

THE USE OF CONSUMER VOICE IN THE PROCESS OF SERVICE INNOVATION CREATION

ANNA SZWAJLIK,¹ LESZEK GRACZ²

University of Szczecin
¹ e-mail: anna.szwajlik@gmail.com
² e-mail: leszek.gracz@wzieu.pl

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ABSTRACT

Current models of innovation development assume cooperation between multiple entities. The inclusion of consumers is treated as an essential condition for the effective marketability of innovative solutions. Innovations that start with understanding of the current behavior of target customers have a much greater chance of success. Therefore, satisfying the needs of a customer is no longer the primary objective of a company. It is the search for opportunities and ways of enriching the lives of consumers by goods and services which are co-created by them. An important aspect is also the current trend of product-centric firms, which in order to remain competitive in the market, add services to their portfolio, which requires a greater focus on service innovation for all kinds of companies. The objective of the paper is to present the concept of the Consumer Voice and to present and analyze research methods that enable active involvement of the consumer into the process of searching and creating ideas for innovative products. The products are classically understood as “anything that can be offered to a market to satisfy a need or a want” – so by products authors mean both tangible goods and services, with a special emphasis on services. The paper uses the methods of literature review, case study analysis and synthesis. There are 2 case studies presented and analyzed. The conclusion is that companies that properly use VOC research methods are successful on the market, which has been confirmed by the conducted case studies analysis. This conclusion is based on literature research and presented case study analysis.

Introduction

Current models of innovation development assume cooperation between multiple entities. The inclusion of consumers is treated as an essential condition for the effective marketability of innovative solutions. The use of modern research methods based on the interaction with the consumer and the observation of their behavior becomes a challenge for modern market researchers.

Innovations that start with understanding of the current behavior of target customers have a much greater chance of success. Therefore, satisfying the needs of a customer is no longer the primary objective of a company. It is the search for opportunities and ways of enriching the lives of consumers by goods and services which are co-created by them. An important aspect is also the current trend of product-centric firms, which in order to remain competitive in the market, add services to their portfolio, which requires a greater focus on service innovation (Kindström, Kowalkowski, Sandberg, 2013) for all kinds of companies. Enterprises that want to develop should involve users of their services into the development processes of services innovations in a more direct way. They should in fact make their consumers members of their project teams.

The objective of the paper is to present the concept of the Consumer Voice and to present and analyze research methods that enable active involvement of the consumer into the process of searching and creating ideas for innovative service products. The products are classically understood as “anything that can be offered to a market to satisfy a need or a want” (Kotler, Armstrong, 2010) – so by products authors mean both tangible goods and services.

The paper uses the methods of literature review, case study analysis and synthesis. There are two case studies presented and analyzed. The conclusions are based on literature research and presented case study analysis.

The consumer as a source of service innovations – literature overview

A source of innovation is an ambiguous term, as it refers both to the impulses, causes and places as well as factors determining the process of innovation creation (Penc, 1995). In the literature of the subject there is often used the division into internal and external sources. P. Drucker includes into internal sources: unexpected events, mismatch between reality and imagination about it and process needs. In the framework of external sources the same author includes: changes in the structure of a sector or a market, demographic changes, changes in perception, mood and values (Krawczyk, 2012).

It should be noted that the abovementioned external sources of innovation are associated with final customers of goods and services that shape the demand for innovative products. The recognized needs and preferences of consumers constitute important information about the existing demand and a stimulus for undertaking action by the companies in developing service innovations. Innovation must always be close to the market, be oriented towards the market and be, in fact, inspired by the market (Drucker, 1992).

Satisfied but still demanding consumer is an important link in the creation of service innovation in a company. Proper identification of needs and new ideas becomes crucial in the context of the approach to the process of innovation development.

An important current method of implementing innovations is User-Driven Innovation (UDI) that is focused on creating ideas and solutions on the basis of consumers' knowledge and needs (Wise, Hogenhaven, 2008). The concept of UDI is based on the use of the knowledge of a consumer in the process of development of product innovations. Particular attention is focused on the discovery of the real needs and systematic research of consumers (Oleksiuk, 2012).

Implementing the concept of UDI requires a company to better understand and identify the visible and hidden needs as well as undertaking the decision on the scope of the consumer's participation in the development process

of product innovations (direct or indirect involvement). The concept of UDI uses two theoretical approaches: Voice of the Consumer (VOC) and Consumer Leadership.

It is considered in the literature that the creator of the concept of the Voice of the Consumer is A. Griffin. This author in his works defines VOC as the process of identifying the needs and desires of a consumer. The research of the Voice of the Consumer focuses primarily on discovering unconscious needs.

The use of the Voice of the Consumer in the process of creating product innovations brings following benefits (Griffin, Hauser, 1993).

1. It enables understanding of consumer requirements:
 - Due to the use of research techniques based on participant observation and in-depth individual interviews, the mindset of a consumer can be more accurately understood.
 - Observation of consumer behavior during the consumption of services can provide inspiration to seek and create new solutions.
 - Interviews in which consumers describe their experience from the use of a service are called “experiential” in the literature. It highlights the role of the consumer in the research process as well as the fact that the true results are obtained in a situation when respondents have the opportunity to express their minds in an appropriate way. The role of the team is understanding and translating the derived knowledge into the functional features of a service.
2. It introduces transparency into the communication within the project team:
 - Understanding the needs of a consumer sets the direction of the design of functional features of a service.
 - Following the voice of the consumer becomes an important verifier of activities carried out in a team of both R&D and marketing staff.
 - Communication in a team based on VOC requires from participants knowledge exceeding existing competences.
3. It is a starting point for design decisions as well as it facilitates implementation of changes:
 - Voice of the Consumer provides a solid foundation for the development of technical and marketing solutions.
 - It organizes the way of thinking about the service by optimizing the process of creating benefits for consumers.

A. Griffin draws particular attention on the usefulness of the concept of the Voice of the Consumer at the stage of the creation of product innovation as a source of ideas and new solutions. J. Hauser describes the usefulness of VOC in other areas of activity: design of marketing communications, pricing strategy, understanding the expectations of partners in distribution channels as well as employees as internal customers (Griffin, Hauser, 1993).

R. Cooper notes that the Voice of the Consumer should be an integral part of the entire development process (Cooper, 2014).

In the first stage of idea exploration the Voice of the Consumer should be a source of inspiration, at the stage of concept development the VOC verifies emerging solutions and during the process of marketization it provides information enabling the adjustment of planned activities. Such a perception of VOC constitutes a real and valuable contribution to the consumer in the process of developing product innovations (Cooper, Dreher, 2010).

For the purpose of the paper we define the Voice of the Consumer as a set of research methods used in the process of exploration and creating ideas of innovative services. It is an important and also the first stage in the development process of services innovations.

Research methods of the Voice of the Consumer on the stage of exploring ideas and service concept

— literature overview

According to the literature a deep understanding of consumer needs is a systematic process requiring careful observation and thoughtful analysis. Accordingly, the research of VOC requires searching for effective methods.

Traditional research methods, especially structured survey questionnaires and group interviews are not very effective at uncovering hidden consumer needs. Limitations of survey research relate to the impossibility of imagining the potential attributes of a new service by respondents and therefore linking it to their new needs. Another problem in survey research is the low response rate, even with the use of the internet. Finally, the primary disadvantage of group interviews, as indicated by the researchers, is isolating respondents from their natural environment, which produces, among others, the following consequences:

- researched consumers tend to be less open in expressing their views on how to consume a service,
- research conducted outside the natural environment of the respondents makes it difficult to capture the context, which can be important for discovering new needs.

In addition, most of the FGI research is focused on the existing characteristics of the service; therefore, they are used rather in the case of searching the improvement than ideas for radical innovation.

Finding and understanding the hidden needs of consumers is a complex process, often requiring long lasting and meticulous observation. For that purpose the ethnographic research are useful. Ethnographic research, according to (Goffin, Varnes, 2012):

- are conducted in an environment friendly to respondents,
- are based on the observation of the consumer during the active use of the product,
- support consumers in describing their experiences and feelings,
- researchers focus primarily on understanding and describing the problems faced by users and less on the characteristics of services,
- a combination of interviews with systematic observation of action and consumer behavior enables the discovery of new needs.

Ph. Kotler describes following key benefits of research conducted with the use of ethnographic methods (Kotler, Trias de Bes, 2013):

- exploring the motivations of consumers and market imperfections that consumers would not express with the use of other research techniques for the reason of, among other things, the lack of relevant expertise,
- quality of the information obtained during the observation and interviews is incomparably higher than the quality of just verbal description,
- observation of consumers during their daily routines and use of services in their natural environment makes it possible to capture and express current problems and feelings, which can be a significant source of ideas for innovators.

R. Cooper in his work describing the test method of the Voice of the Consumer highlights the importance of using ethnographic methods as well as others, including the community of enthusiast and the inclusion of customers in the design process (Cooper, Edgett, 2008).

Community of enthusiasts is based on the study of behavior of selected groups of users. Members of these groups have similar interests and preferences towards specific goods or services. The indicated test method has become more available and popular in the era of an internet; however it requires specialist skills in analyzing content posted by the users.

The broad use of including consumers in the service design process (the customer or user design) became possible only in recent decades with the development of specialized IT tools. The main advantage of this method is the direct impact of customer expectations on services features without intermediaries. It should be noted, however that this method is applicable to a narrow group of services, where the advanced scientific knowledge is not needed and such aspects as a sense of style, aesthetics and basic technical knowledge of respondents are required.

The other popular methods of VOC research include, among others: analysis of the lead users, customer visits, group interviews, brainstorming.

A pioneer of the research method based on the lead user analysis was Eric von Hippel, who in his works reveals that many new products that have been market success were the realization of innovative ideas of customers (Cooper et al., 2002). According to Eric von Hippel innovative group of customers has a special knowledge of existing solutions and is aware of their unfulfilled needs. The weakness of the method is relative difficulty in reaching this group of innovative users. It is usually relatively small and fragmented.

Another method used for the purpose of VOC analysis is called the customer visit teams. It has some characteristics of ethnographic research. During the interviews carried out in an environment that is friendly to participants, they increase their openness and willingness to cooperate. Linking the interview with the observation of the behavior of users increases the chances of discovery of the unconscious needs and thus the customer visit teams becomes a source of new ideas for innovative services. This method requires above all precision for recruitment of members of the research team and the proper development of the research tools.

The abovementioned group interviews are often used by companies in the process of finding ideas for innovative services. Despite the drawbacks described above, it is a method recommended by many researchers. The competences of a moderator are considered the key condition for the efficient use of group interviews in the search for new ideas. A good moderator should have knowledge and experience in the development of service innovations and should know the techniques of creative thinking and creative problem solving. It also noted that the group researches are more often used during the evaluation of product concepts rather than searching for a new idea (Cooper, Edgett, 2008).

The other, also a popular method used for ideas for innovative services is brainstorming. This method is more often used in the B2B market. A significant advantage of this method is its effectiveness in the case of a well-selected group of participants. However on the B2B market the creation of such teams is sometimes confusing because of the competitive factor that occurs among potential participants in research groups.

The above-described methods for researching the Voice of the Consumer are characterized by active involvement of the consumer in the process of finding concepts, the ideas of innovative services. The consumer becomes a member of the project team and their participation increasingly determines the success of the development process of service innovations.

The practical aspects of use of the consumer voice in the process of service innovation creation

The first example of the development of the concept of innovation with the use of the Voice of the Consumer is presented after the analysis made by Gustafsson, Ekdahl and Edvardsson (Gustafsson, Ekdahl, Edvardsson, 1999). Scandinavian Airlines, often shortened to SAS is the flag carrier of Sweden, Norway and Denmark and the largest airline in Scandinavia. Realizing the possible gains for the company that succeeds in reformulating the fundamental concept of air travel, SAS made a strategic decision to become a forerunner in the development of the airline industry. An important step in turning this strategy into reality was an effort to develop a thorough understanding of the true, spoken and unspoken, needs and expectations of the customers. Further, it was necessary to understand how the customers interact with SAS while travelling.

The two main research questions the SAS asked itself were:

- what do the customers do when they travel,
- what do the customers want to do when they travel.

Studies of the customers were carried using primary video cameras documenting the customers' travel process, with supplementary using of on-site observation. Video cameras were set up in different locations throughout the travel process. In all, SAS amassed thousands of hours of video and photographic data of the customers on the ground and in-flight. The video data were then studied in detail to identify recurring passenger needs and concerns. Close to 3,500 hours of video data were studied in sequences as short as five seconds in addition to 3,600 still images taken in different situations. This conscientious analysis of data formed the basis for establishing an understanding of the passengers, drawing from actual behavior and how customers perceived different activities.

What is more, the analysis of video data enabled discovering larger patterns underlying the myriad activities. Based on findings from the video data it was possible to find structures that signified and influenced customer activities and behavior and provided vital information about the passengers.

SAS also identified a number of other benefits from observational research using video cameras. First of all, video recording represented a new technique not used very much previously for service development. Therefore, aspects not covered by more traditional customer survey techniques were now included for the first time. In addition, the video recordings allowed study of customer behavior at an extraordinary level of detail, over and over again, without running the risk of losing any vital information along the way. The video recordings included sequences where the passengers solved their own problems and this information could prove vital and very useful when developers sit down to design new services, especially if the person being recorded could be involved in the interpretation of the sequence. Further, the video database in itself constitutes an enormous source of ideas for new and improved products and services. It will be possible to return time and time again for inspiration in the future. Finally, SAS has recognized the video database to be an important part of an ongoing learning process within the company. As such, it must be continuously updated through active contacts with customers and through renewed use of video recordings. In this way, SAS can make sure of keeping the understanding of the passengers' needs and expectations up-to-date.

The next example of the use of the consumer voice in the process of service innovation creation is presented on the basis of DSB company, focusing on the new concept for transforming a part of DSB 1' into two zones which accommodate the fact that the customer's use of the train will depend on the individual passenger's situation.

The Danish State Railways (DSB) undertook a project where the goal was to achieve an increased value for customers on DSB 1'. One of its outcomes was the Silence-zone. With the introduction of the new Silence-zone the DSB 1' was physically split up into two. The customer on DSB 1' can now choose between the original DSB 1' where it is possible to use the telephone, have meetings etc and a "Keep Quiet zone" with the possibility for absorption, reading, sleeping etc.

In order to come up with ideas of how the future DSB 1' should be, there was arranged a workshop in cooperation with Danish Technological Institute and the design agency 3Part with the participation of people from companies from related business sectors and from customers.

During the workshop the participants were asked about their feelings towards DSB 1' as well as ideas of how to increase the value for the users on DSB 1.

The data collection process was a mixture of observations, video observations and personal interviews. The respondents were observed most of the day by the research team but the observations were supplemented by open ended interviews conducted by the research team. During the supplementary interviews the respondent were asked about why they reacted as they did in certain situations that occurred or how the respondent felt about situations that had occurred.

By observations of the customers on DSB 1' the company gained valuable insights about the customers' behavior in relation to the product DSB 1' and travelling by train in general that would not have been obtained simply by asking the consumers.

The case is an example of the relevance of user-driven innovation in the service industries and how the approach can create great value as a creator of new service concepts. For example, the finding that led to the launch of the Quite Zones; observations gave the researchers the insight that the customers often worked on the way to meetings and stayed relaxed on their way home, but when asked directly the customers responded that they also intended to work on their way home as well.

Research limitation

There are several general limitations of case study analysis method, including the facts that it should not be generalized to the wider population, researchers' own subjective feeling may influence the case study (researcher bias), they are difficult to replicate and may be time consuming. However, these are widely known limitations and it is generally approved that in such complex and multithreaded cases, the strength of case study analysis outweigh its limitations.

Conclusions

The importance of inclusion of consumers in the development of product innovations is often presented in the literature. It is described as a necessary condition, essential for market success, shortening the time of introducing products into market and gaining acceptance by potential buyers. The presented and analyzed method of the Voice of the Consumer is a concept which enables the realization of the abovementioned objective.

It is authors point of view that the Voice of the Consumer also exemplifies many definitions of marketing, in which the consumer is the central point and his is role crucial for creating the value for the company. Consumer activity expressed by the wish to contribute to innovative services should be treated as an important contribution of the market in the process of innovation service development. Nowadays, more than ever, in the era of

democratization of information, ignorance and skipping the uncovered needs of consumers can quickly contribute to a decline in the attractiveness of many companies. It is especially important in the case of service companies, as the consumer is inscribed in the essence of the service process. The use of VOC as a method of active inclusion of the consumer in the process of service innovation development has become a well-established fact by, among others, such concepts as UDI. The analyzed examples provide confirmation of the benefits from the use of VOC in business practice.

The research methods of VOC presented in the paper change the perspective of perceiving the share of the consumer in the research process. The consumer becomes an active member of the project team and has a real influence on the development of innovative solutions. The analyzed research methods also create favorable conditions for the accumulation of unique knowledge on the behavior of potential users.

The analysis of two practical implementation of VOC in the process of product innovation development indicates the importance of proper selection of research methods as a key success factor. Leaving the traditional ways of researching consumer is an important factor in the case of product innovations.

The innovative approach to research consumer needs and behaviors makes it easier to create product innovations. Companies that properly use VOC research methods are successful on the market, which has been confirmed by the conducted case studies analysis.

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