Jurnal Pengurusan 13(1994) 29-45

Types of New Service Developments Initiated by Service Companies - Finance Versus Non-Finance Sectors

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ABSTRAK

Artikel ini melaporkan tentang jenis-jenis pembangunan perkhidmatan baru (PPB) yang diamalkan oleh syarikat-syarikat perkhidmatan pengguna yang terbesar di Eropah dan Amerika Syarikat. Buat pertama kalinya, kaedah penyelidikan yang digunakan mengizinkan perbandingan-perbandingan dilakukan di antara sektor kewangan dan sektor bukan kewangan, dan inilah yang ditonjolkan di sini. Penemuan-penemuan ini memberi latarbelakang deskriptif terhadap suatu kajian yang lebih menyeluruh, yang merangkumi aktiviti-aktiviti di dalam proses PPB dan kesan-kesannya terhadap prestasi. Secara ringkasnya, PPB melibatkan perkembangan-perkembangan kepada barisan keluaran, pembungkusan semula rupaciri keluaran yang sedia ada dan modifikasi-modifikasi kecil yang lain kepada keluaran. Hanya segelintir sahaja yang merupakan inovasi-inovasi sejati. Untuk menyiasat apakah yang menyebabkan amalan-amalan sedemikian, didapati bahawa "mempertahankan kedudukan syer pasaran"(terutama sekali di kalangan syarikat-syarikat kewangan) adalah objektif utama disebalik pembangunan-pembangunan tersebut. Penulis menyeru ke arah suatu pendekatan PPB yang seimbang dan sistematik menggabungkan kedua-duanya inovasi tulin dan "peniruan yang inovatif" Juga disarankan ialah PPB yang menghasilkan lebih banyak lagi perkhidmatan-perkhidmatan baru yang menawarkan faedah-faedah unik, dengan kualiti dan nilai perkhidmatan keseluruhan yang lebih baik.

ABSTRACT

This article reports a survey of types of new service developments (NSD's) practised by top consumer service companies across Europe and USA. For the first time, the research methodology allows comparisons to be made between finance and non-finance service sectors, and this is highlighted here. The findings form a descriptive background of a larger study, which incorporates activities in the NSD process and their performance impacts. In sum, NSD's involve mainly product line extensions, repackaging of existing product features and other relatively minor product modifications, rather than truly major innovations. In exploring the reasons for these practices,

it was found that "defending market share position" (especially rampant among financial companies) was a common NPD objective underlying these developments. The author calls for a balanced and systematic approach to NSD, which encompasses both true innovation and "innovative imitation" Developing more new services that offer unique benefits with better overall services quality and value, is thus called for

TYPES OF NEW SERVICE DEVELOPMENTS (NSD'S)

New services can be perceived to be any service within a broad continuum ranging from a major radically innovative new service to a slightly modified or repackaged new service,or even one involving a new change of style. As the word "new" is probably one of the most overused in the marketer's lexicon, Heany (1983) called attention to "... the danger of semantic inflation with regard to product innovation" (Lovelock 1984). A study carried out by A.T. Kearny Inc. indicated that "... the probability of successful diversification *declines* the further one moves away from the current customer base..." (Rothwell and Jowett 1988). For instance on one extreme, "improved product in existing market" had a 0.75 probability of success, while on the other extreme, "external diversification" had a 0.05 probability of success. Two other product types - "new product with unrelated technology in existing market" and "existing product in new market" had 0.50 and 0.25 probability of success, respectively. The present state of play particularly among the Big Four UK clearing banks (Barclays, Lloyds, Midland and The National Westminster) has been suggested by Rothwell and Jowett (1988) to indicate a belief in this philosophy Therefore, it is to be expected that virtually all new services developed involve product improvements related to product line extensions, repackaging of existing product features and changes in the product delivery system rather than embarking in major innovations. Hence, the level of innovation or specific type of development needs to be referred to, when speaking of NPD for services. But generally, the higher the level of innovation, the greater the risk and expenses entailed and the more difficult the managerial task (Lovelock 1984).

Based on general NPD literature, Heany (1983) described six categories of services innovation ranging widely within a broad spectrum. They are, (a) major innovations, (b) start up businesses, (c) new product for the centrally served market, (d) product line extensions, (e) product improvements, and (f) style changes. Drawn from literature and through content analysis of the interviews, seven major categories of services innovation are identified. This is termed types of new service developments (NSD) rather than innovations which are a rare occurrence in the services industry. Levitt (1966) noted the preponderance of *innovative imitation* (as opposed to innovative NPD's) that often prevail. He illustrates,

... In spite of the extraordinary outpouring of totally and partially new products and new ways of doing things that we are witnessing today, by far the greatest flow of newness is not innovation at all. Rather, it is imitation...IBM got into computers as an imitator, Holiday Inn into motels as an imitator: RCA into television as an imitator and Lytton into savings and loans as an imitator... In fact, imitation is endemic. Innovation is scarce. (Wind 1982: 241-2)

The seven categories of NSD's used in this analysis are: a) product lineextensions, b) changes in product pricing, c) repackaging of existing features, d) the use of branding, e) changes in the product delivery system, f) the use of product repositioning and g) radically innovative NSD's. The NPD literature has suggested that a new product's strategic role (its NPD objective) is linked to the type of new product.

... To defend a market share position, more companies introduce an addition to an existing line or a revision of an existing product... To maintain position as a product innovator or exploit technology in a new way, more companies develop a `new-to-the-world' product than any other type. (Booz Allen & Hamilton 1982: 11)

Since developments of "new-to-the-world" products seldom occur in services, defending market share position as a common NPD objective would involve mainly product line extensions and repackaging of existing features. Since defending market share position has been found to be more important for finance than non-finance sectors (Mohd Salleh 1992), it can be inferred that different types of NSD's can also be influenced by finance/non-finance sector distinctions. Because of any one or a mix of distinguishing characteristics of financial products, product line extensions and repackaging of existing product features are expected to occur more often in the finance than non-finance sector. With increased automation in electronic banking, for instance, less personal contact is likely to reduce customer loyalty (Lewis 1989). In fact, Moutinho and Brownlie (1989) found greater willingness to switch banks and usage of services of several banks among bank customers. Product line extensions therefore, is more important for financial companies, since:

... the more complete the product range, the more likely customers are to look to the company to meet all their needs in particularly the financial services area, and the less likely they are to use a competitor to fill the gap... (Easingwood & Percival 1990: 6).

Conversely, more of the other types of NSD's can be expected to feature in non-finance sectors. For example, changes in the product's delivery system and the use of branding and product repositioning, are expected to prevail more frequently in non-finance than finance sectors, since non-financial products are less complex and lend themselves better for effective market segmentation. Consequently, the first purpose of this article is:

- to confirm that types of NSD's initiated vary according to finance/non-finance sectors.

Then, if this is found to be the case, the second purpose of this article is:

- to understand some of the reasons why these NSD's are initiated.

DATA COLLECTION PROCEDURE

In-depth personal interviews were arranged with senior marketing executives or product division heads in 33 service companies (for finance sectors - banks, insurance and building societies; for non-finance sectors - transport, hotels, express delivery, tour operators/travel consumer sectors). All interviews were held in the UK from 1988 to 1989, because of budgetary and time constraints, even though the final study would be pan-European, including a sample of US companies. The findings reported here on types of new service developments form the descriptive scenario of a broader study (Mohd. Salleh 1992) and so, the interviews, lasting one to two hours, ranged over a number of NSD topics. Generally, the response rates achieved was 56% for all sectors (number of interviews obtained/number of letters sent out to solicit these interviews). Managers were invited to describe the progress of a typical new service through the NSD program and asked to explain the reasons for actions taken and opinions held.

The next stage of data collection comprised mailing a twelve-page structured questionnaire to 538 top service companies defined in the sample across similar sectors (banks, airlines, etc. again) across Europe and USA This is addressed to a named NPD manager in most cases, otherwise to the "senior marketing/product development manager" This resulted in 102 usable questionnaires, yielding an effective response rate of 19.0%. This may be considered reasonable, given that NSD is a complex, high-level corporate activity and logistical problems imposed using on "international" sample of this nature. This response rate is comparable to other large-scale surveys, for example, that of Bowers (1987), Archrol and Stern (1988), Heide and John (1988) and Anderson, Chu and Weitz (1987). Seventy percent of the questionnaire respondents were European, with half from U.K. and 26% from USA. The sample is dominated by financial companies (62%) with the insurance sector yielding the highest response rate (31%).

FINANCE AND NON-FINANCE SECTOR DIFFERENCES OF TYPES OF NSD'S

To examine to what extent types of NSD's in consumer services are specific to finance or non-finance sectors, the following hypothesis is tested:

Types of new service developments initiated (which involve mainly product line extensions and other relatively minor product modifications) tend to vary between finance and non-finance sectors.

The questionnaire respondents were asked to estimate the percentage of new services development by their company from 1988 to 1990, that involved each one of seven types of developments. MANOVA tests were used to measure if significant differences on the seven identified types of NSD's (the dependent variables - seven ratio-scaled items) can be found to occur between two levels of the independent variable (nominal-scaled; finance = 1, non-finance = 2). (Zikmund 1989). The MANOVA test (with an observed significance of F value of 0.000 with Hotelling's T - squared = 0.379 and Wilks' Lambda = 0.725) demonstrated that statistically significant differences on the means of seven types of NSD's are found to occur simultaneously between the finance/non-finance groups. Thus, strong evidence of overall group difference in types of NSD is provided, between finance and non-finance sectors. (The Hotelling's T - squared value of 0.379 implies that 37.9 percent of the proportion of variability in the group means is due to finance/ non-finance group distinction). (Hair, Anderson & Tatham 1990). Using T-Test, two out of the seven specific types of developments were statistically detected to be different between finance and non-finance sectors. These are developments involving namely, (a) extension of the product line (significant at p less than 0.05) and (b) changes in product's delivery system (significant at p less than 0.001) (Table 1). The survey revealed that these two development types are significantly *more* often a feature of *non-finance* than finance sectors, thus, confirming the hypothesis.

NPD OBJECTIVES ASSOCIATED WITH TYPES OF NSD'S

A survey of NPD objectives driving NSD's provides insights into reasons behind these initiatives. Table 2 shows results of a MANOVA test, indicating significant differences in the means (in the frequency of new services developed with a given NPD objective) occuring simultaneously between the finance and non-finance groups. Two sample T-tests also indicated that NPD objectives tend to be specific to particular services. For instance, this study found defending market share position and copying of competitors ʃ products to be more important for finance than non-finance companies. The latter in contrast, tend to place more emphasis on entering new markets and usage of excess or off-peak capacity as underlying NPD objectives.

What particular objectives are strongly linked to the types of NSD's initiated? To provide an insight into what NPD objectives applied to what types of NSD initiated, a test of the strength of association between these eleven NPD objectives and seven types of NSD's is also made. This is attained by examining Pearson's correlation coefficients at 0.001 and 0.01

TABLE 1 Types of new services developed—finance versus non-finance sectors (1) less active versus more active in new product launches (2) and lower versus higher post-launch success (3)

% of new services developed that involved*	All Sectors (%)	← 1 → Finance (%) (N=58)	Non-Finance (%) (N=32)	2-Tail Probability	← 2 → Less Active (%) (N=45)	More Active (%) (N=39)	2-Tail Probability	← 3 → Lower Success (%) (N=42)	Higher Success (%) (N=40)	2-Tail Probability
1 Extension of product line	3 50	30 0	43 9	0 022	39 0	30 4	n s	35 2	34 0	n s
2 Changes in product pricing	33 1	36 9	26 3	n s	24 6	43 3	0 009	33 6	30 7	n s
3 Repackaging of existing product features	22 3	24 0	19 2	n s	22 1	21 9	n s	21 7	22 6	n s
4 The use of branding	21 7	19 6	25 5	n s	23 7	20 5	n s	14 8	29 1	0 015
5 Changes in the product's delivery system	19 4	12 1	32 3	0 000	15 1	26 2	0 050	16 8	19 9	n s
6 Developing a radically innovative new product	17 1	19 1	13 6	n s	20 3	15 0	n s	15 4	20 5	n s
7 The use of product repositioning	15 0	13 9	16 9	n s	13 4	15 9	n s	8 0	21 7	0 000

* = These figures are group means of % of new services developed from 1988-1990 involving each of the seven types of NSD's

n s = Differences in the two group means are not statistically significant based on T-Test at p < 0 05 (2-Tail probability)

The T-test identified on which specific dependent variable (1 to 7) significant differences could be statistically detected This is conducted following a run of MANOVA across two levels of the three independent variables on all seven types of NSD's The significance of F-Value for the Hotelling's T and Wilks' Lambda statistics were all small (less than 0 001); significant differences in the means of the seven dependent variables are found to occur simultaneously across two levels of the three independent variables

TABLE 2. Frequency of new services developed with given NPD objective

	NPD OBJECTIVE	All Companies	Finance (N=59)	Non-Finance (N=36)	1-Tail Prob.
		*			
1.	Defend market share position	39.7%	45.3%	30.5%	0.019
2.	Copy competitors' products	24.7	29.3	17.1	0.016
3.	Enter new markets	23.3	19.5	29.5	0.029
4.	Use excess or off-peak capacity	9.7	2.6	21.1	0.000
5.	Improve present products by offering improved value	37.2	37.0	37.6	n.s
6.	Extend product line	26.6	28.0	24.1	n.s
7	Capitalize on distribution strengths or other strengths	23.5	22.9	24.6	n.s
8.	Improve company image	23.2	21.4	26.0	n.s
9.	Maintain position as product innovator	18.8	17.3	21.3	n.s
10.	Exloit technology in a new way	16.1	14.7	18.4	n.s
11.	Reposition the company	8.7	6.8	11.8	n.s

1. *Reads: For all companies surveyed, 39.7% of their new services were developed with "defending market share position" as a NPD objective; among finance companies, 45.3% of their new services were developed with this as an objective.
2. Running a MANOVA test yielded a significance of F value of 0.000 with Wilks' Lambda at 0.644. This shows that 64.4% of the total variability in the means of eleven NPD objectives are not due to finance/non-finance distinctions. Even so at such a small significance level of less than 0.001, significant differences in the means occured simultaneously between the finance and non-finance groups.
3. There are significant differences in the finance/non-finance group means with respect to the first four objectives above, as detected by the 2-sample T-test at less than 0.05 significance level.

n.s denotes not statistically significant at $p<0.05$ (one-tailed T-test).

significance levels (one-tailed test). The results are shown in Table 3. Five of these objectives are found to be significantly correlated in a positive way, with at least two of NSD's identified. This indicates that the specific type of development and hence the type of new service launched (be it a radically new innovative one, or that involving a mere change of style), is closely tied to the strategic role of the NPD as defined prior to its development. This notion is thus found to be equally applicable to services as it is to the manufacturing context.

The following illustration of each type of NSD will incorporate sectorial differences, as well as its link (whenever detected) with underlying NPD objectives.

TABLE 3. NPD objectives with types of new service developments (correlation coefficients)

NPD OBJECTIVE	1	2	3	4	5	6	7
Defend market share	.272					.307	
Improve present products	.367	.336	.322			.307	
Maintain product innovator position							.366
Exploit technology			.290				
Capitalize on distribution/other strengths	.386		.367		.331		
Use excess capacity	.565			.342			
Improve company's image	.383		.352				

Types of new service developments:

1 = delivery changes, 2 = pricing changes, 3 = branding, 4 = product repositioning, 5 = product line extensions, 6 = repackaging and 7 = radically new innovations.

Only the values of Pearson's correlation coefficients with statistical significance at 0.01 level and 0.001 levels (one tailed test) are shown in the cells. The values of coefficients which are not statistically significant at the above levels are not shown.

Four objectives are not significantly correlated with any one development type and these are excluded; namely, copying competitors' products, entering new markets, extending product line and repositioning the company.

PRODUCT LINE EXTENSIONS

Product line extensions represent an augmentation of the existing product line. Examples include increasing new routes for an airline or express parcel/ delivery company, or adding new menu items for a restaurant. For financial companies, offering an automatic teller machine (ATM) at a bank as a new self service option can also effectively constitute product-line extensions. However, ATM's when regarded as radical money transmission mechanisms can also be viewed as a major innovation revolutionising the retail financial industry. While this type of development is the most frequently practised it is even more significant in non-finance sectors (43.9% of this group's total) than in finance companies (30.0%), where it fell second place to "developments involving changes in product pricing" (36.9% of finance group's total). The T-test was also used to examine whether product line extensions were more markedly used by companies that were more active in new service introductions (introducing more than three new services a year) than those who were less active (Table 1). No statistical significance in the differences of the group means was detected at less than 0.05 significance level. Therefore, except for the financial/non-financial distinction, product line extensions appear to be a common feature of all companies, irrespective of the number of new services introduced. Performing a similar test on two levels of post-launch success also showed that this type of development did not significantly differentiate between companies with reportedly higher and lower post-launch successof their new services.

CHANGES IN PRODUCT PRICING

"Product pricing changes" is included in the analysis, since it is indicated by NPD managers interviewed, to be nearly as important as product line extensions. It is particularly relevant for (personal) financial services, since whatever product improvement is made largely revolving around its "price" For savings products, the customer benefit materialises purely in the form of interest paid for deposits placed. To introduce a new retail product for instance, can involve making a number of variations, which entails changing any one of the following (pricing) elements: (1) interest rates paid, (2) minimum deposit levels and (3) lengths of notice given for withdrawal. While pricing changes may be a dominant feature of a "new" financial product, it is most probably engaged concurrent with other initiatives, particularly with repackaging of existing product features, changes in the product's delivery system or the use of branding. Midland Bank's introduction of the *Vector* and *Meridian* accounts demonstrates the use of branding (for product differentiation) and repackaging of existing product features, concurrent with product pricing changes.

One-day and seven-day travel cards for unlimited off-peak travel were introduced several years ago by London Regional Transport. Even though it appears to be a pricing change, it is also conceived by the company to involve a change in the delivery system, since with the purchase of one single travel card, both the London Underground and London Buses services are now more conveniently accessible to the same commuter. The *GM Busabout* card was designed not exclusively with only a price change, but also involved branding, with the objective of gaining greater customer loyalty, since it pertained to journeys on GM (Greater Manchester) Buses only. As such "product pricing changes" can be regarded as a type of new service developed along with others deemed important, in describing the type and degree of innovation that often prevail for services.

Companies reported involvements in product pricing changes to account for 33.1% of their NSD's on average. This is the second most frequent type of development initiated for all sectors next to product line extensions and the most popular among financial companies (36.9%). Nevertheless, no statistical significance was detected (at p less than 0.05), which can differentiate this to be more prevalent in financial than non-financial sectors.

The Big Four UK banks appear to retain certain differentiating characteristics in terms of their branch image and presentation of services. But they seem to remain unable to command substantial price differentials (Rothwell & Jowett 1988). The reason is described by Porter (1985):

> ...Differentiation will not lead to a premium price in the long run unless its resources remain valuable to the buyer and cannot be imitated by competitors. Thus, a firm must find durable sources of uniqueness that are protected by barriers of imitation. ... competitors may also leapfrog the bases of differentiation a firm has chosen... (Rothwell & Jowett 1988: 20)

As described, in the highly competitive domain of UK retail banking, it is extremely difficult to prevent imitation. The Big Four UK banks in particular, command substantial assets and are well placed to meet the colossal costs of imitation in extending their product range. When comparing the mean frequency of NSD's involving product pricing changes between less active and more active companies (in introducing new products), this type of development emerged as a significant differentiating factor (significant at p = 0.009). 43.3% of the NSD's in the more active companies featured this type of development; the equivalent figure for the less active companies is 24.6%. (Table 1). In other words, service companies that introduced more new products did significantly *more* product pricing changes than other types of developments, compared to companies that introduced less new products. Also, financial companies are more likely to engage in product pricing changes than non-financial companies. This is possibly due to the nature of a financial product with its components comprising essentially "price" elements. And thus, product design/development and repackaging would certainly revolve around these pricing changes. This type of development is positively correlated with the objective of improving present products by offering improved value to customers (significant at 0.01 level, using Pearson's correlation coefficient).

REPACKAGING OF EXISTING PRODUCT FEATURES

Repacking of existing product features (22.3% of total for all sectors) was the third highest ranked in terms of its frequency of practice among service companies, relative to five other development types. It appears to be a common feature of all sectors. It was not also a practice differentiating companies between higher and lower post-launch success rates. Repackaging of existing features can prevail in two forms: product improvements and style changes. As perhaps the commonest type of NSD, *product improvements* involve changes in certain features for products that are already on offer to the currently served market (Lovelock 1984). In the service industry, these may include not only enhancements to the core service (such as faster execution of service) but also peripheral changes. Examples of the latter, include improvements in service delivery achieved by extending hours of availability (for example, Saturday banking) or increasing the number of outlets (for example, adding new campsites on a camping holiday). A product improvement for a financial company may include automatically providing bank customers with their account balances after each deposit and withdrawal at an ATM. A recent example is product protection (product guarantee) as an additional feature of a checking account in the US, or a "before 9 a.m - the-next-day" delivery service (in addition to an existing "before 10 a.m. the-next-day service").

Developments involving *style changes* are often highly visible (as they are attached to the tangible components of the new service), but representing the most modest type of new service development. Thus, a bank may refurbish its branch interiors or introduce a new design of checks (Barclays' new green cheque book), an airline may put its employees into new uniforms or a transport company may paint its bus in a new colour scheme. The proof of association between this type of development (repackaging of existing features) and product improvement is demonstrated when correlating the former with the latter as an NPD objective. Pearson's correlation coefficients showed a significant positive correlation at 0.01 significance level.

BRANDING AND PRODUCT REPOSITIONING

Overall,21.7% of NSD's utilize branding among all service sectors. The use of branding is found to be a significant differentiating factor between financial and non-financial companies. It appears to be more significantly practised in companies reporting higher post-launch success (21.1% of this group) than those reporting lower post-launch success (14.8%). Although branding is not a highly popular NSD practice, when used, seemed to play a potent role in contributing towards the success of the new service launched. The use of branding is found to be strongly linked to the objective of capitalizing on distribution strengths and other corporate strengths, (Pearson's correlation coefficient, r = 0.367) as well as in improving on company image (r = 0.335 , significant at 0.001 level). Firms with an extensive distribution network can capitalize on their distribution strengths by introducing new services involving branding. This is found to be given more emphasis by the big hotel chains (with their extensive nation-wide outlets of individual hotels), express delivery companies (with their wide-distribution network comprising national "parcel reception points") and banks (with their extensive branch network and ATM outlets). The use of branding is also positively correlated with two other NPD objectives, namely, to improve present products through offering of improved value to customers (r = 0.322) and to exploit technology in a new way (r = 0.290). Product repositioning which constitutes changing the place which the product occupies in its market (from cutomer-perceived viewpoint), is practised least frequently (15.0%) among the seven development types, for all sectors. It is common to both financial and non-financial companies and applies equally to both the more active and less active companies (in terms of new product introductions). However, more of companies reporting higher new service success rates featured product repositioning (21.7% in this group) than those reporting lower success rates (only 8% in this group). Thus, even though product repositioning is relatively the most rarely practised, when initiated (often with the use of branding), does seem to differentiate between companies that achieved higher success levels from companies with lower success levels . An example is British Airways' relaunch of the *First Class* service, in order to reposition it for enhanced product differentiation to be distinguished from its *Economy Class, Club World* and *Club Europe* passenger services. The use of repositioning is positively associated with the objective of using excess or off-peak capacity, more often a feature of non-financial companies (as demonstrated by Pearson's correlation coefficient, significant at 0.01 level). In sum, branding and product repositioning can be used to develop new services as part of the company's pricing and/or differentiation strategy. Associated with this is customer segmentation which provides greater flexibility for positioning and pricing of new products. Branding and product repositioning do not appear to be highly popular NSD practices. Nevertheless, when initiated, they seem to play a potent role in contributing towards overall success of the new services launched.

CHANGES IN THE PRODUCT'S DELIVERY SYSTEM

During the service delivery process, changes made on the tangible or augmented product components as a competitive edge, mostly affect the *operator-customer interface*. Non-financial companies tend to place heavier reliance on operations (front-line/customer-contact personnel) in the personal delivery of the service, than do the financial companies, especially with personal financial products. This suggests that non-finance companies have greater flexibility in deploying their operations staff in initiating changes affecting the operator-customer interface. Changes in the delivery of retail financial services often involve advancements in new or unrelated tehnology for the firm in either existing or new markets. In the US, Banc One's probe into the home banking market revealed four key market elements to successfully operate a home banking service, namely, ample market, access, affordability and greater applications offered to the customers. Within six months of the launch of its *Channel 2000* service and *Applause,* they were both discontinued. There were not enough families with personal computers and modems to ensure a sufficient number of potential users who wanted the convenience of home banking. The cost to the customer to use banking and other applications was also too high for the perceived value of the service (Klivans 1990). Therefore, the existing state of technology and degree of market acceptance pose a real challenge for financial companies to make changes in a product's delivery system.

Changes in a product's delivery system is the second development type (apart from product line extensions) that shows a significantly higher frequency of practice in non-finance (32.2%) than finance (12.1%) sectors. On average, 19 4% of new services were developed with this particular development type for all service sectors. There are no significant differences in the frequencies of this development between the more active and the less active companies (in new product introductions) as well as between companies with higher and lower post-launch success. A higher frequency of NSD's involving changes in the product's delivery system is strongly associated with the following four NPD objectives, namely a) to use excess or off-peak capacity, b) to capitalize on distribution or other corporate strengths, c) to improve company image and d) to improve present products through offering improved value (at 0.001 significance level, one-tailed test). It is also positively correlated with the objective of defending market share position (0.01 significance level). For instance, it is a common practice of financial companies to devise new payment mechanisms to safeguard against encroachments into their profits and revenues, should they fall behind their competitors in introducing near-similar products in highly competitive personal financial markets. Developments involving delivery changes are positively linked to using excess or off-peak capacity (at 0.001 significance level, Pearson's correlation coefficient, r = 0.565). This is a major NPD objective for hotels (for example, through "special weekend packages") and transport/ travel companies (for example, new products with dicounted fares for off-peak travel).

RADICAL INNOVATIONS

Radically innovative NSD's, not surprisingly for services (as well as for manufactured goods) was seldom initiated, with 17.1% of new services, developed involving this practice. One reason for this higher-than-expected frequency of major innovations reported, may be the inclusion of "new-to-the-firm" services viewed by respondents as "radically innovative new products", even though they are already available in other firms within or outside that particular service sector. For example, the introduction of executive suites pioneered by Hyatt Hotels may be conceived as a radically new product innovation for the hotel sector, even though this concept can also be perceived to be "borrowed" from airlines. Radically innovative NSD's appear to be a common feature of both the financial and non-financial sectors, and can also apply to both the more active and less active companies (in terms of number of new product introductions). The frequency of undertaking this type of development does not also significantly differentiate between companies reporting higher and those reporting lower post-launch success levels. This type of development, if interpreted as a major innovation, is characterised by new services for markets as yet undefined and undimensioned. It involves a high degree of uncertainty in market response. Past examples include Federal Express's introduction of nationwide, overnight small package delivery service across the US. continent and the first broadcast television services; *Centre Parcs Leisure Centre* in the UK, as well as *Disney Tokyo* for Japan and the *Euro Disney* Resort for Europe.

One specific category of service development not distinctly categorised here, is "new services for a market that is already served by existing products that meet the same generic needs" (Lovelock 1984). This is described by Heany (1983) as "start-up businesses". Examples from the US include Merrill Lynch's creation of the Cash Management account that combines brokerage, debit card and bank checking service in a single package and the entry of telecommunication companies into the long-distance household telephone call market previously restricted to the Bell System. "New services for the currently served market" can also be another category not previously described. These represent attempts to offer a service not previously available there (although it may be available elesewhere), to existing customers. Examples include retail banks that add insurance services or money-market funds. With the effect of the 1986 UK Building Society Act, the building societies are now able to offer four services which were previously the preserve of other financial institutions - banking, investment, housing and insurance products. Other examples include the addition of a new health and beauty/ fitness centre or a new conference/exhibition hall or a new restaurant or shops to the facilities of an existing hotel. Service companies that develop radically new innovative products do this, in line with its objective of maintaining position as a product innovator.

DISCUSSION AND CONCLUSIONS

Product line extensions (in 35% of new services for all sectors and 43% of new services for non-finance companies) is the most common type of development practised. Other minor product modifications manifested through changes in product pricing (33%), repackaging of existing product features (22%) and use of branding (21.7%). The findings confirm past research that types of NSD's are specific to particular sectors, since a significant variance in emphasis is demonstrated between finance and non-finance service sectors. Product line extensions and changes in product delivery systems are given markedly higher priority in non-finance than finance sectors. NPD objectives are similarly found to vary significantly between these two major sectors. Whiled efending market share position and copying of competitors products are given more importance by finance companies, entering new markets and usage of excess or off-peak capacity feature more highly in non-finance companies. Also, finance companies launching more new products a year (generally more than 3) often engage in product pricing changes, while their active non-finance counterparts conduct more changes in product delivery systems.

That a financial product is highly intangible and complex, makes it more difficult to intensify customer-based research. Being more intangible also makes it easier to be copied. Thus, whatever competitive edge gained in a fast market introduction tends to be quickly dissipated. Having "defending market share position"as their underlying objective possibly explains the preponderance of minor product modifications as a common occurence among NSD's. As the most common strategic product role (40% of NSD's have this as the objective), "defending market share position" is strongly associated with NSD's involving repackaging of existing product features and changes in service delivery systems. Driven by this major objective, they appear to uphold typically reactive strategies (rampant among the finance sector). The rationale is to keep pace with competition. This is done by defending the existing client base and attracting new customers by offering a repackaged, "improved" version of the original product. The development becomes a necessity and with short lead times and ease of copying as a consequence of the intangible feature of services, this may obliterate the need for marketing research. As described by Nystrom (1979), a firm competing in the reactive or positional mode places greater emphasis on generating money by achieving higher levels of efficiency for an existing range of products. In contrast, a firm competing in an innovative or pro-active strategy places greatest emphasis on gaining market share by offering new products. Even when service companies appear to execute a pro-active strategy, their NSD tends to be driven by largely defensive or reactive objectives.

In sum, NSD's involve largely line extensions, repackaging of existing product features and other relatively minor product modifications, rather than truly major innovations. "Innovative imitation" (Levitt 1966) also requires a systematic strategy, but has somewhat different allocation of resources among its various NSD stages. For example, rather than a huge investment in marketing research, it may require modest amounts for product design and modifications/refinements. Also, less costly (stemming from less intensive) concept testing can be done in situations where a similar service has been introduced, or it has been tried and tested in past research. New services also need to be truly innovative and unique to attain a good, sustained, competitive advantage. This is especially pertinent for services. Because of ease of copying, they are likely to be viewed as generic unless strongly differentiated.

MacMillan and McCaffery (1984) found the benefit gained from the development of specialised NSD expertise when financial companies successfully introduced radical new financial products.

It created a general development expertise ready for exploitation, inculcates a better understanding of a market's particular requirements and facilitates overcoming administration, legal and operational barriers in the future (Easingwood & Percival 1990). Having a high quality of service delivery and service expertise is also advocated to be greatly increasing the success odds. Thus, having new services that offer unique benefits and better value is recommended (Cooper & de Brentani 1991). Therefore, merely copying new services from competitors without seeking lasting service superiority, is not likely to assure long-term success.

A balanced and systematic approach to NSD which encompasses both true innovation and innovative imitation, is thus called for. Striving for a more balanced NSD effort which includes at least some long-term projects with a high potential for generating truly innovative services, is hence desired (Wind 1982). The desired balance effected between the two NSD approaches depends on many factors. These include management style, trade-off between short and long-term performance, willingness to accept the higher risk of truly innovative efforts and the resources available to take a "me-too" service and turn it into a market leader.

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