Chapter 3

Customers as Innovators in Senior Service Markets: An Examination of Innovation Potential and Characteristics

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ABSTRACT

This study investigates aging customers as innovators in senior service markets by their innovation potential and characteristics as innovators in development of well-being services. The study focuses on an initiative to develop the service concept of a foundation providing homes for aging people in Finland. The participants generated ideas on housing and rehabilitation services. Organizations would benefit from engaging users in the improvement of their services. This study provides an example of how that could be put into practice. The study complements the managerial discussion concerning customer involvement and combines research on user-driven innovation as well as business and service development. It is of interest to managers and other actors in various organizations’ service innovation activities, innovation researchers, and researchers in service science and various aspects of aging.

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INTRODUCTION

Aging of the population, a powerful global megatrend with many challenges and opportunities, needs to be taken into account when designing the future service structure and markets. Finland is one of the most rapidly aging countries in the world along with, for instance, Japan and Germany. Due to this situation, the demand for well-being services and products will both increase and change. One particularly essential implication of the demographic shift is the constant growth of the “graying market” or “silver market” that can be very attractive and promising, although it is still very underdeveloped in terms of product and service offerings (Kohlbacher & Herstatt, 2008; Usui, 2008). Today’s aging people are healthier, wealthier and better educated than the earlier generations, and they are a notable consumer group with many hopes and needs. In the future, customers increasingly purchase well-being technology and services by themselves instead of acquiring them just through the public service system (Savela & Hakulinen, 2001).

The private well-being markets have an opportunity to grow in volume, while the public service system is forced to rethink its operational models. A question of how to guide the customers from the public sector to the services in the private and the third sectors has become an issue in the public discussion in Finland. The private and third sectors thus have an opportunity to consider how they could make their services attractive in the eyes of potential new customers, widen the sphere of their present business and improve their service quality. In this context, the third sector refers to non-governmental organizations and foundations, the primary aim of which is not to make profit, but they produce well-being services with a business principle both to end-users of the services directly and to respond to the public sector’s needs for purchased services. One central way may be to involve the potential customers in innovative and user-driven development of services.

Users’ ideas increase the likelihood of services becoming ‘fit for use’ by customers, which is a brief definition of quality (Wang & Strong, 1996). A useful concept here is also ‘negotiated quality’, interactive quality of deliverables produced as results of negotiations between producers and customers (Lillrank, 2003). User-driven service development may increase service quality by the use of directly applicable ideas, increasing service producers’ knowledge of customers (that may also increase service producers’ work motivation), increasingly attractive services, and by furthering negotiated quality (Lundkvist & Yakhlef, 2004). User-driven service development thus may bring added value to both users and producers.

This study investigates aging people as innovators in senior service markets. Central research questions are: What is aging people’s innovation potential like? What are they like as innovators? Managerial implications concerning these results are also discussed. The study focuses on a “well-being centre concept for aging people”. The idea in this initiative was to develop the service concept of a Finnish foundation providing homes for aging people that was thought to be outdated. The study is based on quantitative data about aging people as innovators in idea generation that took place in an open and virtual ideation environment. The study is based on two datasets, and the analysis is mainly based on frequency distributions.

The aim of this study is to increase knowledge about aging people’s innovation potential and their characteristics as innovators in well-being service development. Within innovation research, studies and literature on user involvement or user-driven innovations have so far mainly focused on industrial products and appliances related to leisure time or health-care. More recently, also services have been investigated, but they have been services with strong links to technology use (cf. service science). Innovation studies with a user approach focusing on personal services are rare – making the contribution of this study worthwhile. This study does not discuss mere idea generation. It focuses