Addressing the Service Innovation Gap: The Case of a Fast Food Chain

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Abstract

This poster reports on lessons learned from a Service Design project conducted for a Fast Food Chain in a central European country. Using the double diamond framework as underlying scaffolding, a number analysis methods and approaches for idea generation and prototyping were applied. Conceptually, it makes use of the Service Innovation Gap as referencing model, allowing to contextualise Service Design as a powerful innovation method for scalable services.

Introduction

This applied project was carried out in cooperation with an operator of fast food restaurants in a Central European country. In total, the company operates about 250 restaurants in all parts of the country, both in rural and urban areas. The operator is well known throughout the country (and beyond) and customer brand loyalty is usually quite high. In total, the fast food operator employs around 5,000 people. While new products and services are usually developed at headquarters and then rolled out across the organisation, a new approach was taken when looking to improve the customer experience locally. The goal was to increase customer satisfaction and keep customer brand loyalty high.

Service Innovation Gap and Service Design

In times of increasing pressure on profits, service innovation becomes more and more important (Osterrieder & Friedli, 2021). Even though service innovation often starts with having good ideas, it doesn't end there. Many organisations are finding it increasingly difficult to turn novel ideas into marketable and scalable innovations (Knaus & Merkle, 2020). The ability to create innovative ideas combined with the organisational inability to turn them into viable products, processes or services has been coined as Service Innovation Gap (Merkle et al., 2022). Reasons for the existence of the Service Innovation Gap include factors such as lacking knowledge of innovation methodologies (Ottenbacher et al., 2006), lacking professionalism in certain industries (Pikkemaat, 2008) as well as an inability of employees to share innovative ideas with their supervisors (Prantl et al., 2009).

Service design has been identified as an approach to bridging the innovation gap in services. While a number of definitions of service design have been discussed, it can be seen as a means of creating services that are useful, usable and desirable from the user's perspective and efficient, effective and different from the provider's perspective. It is a strategic approach that helps providers develop a clear strategic positioning of their service offering (Gouthier, 2017). Service design is thus both a toolkit and a mindset that enables the development, testing and scaling of new services. According to the Double Diamond model, an iterative and customer-focused process is used to first thoroughly analyse the situation (problem space) before finding and testing possible solutions (solution space).

A clear differentiation between the problem space and the solution space (as it is the case in the double diamond model) allows participants to concentrate on the problem (or the challenge) before getting creative in developing and testing solutions.
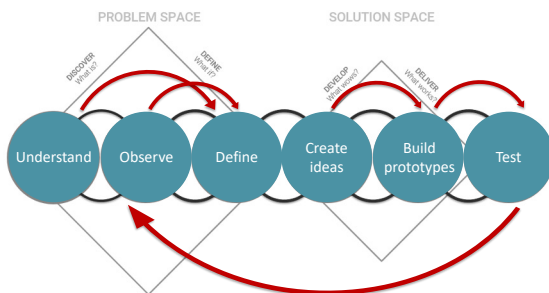

Figure 1: Double Diamond Model based on Lewrick et al. (2018) and Knaus & Merkle (2020)

Methodology

Following the Service Design philosophy, the project team ensured to include consumers from the very beginning throughout all stages of the project. The project was divided into three phases. After each phase, the project team held a status meeting with senior management where interim results were discussed and whereafter the decision to continue or to discontinue the project was jointly taken.

As such, the project set-up also included aspects of the stage-gate process that had been widely applied in more classical innovation management approaches (van der Duin & Ortt, 2020). The division into the individual stages is carried out factually, so that an innovation is first analysed at the beginning with regard to its technical and commercial quality before it is handed over to development and subsequent market launch (Cooper, 2015).

Although the Service Design methodology follows a different philosophy (e.g., by prototyping and testing early in the process), the idea of having gates where go / no-go decisions can be taken by senior management has proven to be useful.

Learnings and Limitations

Service Design allowed to identify promising new services very early in the development process. Furthermore, since customers had been included throughout the process, no lengthy test phase was needed before scaling and implementing the solutions chainwide. From a service development as well as a customer satisfaction perspective, the project can thus be classified as successful.

From an employee relations perspective however, Fast Food Chain had to learn an unexpected lesson. Frontline employees at the restaurant that was selected for the prototype testing were not present in the early stages of the project. Even though their managers had transparently communicated project objectives and scope, frontline employees felt left out and had difficulty developing ownership of the prototypes.

During the project, it could be demonstrated that Service Design methodologies can successfully be applied in closing the Service Innovation Gap. Using customer-centric approaches and rapid prototyping allowed for a fast and successful development of new services.

The double diamond model that clearly differentiates between a problem space and a solution space is a helpful tool when employing Service Design. It allows participants to concentrate on and to fully understand the problem (or the challenge) before getting creative in developing and testing solutions. Dividing the project into phases helps keeping that focus and also gives senior management the possibility to remain informed and to keep control throughout.

The restaurant industry continues to be a peoples' business and relies on interactions between employees and customers (Davis et al., 2018). As service innovation in this context almost always includes a human component (amongst possible others), aspects of change management need to be considered.

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