



School of Business  
Yonsei University

# Service Innovation

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Operations and Technology Management

# What we will do today...

- Discussion of the elBulli case
- B of A's experimentation in service innovation
- Business model innovation

# Final Project Grading Criteria

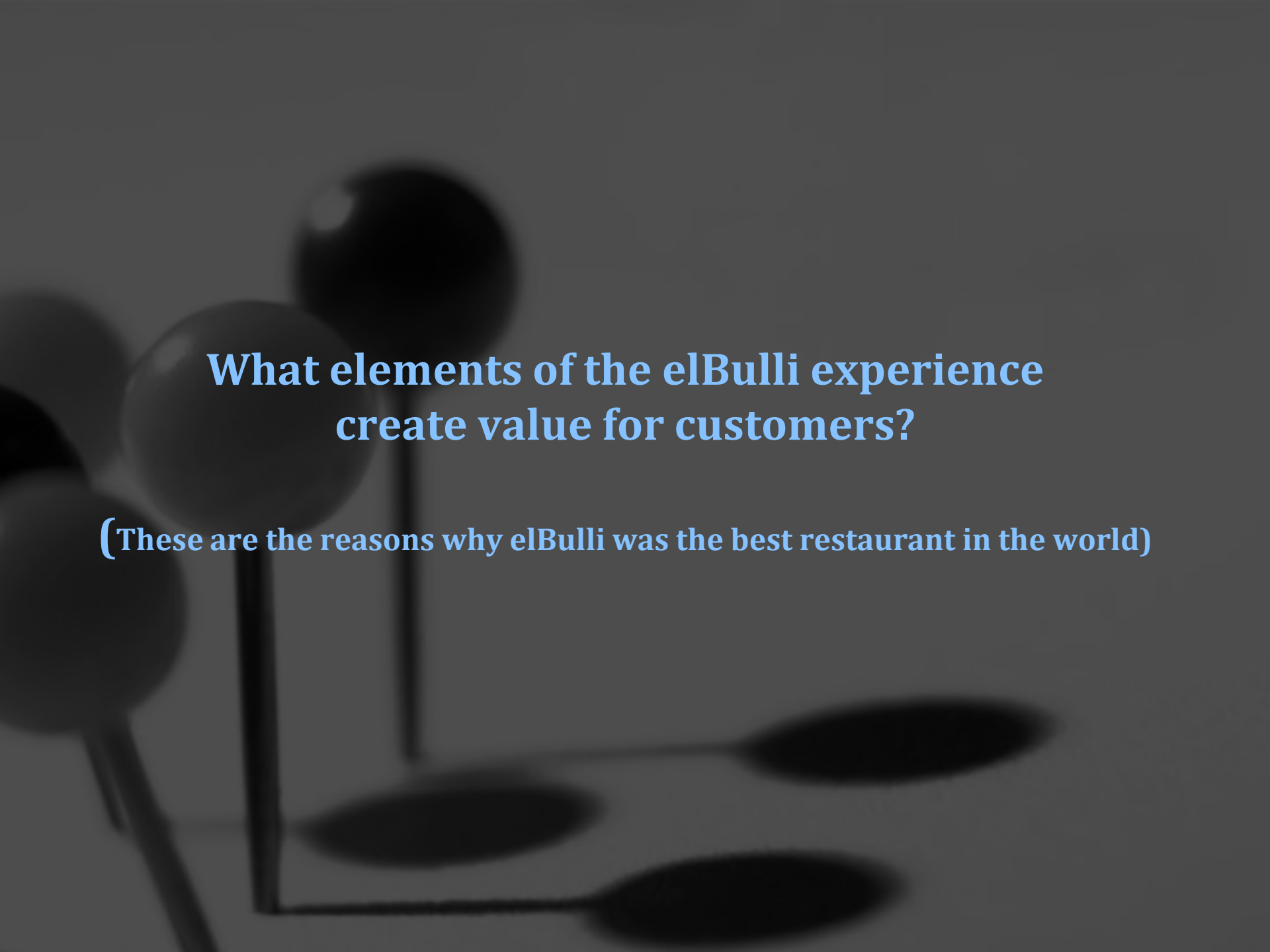
- The novelty of the idea
- Feasibility (marketability) – business model aspect
- Robustness of the innovation process
- Delivery of the presentation
  - communication, concept delivery, novelty
- Peer review



## **Case: elBulli - The Taste of Innovation**



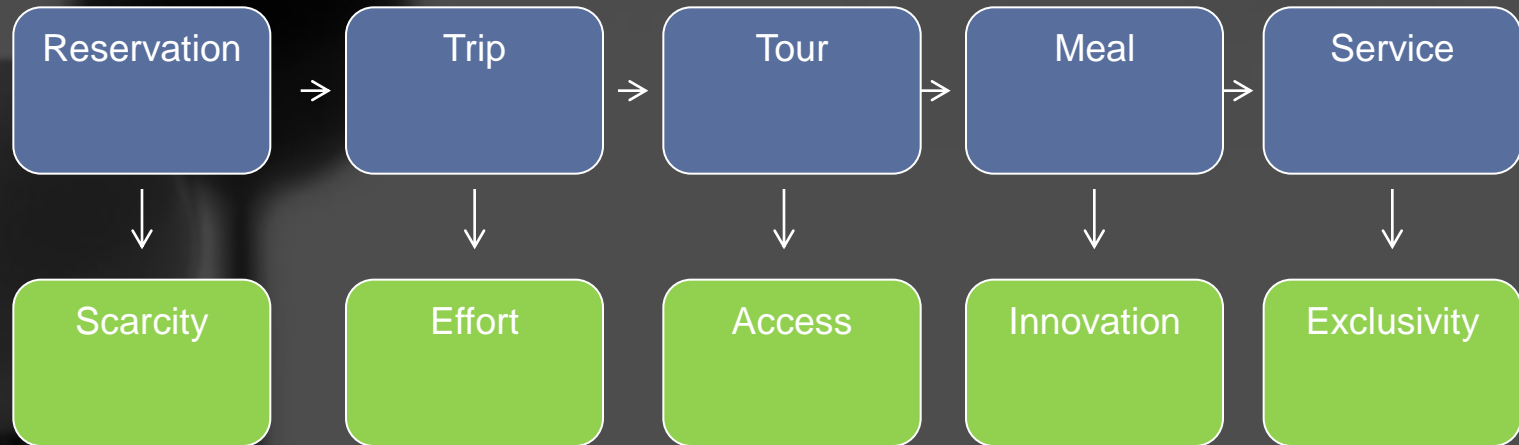
**Video: elBulli's Innovation in Taste**




**What elements of the elBulli experience  
create value for customers?**

**(These are the reasons why elBulli was the best restaurant in the world)**

# Constructing Experience

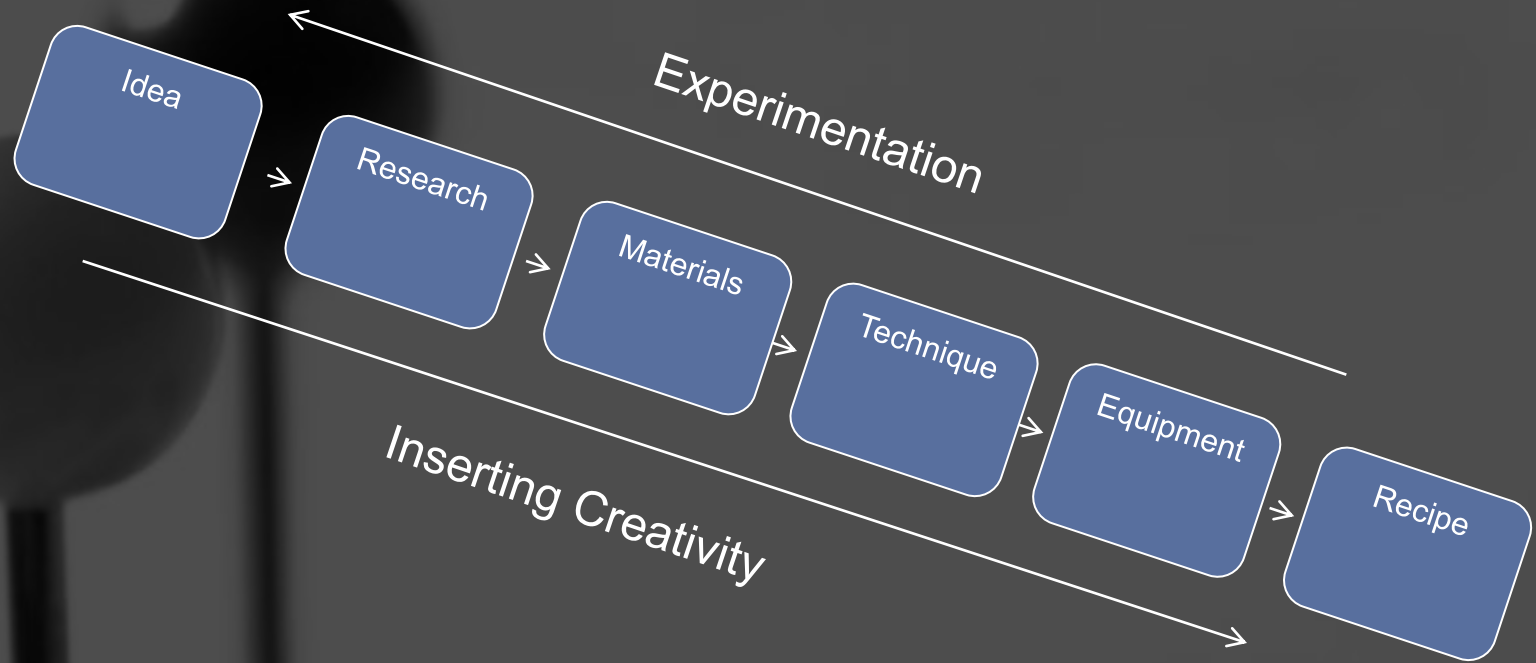




**What are the most salient features of the creative process at elBulli?**



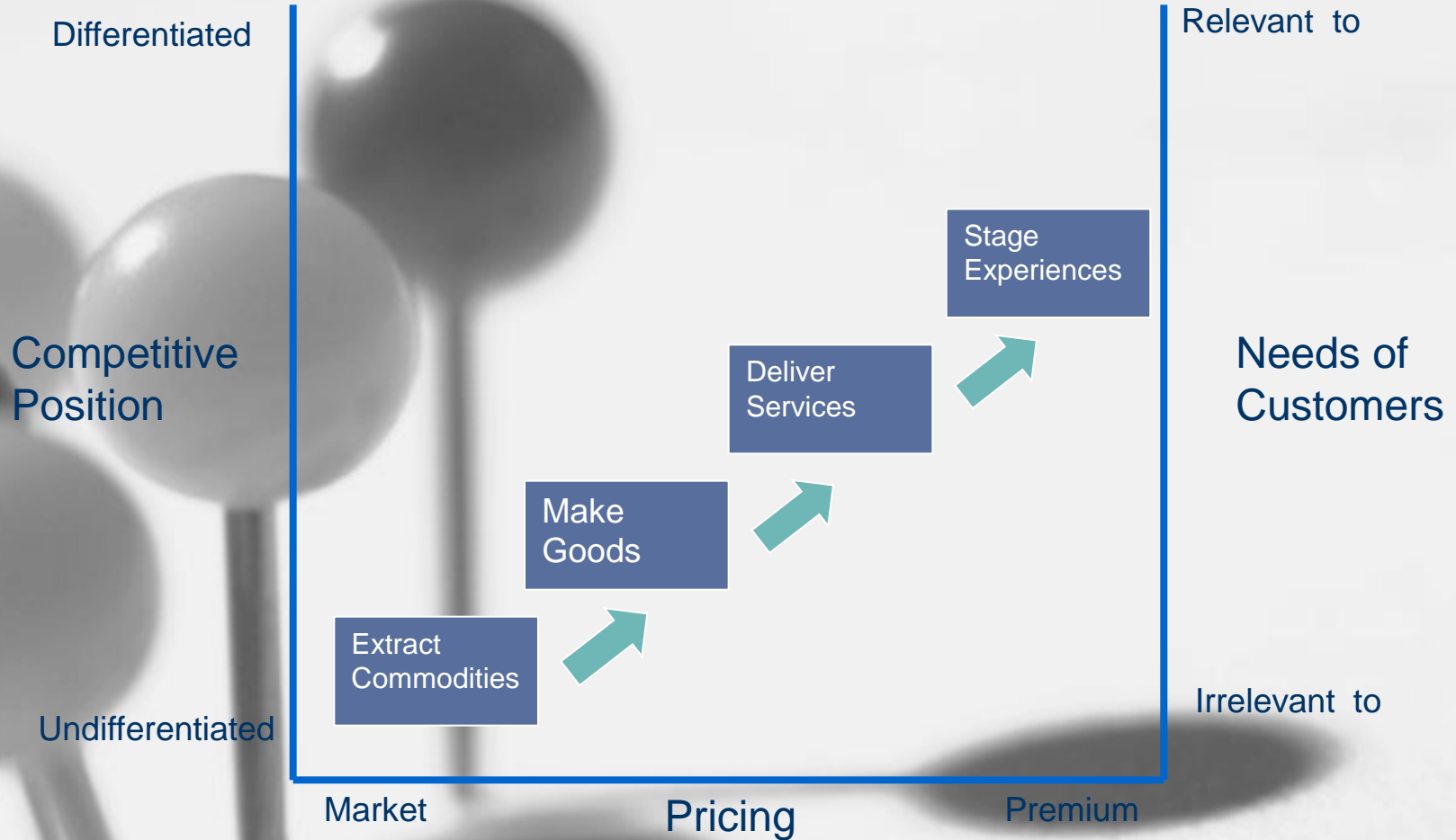
# Innovation Process



# Catalog of Thought Generating Techniques

- Deconstruction: Taking it apart, putting them back together in a new way
- Six senses: Irony, humor, provocation, childhood memories
- Adaptation: Revising recipes from traditional/classic cuisine
- Minimalism
- Haute cuisine version of mass-market items
- Influence from other cuisine
- Senses as the starting point to create
- Symbios of sweet and salted world
- New ways of serving food
- Techniques & concepts applied to new products
- ...

# Progression of Economic Value



# Frisholt Experience



# Facts about Frisholt

- Built in: 1925
- Established as guest residence in: 1967
- Guests: Customers, partners, subsidiary employees, consultants
- Dining guests: 4,500 per year
- Overnight guests: 2,500 per year
- Facilities: 24 rooms, 2 dining rooms, 3 bars, karaoke, conference room, billiards, table tennis, multi-purpose chapel, golf course with putting green and driving range, penthouse, multi-purpose game room

# Frisholt Experience

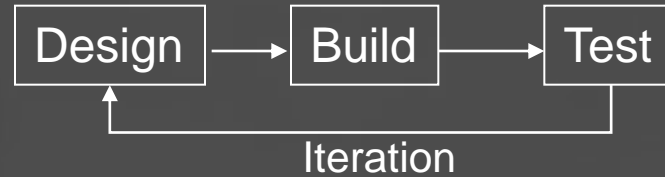


# Why models of product innovation, especially the experimentation approach, doesn't easily apply to the service innovation?

- Service is intangible, and realized only at the moment of delivery to the customer
  - Not easily isolatable in a traditional laboratory
- Many services are individually tailored at the point of purchase
  - Experiments not easily testable in a large sample

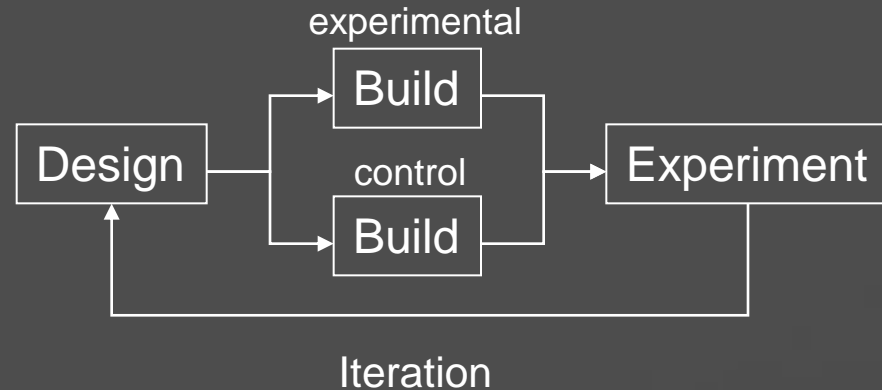
# Iterations Reveal New Information to Improve Upon

## Product Innovation



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## Service Innovation



**Experimentation** allows quick iterations in a controlled way, so that the iterations results in a more robust findings

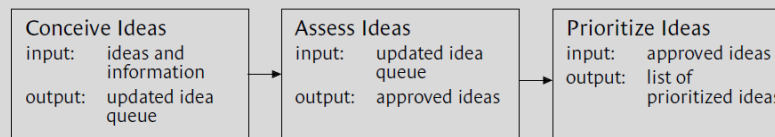


# Three different models

- Express centers
  - quick, routine transactions
- Financial centers
  - spacious, relaxed outlets with trained staff and advanced technologies for sophisticated services (stock trading and portfolio management)
- Traditional centers
  - conventional banking services

# Service Innovation Process through Experimentation

## 1. Evaluate Ideas

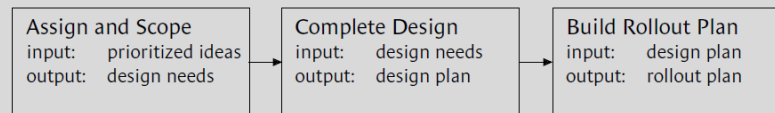


**Desired Outcome** Generate innovative ideas from internal and external sources.

**Success Factors** Awareness and commitment by bank personnel and management.

**Key Measures** Number of total ideas logged into dedicated spreadsheet.  
Percentage of approved ideas.

## 2. Plan and Design

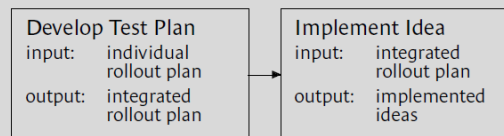


**Desired Outcome** Quickly plan the design, build, and rollout of idea.

**Success Factors** Minimal planning time.  
Timing and quality of design.

**Key Measures** Cycle time (by category of experiment).  
Quality of the experiment's design.

## 3. Implement

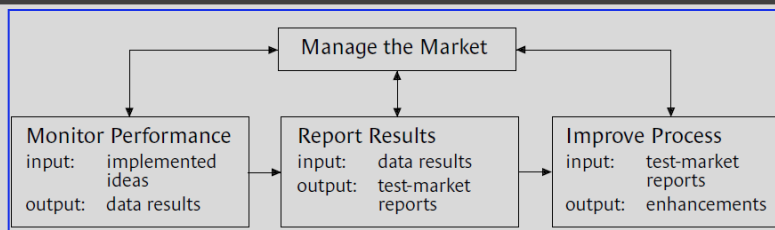


**Desired Outcome** Successfully implement ideas.

**Success Factors** Successful integration of ideas.  
No overload of experiments at test branches.

**Key Measures** Cycle time.  
Market readiness of the idea.  
On-time implementation.

## 4. Test

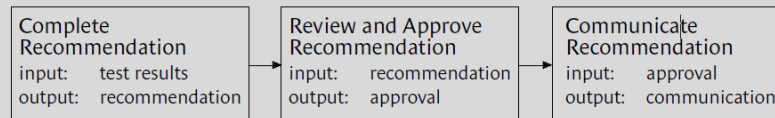


**Desired Outcome** Create a stable operating environment for testing new concepts and ideas.

**Success Factors** Fast feedback.  
Meeting test and market goals.

**Key Measures** Test cycle of no less than 90 days.  
Operating results.

## 5. Recommend



**Desired Outcome** Evaluate ideas and roll them out to test markets nationwide.

**Success Factors** Quality of measurement results.

**Key Measures** Cycle time.  
Clarity and completeness of the recommendation.

# Business Model

A conceptual framework for identifying how a company creates, delivers, and extracts value.

## **Two distinct objectives of “Business Model Innovation”**

- Inventing a entirely new business model
- Continuously evolving your company’s existing business model

# Holistic Examination of the Components of Business Model Innovation

Who do we serve?

What do we provide?

How do we provide it?

How do we make money?

How do we differentiate and sustain an advantage?

Who are our customers?

What market segments do we serve, in which geographies?

Who are the buyers of our products and services?

What are the products and services we sell?

What benefits and solutions do we deliver to our customers?

What distribution channels do we use?

How is our value chain configured?

What are the core processes and activities that translate our competencies, assets, and other inputs into value for customers (outputs)?

Who are our partners?

How do our suppliers and partners help us deliver value?

What do we charge our customers for?

What are the major costs we incur in delivering our offering?

How do we extract value?

What is our pricing model? (e.g., flat rate versus subscription, own rate versus customized, direct versus indirect through third parties, bundled versus priced separately à la carte, set prices versus market-based prices, etc.)

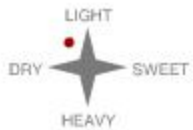
How are we different from competitors?

How do customers experience this difference?

What differences do they value most?

How sustainable is our differentiation? Is it protected by core competencies and strategic assets that we and only we have?

explore the  
flavor map >>



food pairings

nutritional info

winemaker's notes



## SHIRAZ

Ripe cherries and strawberries, spice, and vanilla aromas. This bold Shiraz wine is well balanced, with earthy tones and lingering fruit on the tongue.

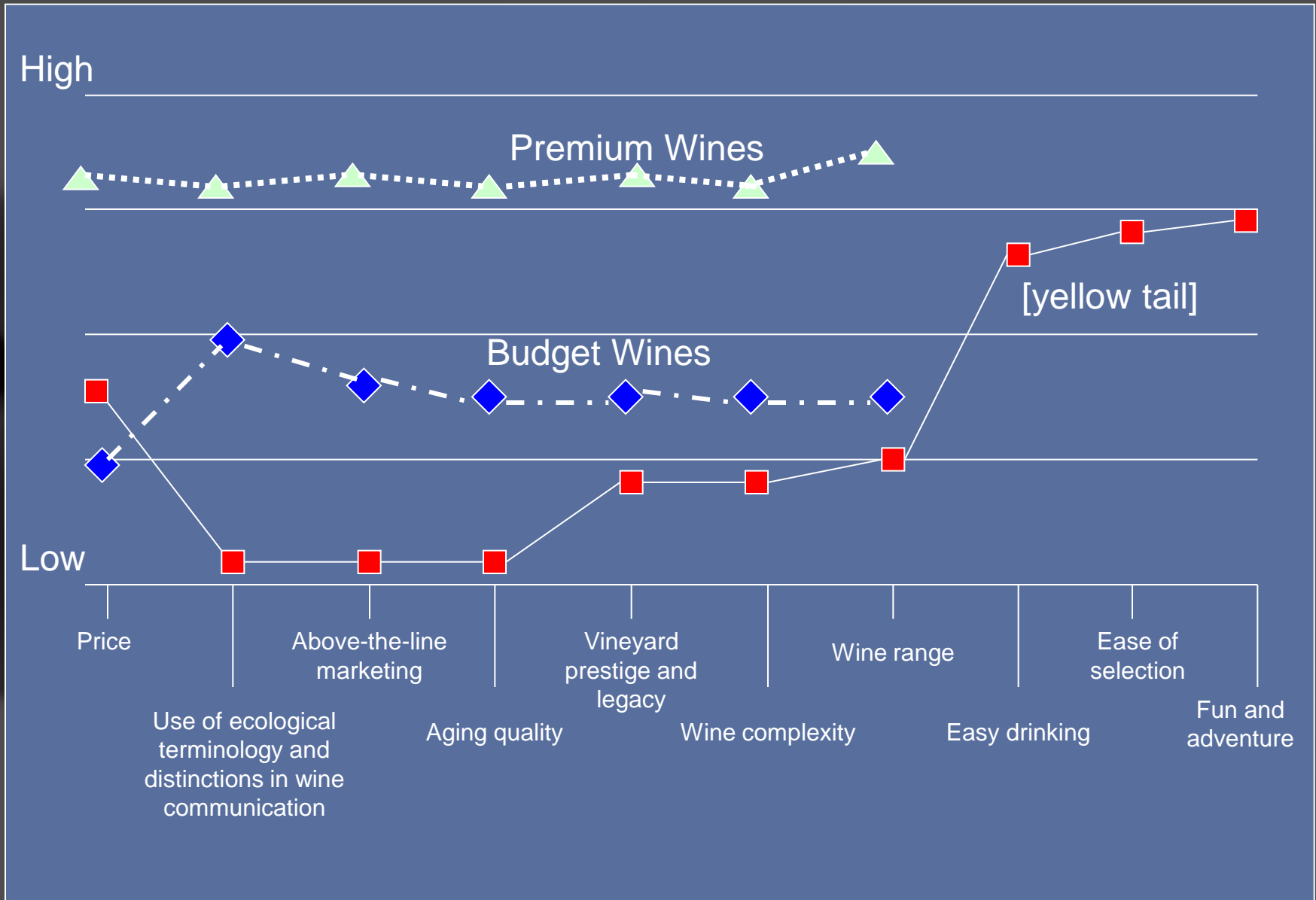
red

white

rosé



# Strategy Canvas of [yellow tail]



# Southwest Airlines

Hong Kong Banking S... | Wikipedia | http://cbl2009ft.pbw...

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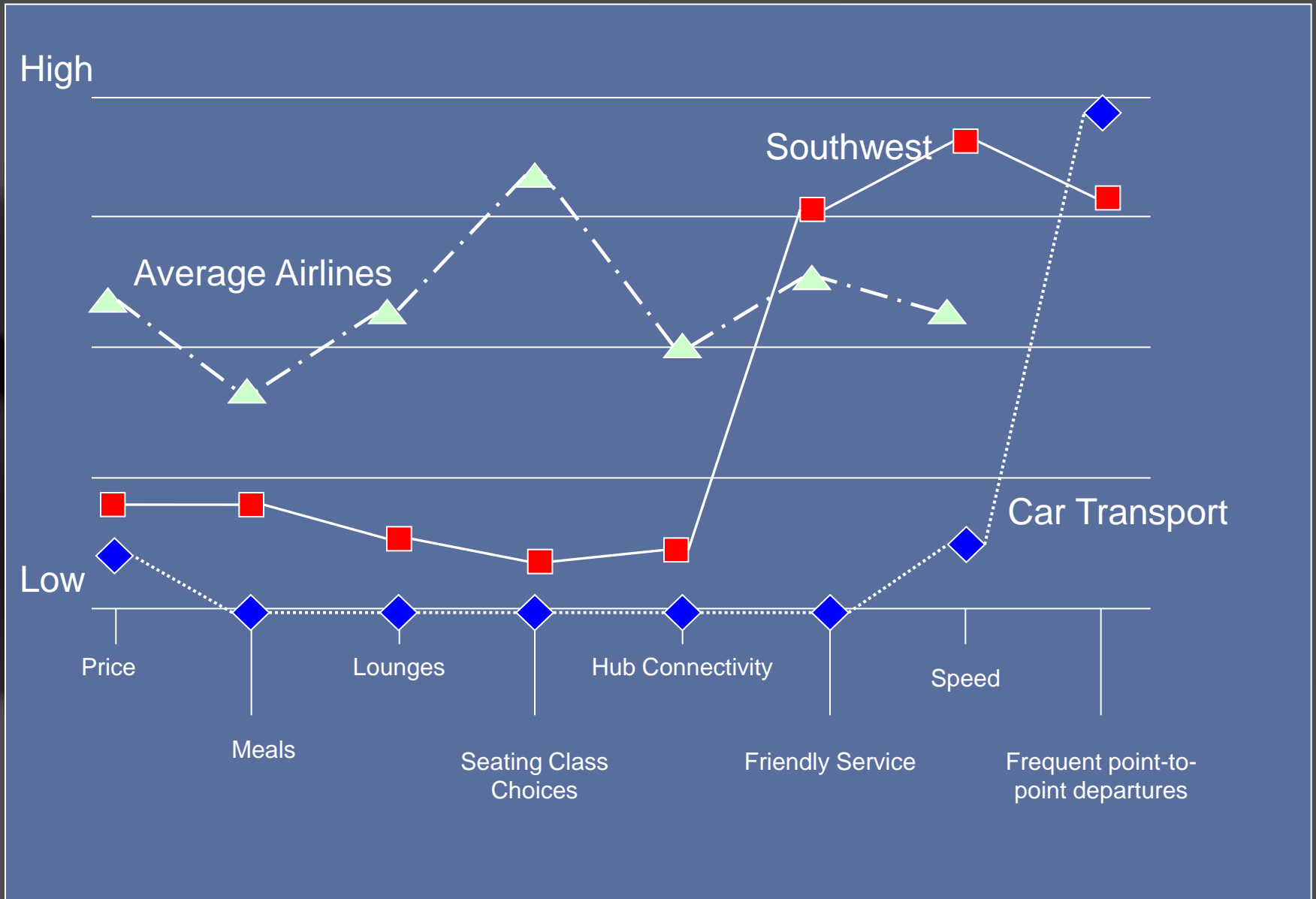
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- ▶ Check In Online
- ▶ Check Your Flight Status
- ▶ View or Change Your Flight

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 <b>Rental Cars</b>	 <b>Thanksgiving Deals</b> Gobble up some last minute air fare savings!	 <b>EARLY BIRD CHECK-IN</b> <b>A More Convenient Way to Travel</b> Check out our new low-cost opportunity to get you on board sooner.
 <b>Hotels</b>	 <b>Featured Destination: Nevada</b> Escape to incredible Nevada for the ultimate in luxury.	 <b>Milwaukee Double Credit Promotion</b> Earn a bonus Rapid Rewards® credit when you fly to/from Milwaukee.
 <b>Vacation Packages</b>	<p>* Additional taxes, fees, and exclusions apply.</p> <p><b>SIGN UP FOR EXCLUSIVE SAVINGS</b></p> <p><b>CLICK 'N SAVE</b>   <b>DING</b></p> <p>Special Offers E-mail   Discounts to your desktop</p>	 <b>Give thanks for great savings!</b> Save \$50 on packages to select hotels.
 <b>Save \$20 on today's flight purchase - apply now!</b> Not ready to purchase yet? Apply here. You'll still receive 8 Rapid Rewards credits!		
 <b>The southwestgiftcard®</b> Let your friends and family go anywhere we fly, anytime they like!		

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# Strategy Canvas of Southwest





# Alternative View of Business Model - Craigslist

← → ↻ ☆ http://www.craigslist.org/about/sites

Getting Started Customize Links NESPRESSO.COM HKJC Kau Sai Chau G... Hong Kong Banking S... Wikipedia PB http://cbl2009ft.pbw...

craigslist	us cities	united states	canada	asia	americas	europa	int'l cities
help pages	atlanta	alabama	montana	alberta	bangladesh	argentina	austria
login	austin	alaska	nebraska	brit columbia	china	bolivia	belgium
blog	boston	arizona	nevada	manitoba	india	brazil	bulgaria
factsheet	chicago	arkansas	n hampshire	n brunswick	indonesia	caribbean	croatia
avoid scams	cleveland	california	new jersey	newf & lab	iran	chile	czech repub
your safety	dallas	colorado	new mexico	nova scotia	iraq	colombia	denmark
best-ofs	denver	connecticut	new york	ontario	israel	costa rica	finland
job boards	detroit	delaware	n carolina	pei	japan	dominican	france
movie	houston	dc	north dakota	quebec	korea	ecuador	germany
foundation	inland empire	florida	ohio	saskatchwn	kuwait	el salvador	great britain
system status	los angeles	georgia	oklahoma	territories	lebanon	guatemala	greece
terms of use	miami	guam	oregon	ca cities	malaysia	mexico	hungary
privacy	minneapolis	hawaii	pennsylvania	abbotsford	pakistan	nicaragua	iceland
about	nashville	idaho	puerto rico	calgary	philippines	panama	ireland
feedback	new york	illinois	rhode island	edmonton	singapore	peru	italy
	orange co	indiana	s carolina	halifax	taiwan	puerto rico	luxembourg
	philadelphia	iowa	south dakota	hamilton	thailand	uruguay	netherlands
	phoenix	kansas	tennessee	kelowna	turkey	venezuela	norway
	portland	kentucky	texas	montreal	UAE	africa	poland
	raleigh	louisiana	utah	ottawa	vietnam	egypt	portugal
	sacramento	maine	vermont	quebec	west bank	ethiopia	romania
	san diego	maryland	virgin islands	st john's	au/nz	ghana	russia
	seattle	mass	virginia	toronto	australia	kenya	spain
	sf bayarea	michigan	washington	vancouver	micronesia	morocco	sweden
	st louis	minnesota	west virginia	victoria	new zealand	south africa	switzerland
	tampa bay	mississippi	wisconsin	winnipeg	more ..	tunisia	turkey
		missouri	wyoming				ukraine
							UK
							tel aviv
							tokyo
							zurich

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## Alternative View of Business Model - Craigslist

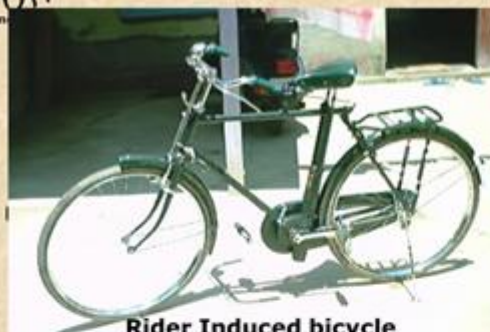
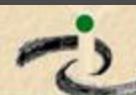
- Most successful “online classified advertising site”
- 30 employees (vs. 15,000+ of Amazon and eBay) but more traffic than A and e.
- A dotcom vs. community service (MetroVox vs. craigslist)
- Assumption: “People are good and trustworthy and generally just concerned with getting through the day.”
- Solution: build a minimal infrastructure allowing them to get together and work things out for themselves
- Minimal structure for internal organization as well – no mkting, no HR, no sales → hence no meetings!
- Killed innovations? (e.g. Listpic and Global search) Or not?



# Grassroots Innovation in India

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## Bicycle based Innovations



**Rider Induced bicycle**  
Mr. Kanak Das, Assam



**Bicycle based sprayer**  
Mr. Mansukhbhai Jagani, Gujarat



**Amphibious Bicycle**  
Mohd. Saidullah, Bihar



**Bamboo bicycle, Mr. Dodhi Pathak, Assam**



**Bicycle with gear**  
Mr. Jayanti J Patel, Gujarat



**Bicycle based mobile spray pump**  
Subhas Vasantrao Jaqtap, Maharashtra



**Multipurpose Bicycle, Md. Kamruddin, Rajasthan**



**Bicycle operated pump, Mr. Vikram Rathore, AP**



**Bicycle based portable Pump, Mr. Nasiruddin Gayen, WB**

Farm Implements & Agro Processing	Plant Variety	Cultivation Practices	Plant Protection	Energy & Water Management	General Utilities	Small Implements	Artisanal	Livestock Mgmt.	Herbal	Idea	Student	Women	Handicapped	Incubation Clusters
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# Grassroots Innovation in India



## Motor-bike based Innovations



**Modified scooter for handicapped**  
Mr. Dhanjibhai Kerai, Gujarat



**Motor-cycle based ploughing attachment 'Bullet-Santi'**  
Mr. Mansukhbhai Jagani, Gujarat



**Auto engine Stopper**  
Mr. Tukaram Varma  
Chhattisgarh



**Motorcycle based sprayer**  
Mr. Ganeshbhai Dodiya, Gujarat



**Non-return valve for 4-stroke engine**  
Mr. Arvind Khandake,  
Maharashtra



**Small efficient diesel engine**  
Mr. Mansukhbhai Sanchaniya, Gujarat