitioners should take the service quality as the essential factor for the customer to determine whether to re-purchase or not, and the improvement in service quality shall be usually the important evidence for the customer determining whether they were satisfied accordingly. For the service quality was the comment the customer made on the overall quality of the service, and as a cognitive mass, it shall be

generated from the competition made by the customer between the expected service and cognitive service performance. In such situation, the service quality perceived by the customers may influence their satisfaction degree, further to influence the expenditure, public praise, purchase willing and recommendation willing that they may like to give.

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