

# The use of knowledge for experience service innovation: Results from a Danish survey

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# Background

- Experiences is a new area of innovation which is supposed to generate value to firms and society.
- Leads to the innovation of new "service characteristics" and requires development of new competencies and preferences.
- Interactive (or open) innovation could be a framework for change that could be critical in this area: need for coordination, strong impact of consumers' preferences.
- Interactive innovation means: To interact and to situate, variation and selection.

# Survey to Danish firms

- Focus only on firms that have experiences as a primary activity.
- 61 different NACE codes, which can be grouped into four main industries: Tourism, Art and culture, Entertainment and leisure, Design, image and branding.
- Experian contained 14,009 such enterprises.
- Net sample of 4,498 enterprises response rate of 29 %
- Comparison with CIS.

# Main questions

- Is innovation an important phenomenon in the experience firms?
- Does innovation take place in an open and interactive process?
- Are experience companies that work with different realms of experiences simultaneously more innovative than those who do not?
- Is product differentiation on local markets a preferred strategy?
- Are companies that value leadership more innovative than those that do not?

# Importance of innovation

- As shown by Sundbo (RESER2008 paper), a larger share of experience firms are innovative than the share of average Danish firms.
- 66,6 percent of the innovative experience firms have a positive development in turnover (chi square = 59,192 and  $p = 0,000$ ) whereas only 56,0 of the non-innovative have a positive development in turnover (chi square = 33,856 and  $p = 0,013$ ).
- Innovation is important.

# Dependence on other companies

	CIS	Experience firms
<b>Primary developer of product innovations</b>		
Primarily the company	73	64
Primarily the company in collaboration with other companies or institutions	22	32
Primarily other companies or institutions	5	4
<b>Total</b>	<b>100</b>	<b>100</b>

Dansk Center for Forskningsanalyse (2006). Own investigation.

Experience firms are more dependent on cooperation with in connection with product innovation than is the average Danish firm.

# Innovation sources

<b>Innovation sources</b>	CIS	Experience firms
Users, clients or customers	32	31
Other market sources. Competitors and other companies. Consultants. Suppliers of technology and service.	34	19
Public sources. Universities and educational institutions.	4	3
Other sources. Exhibitions, conferences, journals. Industrial organizations.	12	14

When it comes to innovation sources (ideas for innovation), experience firms are more narrowly situated in the context of the single firm and its customers than is the average Danish firm.

## Interdependence between product characteristics: entertaining, learning, sociability

			All three product aspects, completely or partly agree	None or only some of the three product aspects, completely or partly agree	Total
Innovation	Yes	Number	348	345	693
		Percent	81,1%	59,7%	68,8%
	No	Number	81	233	314
		Percent	18,9%	40,3%	31,2%
	Total	Number	429	578	1007
		Percent	100,0%	100,0%	100,0%

Chi square = 52,700 P = 0,000

Firms that say they integrate all three realms are clearly more innovative than those who say they integrate none or only some of the three realms.

Companies seek to pull together different voices of customer experience opportunities rather than responding to or specialising in only one of them.

# The “situatedness” of innovation in a company

Table 14: Different forms of leadership distributed according to whether companies have innovated or not

Innovation		Leading creatives (such as cooks, actors and designers)	Leading other per- sonnel	Strategy and general lead- ership	Budget and administration
Yes	Number	173	61	353	53
	Percent	71,5%	72,6%	71,7%	58,2%
No	Number	69	23	139	38
	Percent	28,5%	27,4%	28,3%	41,8%
Total	Number	242	84	492	91
	Percent	100,0%	100,0%	100,0%	100,0%

Chi square = 7,221 P = 0,065 (hence not significant within a 5 % level but only at a 10% level)

In the experience firms, involvement of employees in the achievement of common goals appears to be a crucial activity: firms that value leadership are more likely to be innovative.

# The situatedness 2



	To a high degree/to some degree	Percent	N
To reduce fluctuations during seasons	324	52	624
To create locally typical products	255	42	606
To create products different from those offered by competitors in the local area	521	81	641
To create products different from those offered by competitors in other areas	553	85	649
To grow and earn money	589	90	653



The enterprise try to offer something which is not locally typical or typical of other markets.

Divided by region, the attempt to create products which are not typical of local market is even true for Copenhagen, 73,7 % (average 81,3 Chi square = 16,680 P = 0,002).

Product differentiation in this sense means that the specificity of the company and niche strategy is important.

# Conclusions and further questions

- Innovation is an important phenomenon in experience firms.
- Interactive innovation is critical:
  - On the one hand, an experience company or organisation are situated in the context of customers, its products and its leadership.
  - On the other hand, it exists as an open and dependent system which is on the alert for new knowledge and resources from many sources.
- What does this mean for the organization of innovation? What network structures does it require? What organizational structure?
- How does interactive experience innovation interact with local culture?