ABSTRACT

Earlier theoretical and empirical literatures in innovation mostly focused on products and manufacturing firms in framing approaches, theories and measurements, where the service and service related firms were given lesser importance. The depth review in service innovation literatures helped in identifying two major issues, (a) the factors (barriers/facilitators) affecting innovation were mostly based on product and specific to firm and (b) the scales to measure service innovation were mostly adopted from product innovation literatures.

In this study firstly, qualitative approaches such as focus group discussion and in-depth interviews were used in exploring factors affecting service innovation and secondly, the “integrated design approach” that included qualitative studies and quantitative studies in exploring and validating the measurement items for service innovation typologies. The customers and employees of the three service industries such as education, banking and retailing were from South India. Two new constructs such as corporate reputation and WOM were adopted from earlier literatures.

The study fills the gap by proposing the classification of factors affecting service where the researchers/managers of service firms can understand the major factors that act as barrier for firms in performing service innovation and customers in adopting service innovation. The study has developed scales to measure service innovation which can be adopted by both researchers and managers in measuring service innovation in three service industries. The path analysis results concluded that service innovation has positive impact on corporate reputation and WOM where the decision makers/managers can note that if they frequently bring service innovation that would make the firm reputed in the market and ultimately results in positive WOM from the customers. The mediation analysis result gives an insight that if the service innovation is introduced by a non-reputed bank or a retailer it still gets positive WOM from the customer. On the other hand in education industry, the positive WOM for service innovation is based on the reputation of the institution. Finally, the comparative study results indicates that based on the industry the importance of the typology differs and thereby respective typology needed to be given more importance to attain both financial and non-financial performances.

Keywords: service innovation, scale development, two-stage approach, corporate reputation, WOM