

CUSTOMER INVOLVEMENT IN NEW SERVICE DEVELOPMENT IN FINANCIAL CONGLOMERATES

Work-in-Progress paper

ABSTRACT

Given today's industry dynamics, new service development is becoming increasingly important to the competitiveness, growth and survival of organizations. Customer involvement has been advocated as a potentially powerful tool for developing successful new services. Even though customer involvement has been studied broadly in the financial industry, little has been done in the context of financial conglomerates.

The purpose of this study is to evaluate the potential of customer involvement in financial conglomerates by answering the following question: how are user involvement activities taken into consideration in the new service development process in financial conglomerates? The user involvement activities are described in terms of objective, type of customer, phase, intensity and mode of involvement. The research builds on literature on financial conglomerates and customer involvement in the new service development process.

The research was conducted as a qualitative multiple case study among two large financial conglomerates within one country. The data was collected through ten in-depth interviews among key informants in the case companies banking, life insurance and property-casualty insurance units. As the interviews have been conducted very recently, we are still in the process of analysing the results. For now we can only indicate some findings of the research.

Based on our preliminary results, it seems that financial conglomerates understand the potential benefits of customer involvement in new service development processes and some types of customer involvement activities have been performed within our case companies. However, it seems that there is lot of potential to improve the daily practices related to customer involvement. Identified problems in the involvement activities include the difficulty of creating customers the right incentives to participate in the service development processes and the challenge to interpret the output of customer involvement clearly enough to implement required actions in the development process. In addition, the co-operation between bank and insurance company seems to be quite rigid, as the service development processes are not integrated. This complicates customer involvement in the processes.

The main benefit of this research for financial services providers is the opportunity to analyse their existing new service development processes from the viewpoint of customer involvement activities and to gain valuable insight on how to employ customer-orientation within the new service development processes.

Keywords: *New service development, financial services, financial conglomerate, customer involvement*

INTRODUCTION

Given today's industry dynamics, new service development (NSD) is becoming increasingly important to the competitiveness, growth and survival of organizations. Unfortunately, new service development has proven to be a complex and difficult task for companies. Reasons such as insufficient market research techniques and the difficulty of understanding and anticipating customer needs (Anderson & Crocca 1993, p49, Magnusson, Matthing & Kristensson 2003, p228-229, Franke & Piller 2004, p408) have been identified as potential problem areas in the literature. It is suggested that these problems can be minimized by engaging a limited number of specially selected customers in the new service development process and working closely with them during some parts or the entire process.

Customer involvement has been advocated as a potentially powerful tool for developing successful new services. Especially, it is seen as an effective tool to jump start the idea generation process for new services, to create value for customers and to effectively manage the overall innovation process in a firm (Alam 2006, p15). Despite the powerful benefits of customer interaction, many service firms are unwilling to expose themselves to the perceived costs and risks of customer interaction. Besides a lack of confidence in service managers' own ability to consistently interact with customers, the risks of confidentiality and a possible lack of customer co-operation are the key reasons why service firms hesitate to use customers in their innovation programs. Yet, service managers are partly to blame for this controversy as they do not know how to interact with the customers correctly. (Ulwick 2002, pp92-93)

Customer involvement has been studied quite extensively in the financial industry and evidence has shown it to have many positive impacts for service providers. For example, customer involvement can reduce development cycle time, also known as "time to market", which is one of the most critical success factor in the industry. The process of customer interaction may also yield the most up-to-date information about customer preferences and fast changing needs. This can potentially reduce the need for alterations in service delivery process in the later stages, as a firm can collect and process customer information for its NSD projects on a concurrent basis. (Alam 2002, p254, 2005, p476, 2006, pp16-17)

Financial conglomerates, i.e. financial institutions offering the entire range of financial services including banking and insurance services, have become a trend in the financial sector (i.e. Voutilainen 2006, p331). Next to performing the traditional banking operations, they may sell insurance, underwrite securities, and carry out security transactions on behalf of their clients (Vennet 2002, p254). As a way of deepening customer relations, they may also provide combination services, such as for example a loan and a credit protection insurance or a mortgage loan connected to a mutual fund savings plan, between the different financial sectors. The co-operation between the participating institutions of a financial conglomerate is bringing new challenges also to the development of new services in these sectors. As quality of new service development is essential for any financial institution, it is useful to be able to control it through the co-operating partners. (Voutilainen 2006, p333)

Even though customer involvement has been studied broadly in financial industry, little has been done in the context of financial conglomerates. The purpose of this study is to explore and analyse the new service development processes within a financial conglomerate in terms of efficiency and customer-orientation. This research answers to a question: how are user involvement activities taken into consideration in the new service development process in financial conglomerates? These activities are described in terms of objective, type of customer, intensity and mode of involvement. The main benefit of this research for financial

services providers is the opportunity to analyse their existing new service development processes from the viewpoint of customer involvement activities and to gain valuable insight on how to employ customer-orientation within the new service development processes.

The paper is organized as follows. First we present literature on financial conglomerates and customer involvement, after which we illustrate our research methodology. In the results section we describe the case companies and discuss our preliminary findings.

LITERATURE REVIEW

Financial conglomerates

In Europe, from the late eighties, it has been almost an industrial practice for banks and insurance companies to form partnerships. The point of departure has often been the bank starting to sell insurance products via its own distribution network. The first co-operations were thus selling agreements covering both life and non-life insurances. In the nineties, several banks and insurance companies have merged forming big financial conglomerates. Financial conglomerates, i.e. financial institutions offering the entire range of financial services including banking and insurance services, have become a trend in the financial sector (i.e. Voutilainen 2006, p331). Next to performing traditional banking operations, they may sell insurance, underwrite securities, and carry out security transactions on behalf of their clients (Vennet 2002, p254). The cooperation between the participating institutions of a financial conglomerate can have many institutional forms, a special case of which is cooperation through ownership due to a merger or an acquisition. The cooperation of the banking and insurance sectors is bringing new challenges also in the development of new services in these sectors. In Finland the co-operation between banks and insurance companies has followed the international trends. (Voutilainen 2006, p331)

Voutilainen (2006, p328-329) describes the following driving forces for financial alliances:

- maximizing the efficiency of service development
- narrowing profit margins in banks and insurance companies call for new sources of income by cross-selling
- tight margins can also necessitate savings and cut-off programs that can be more effectively carried out by a closer alliance structure
- changing customer behaviour such as one-stop shopping requires co-operation between all financial service providers
- eliminating overcapacity, especially banking service channels
- deepening customer relations by combining bank and insurance services
- international trade agreements dismantle tariffs and break down trade barriers allowing more companies to enter new markets (Ryan 2001, p45)
- regulators espouse greater competition as they are recognizing the economic benefits to their countries and customers (Ryan 2001, p45)
- cross-selling can play, and has played, an important role in preventing job losses and creating employment in the banking sector (Benoist 2002, p298)

Herring & Santomero (1990) suggest that there are also disadvantages of conglomeration. Increased bureaucracy and the complexity of managing several different kinds of business in one integrated structure may cause some diseconomies of scope. While some customers may value one-stop financial shopping, other customers may perceive disadvantages in the joint production of financial products. (Herring & Santomero 1990, pp475-476)

Financial conglomerates usually provide knowledge-intensive business services (KIBS). Stenroos & Jaakkola (2010 pp1-2) suggest that the complexity of the offering and the value creation process originate from the information asymmetry and needed intensity of interaction within the buyer-seller relationship. In these contexts, the expert skills of the seller are the reason for exchange, but at the same time, the expertise constrains and challenges joint value creation. Particularly professional services are associated with complexity, heterogeneity, specialist knowledge, and a high level of uncertainty (Thakor & Kumar 2000, p72) and such characteristics challenge both the seller and the buyer during the joint value-creation. Financial conglomerates offer very complex offerings and it is very hard for customer to understand them clearly.

Customer involvement

Literature shows that there are notable differences between the innovation processes of developing new products compared to the development of new services (Menor et al. 2002, p 138). These differences are mainly related to the specific characteristics of services, that is, their intangibility, co-production with customers, simultaneity, heterogeneity and perishability (Araujo & Spring 2006, p798; Gallouj & Weinstein 1997, p542). One major point of difference between product and service development is the close involvement of customers in the service process (Ennew & Binks 1996, p5). Services tend to involve customers in their delivery process, and the purchase of services tends to embody a longer commitment and therefore a more intimate relationship with the customers (Alam 2002, p518). Thus, it can be claimed that a customer orientation plays a more important role in service firms than in product firms, and that it should be taken into consideration in the development of new services. As Vargo & Lusch (2004, p4) have stated: "The customer is always a co-creator of value: there is no value until an offering is used - experience and perception are essential to value determination."

Customer-orientation is one of the most critical success factors also in the financial services industry (Cooper & Edgett 1996, p27). However, considering new service development in the financial sector, competitors have been recognized as the main source of initial ideas for innovation processes (Davison et al. 1989, p12) and speed-to-market has been identified as the most critical factor for securing a company's competitive advantage (Drew 1995, p17). It may be claimed that a trade-off exists between the goals of achieving true customer-orientation in the new service development compared to maintaining a high speed-to-market for the new services. Alam and Perry (2002), who have explored new service development processes in the financial services industry, examined how customer input may be obtained in the various development stages of the development process. Based on the results of their research, customer involvement is needed in order to develop a superior service with better value for the customers. Their research also revealed the interesting notion that considering the speed-to-market, customer input can help to reduce the development time of new services. (Alam & Perry 2002, pp526-527)

Constant R&D and innovation could guarantee survival and sustaining competitive advantages. In order to deal with the high risks and costs during the process of developing new services, customer involvement should be treated as a powerful weapon to reduce R&D costs and increase the probability of success (Thomke & Von Hippel 2002, p5). Involving customers into the process of new product/service development could help companies provide differentiated services, reduce the development time, facilitate user education, improve market acceptance, and establish a long-term relationship with customers (Alam 2002, p254; Matthing, Sandén, and Edvardsson 2004, p491). According to Bowers (1989,

p19), customer involvement in the design stage can increased understanding on how to satisfy customers and the involvement in the development stage may help the firm create effective promotional messages. Edvarsson and Olsson (1996, p152) argue that customer involvement in concept and process development leads to value-added services with “customer-friendly” service processes. Table 1 presents advantages of customer involvement proposed by scholar.

Table 1. Advantages of customer involvement.

Reference	Advantages
Bowers, 1989	Customer involvement in the design stage makes it easier to understand how to satisfy customers and the involvement in the development stage helps the firm create effective promotional messages.
Anderson & Crocca, 1993	Technology providers can better understand user needs, and users can understand the new technology.
Edvarsson and Olsson 1996	Customer involvement in concept and process development leads to value-added services with “customer-friendly” service processes.
Von Hippel, Thomke, & Sonnack , 1999	Create breakthrough products and reduce incremental improvement of existing products.
Prahalad & Ramaswamy, 2002	In the product development process, users can provide suggestions, and increase the opportunities of new product success.
Alam, 2002	<ol style="list-style-type: none"> 1. Superior and differentiated service 2. Reduced cycle time 3. User education 4. Rapid diffusion 5. Improved public relations 6. Long-term relationships
Magnusson, 2003	<ol style="list-style-type: none"> 1. Users involved in a service innovation process seem to produce more original and valuable proposals than professional developers 2. User involvement could help break the frames which limit the development of new product/service
Magnusson, Matthing & Kristensson, 2003	<ol style="list-style-type: none"> 1. Technical experts can better understand the needs of customers 2. In the development process, customers can provide suggestions 3. Reduce cycle time
Franke & Piller, 2004	Designed products can meet customers’ preferences and needs
Rexfelt et al., 2011	<ol style="list-style-type: none"> 1. Getting input from customers in the early phases of service design: what services do customers need? 2. Getting creative input from customers during idea generation. Customer ideas for new services have been found more innovative than ideas generated by professional developers (Matthing et al. 2004). 3. Getting input when new services are evaluated and tested.

There are also problems in customer involvement. Anderson and Crocca (1993, p55) learned from their co-development project that there were communication barriers between users and developers and that the attitude of product developers made customer involvement difficult. Additional problems reported in literature are time-consumption and increased efforts, low organizational fit (Lilien et al. 2002, pp9-10), increased uncertainty and the difficulties in identifying an appropriate set of customers, creating appropriate incitements for participation, and capturing the customers’ knowledge (Nambisian 2002, p395). Alam (2005, p476) divide the problems in three categories: over-customization of a new service, confidentiality issues and lack of customer cooperation and motivation. Enkel et al. (2005) add that main problems are the company’s loss of know-how to the customer, the company’s dependence on customers, and the company being limited to only incremental innovations. The consequences of these risks are however wide, ranging from financial disaster through investment in the wrong product to supplying a competitor with know-how via a disloyal integrated customer. (Enkel et al. 2005 pp205-208)

Strategic objectives and rationales of customer involvement

Before involving customer in service development project, it is important to decide what the main objectives of the customer involvement are. Alam (2002, p254) identified the following six objectives of customer involvement: superior and differentiated services, opportunity for user education, rapid diffusion, improved public relations and building, sustaining long-term relationships, and reduced cycle time.

Bodil Sandén (2007, p99) argues that there are four main strategic decisions that need to be made when planning a customer involvement project. First of all it is important to state the strategic objectives of the customer involvement project and decide what the customer should contribute. This will influence the type of customers who are most appropriate to involve (Enkel et al. 2005, p209; Gruner and Homburg 2000, p6), which part of the development process the customer should be involved (Alam and Perry 2002, p527; Enkel et al. 2005, p205; Veryzer 1998, p141), and to what extent the customers should be involved (Alam 2002, p255; Gruner and Homburg 2000, p7).

The first question is what the strategic objectives of the customer involvement are? Before initiating a customer involvement project, it is important to state the strategic objectives of the endeavour. Based on the objectives of the new product and service development project or program and available resources, decisions should be made in terms of what the customer should contribute. The stated objectives in terms of customer contributions will influence the rest of the project in terms of the customers who are selected for the task, how much and when they are involved, and by what means. Moller et al. (2008, pp35-36) noted that value creation is more effective if there is strategic congruence between the client and the service provider. This congruence exists when both the client and the service provider have sufficiently related service innovation strategies. In financial industry business models manifest mainly provider-driven approaches to service co-creation. It means that new innovations usually originate from inside of the company, and not from the customers. If the service provider's objectives concerning the functionality of the service exceed the clients' ability to use it, the innovation activity does not create extra value for the clients (Moller et al. (2008, p38). That is one reason to involve customer in the service development process.

The second question is what are the desired characteristics of involving customers? Enkel et al. (2005, p209) suggest additional customer types and for customers to make contributions in different parts of the NPD process: Requesting customers provide ideas for new products, often by means of complaints and suggestions. As complaints are based on current products, new product information is rather limited. Launching customers are integrated from the development phase to participate in development activities. The reference customer supplies application experience from prototype testing. The first customer enters the development process in the late phases of pre-announcement and market launch. Lead users could cover all stages of the NPD process. (Enkel et al. 2005, p209) Lead users are a subset of user populations distinguished by two attributes. They are: (1) ahead of the bulk of the market with respect to an important trend and; (2) expect to gain major benefits from solutions to needs they encounter at that leading edge. Because they expect major benefits from a solution they are likely to innovate. Because they are 'at the leading edge', products they develop for their own use often represent commercialization opportunities for producers (Olson & Bakke 2001, p392).

The third question is which part customer should be involved? According to Alam & Perry (2002, pp525-526) management seems to pay more attention to the idea generation and

screening stages of the development process of financial services. The result is not surprising given the fact that services are basically ideas or concepts rather than a tangible entity. The more ideas firm can generate, the greater the probability of pursuing a successful one. Given this need for a large number of ideas for service development, it seems important for service firms to undertake comprehensive idea screening efforts. Such activity can eliminate weak ideas and retain those with strong potential. The stages of the formation of a cross-functional team, idea generation and idea screening seem to be more important than other stages of a new service development process. (Alam & Perry 2002, p525)

The last question is what extent the customers should be involved? Ives & Olson (1984, p590) categorize the degree of customer involvement in six categories. In the first scenario, “no involvement”, customers play the role of a buyer. New products/services are developed by organizations through technology push. In the second scenario, “symbolic involvement”, customers play the role of a subject of interest. Firms collect and analyse internal information about customers, e.g., complaints and sales reports, and use that as guidance in their development efforts. No data is collected specifically to support the development process. The developers, perhaps, see themselves as customers and test concepts and prototypes during the development process. This approach also entails designing customer solutions on behalf of customers. The customer plays the role as a provider of information in the third scenario, “involvement by advice”. Organizations encourage customers to give feedback on products/services through the use of help desks, call centres, and customer service programs. Traditional market research and inquiries are carried out (in-house or by external market research firms) to infuse the development process. (Ives & Olson 1984, p590)

Front-line employees are on very important source of providing customer feedback. Melton and Hartline (2010, p415) argue that frontline employees hold a unique position in that they continually observe customer reactions to the firm’s service offering and delivery process. Their constant interaction with customers gives them a strong sense of what customers like and do not like about the firm’s core service attributes and support services. As a result, frontline employees are a good source of ideas for product improvements, and occasionally, radical product innovations. Their essential role in the service delivery process qualifies them to contribute to the development and testing of service processes and the design of marketing programs. Their effective participation in the full launch phase is as important as the proper operation of technology systems and back-of-the-house support operations. (Melton & Hartline 2010, p415)

In the fourth scenario “involvement by weak control”, customers play the role of experts in parts of or in the entire development process. Various market research techniques are used to support the different phases of the development process such as concept testing, beta tests, and prototyping. In the fifth scenario “involvement by doing”, customers play the role of co-developers. The firm and lead customers have joint roles in education, shaping expectations, and co-creating market acceptance for products and services. Here, customers are part of the enhanced network - they are collaborators and co-developers. Customers take part, not only by telling their problems, needs, and wishes, but also by being actively included in the entire development process. Last scenario is “involvement by strong control”, where users may pay directly for new development out of their own budgets. (Ives & Olson 1984, p590)

RES EARCH METHODOLOGY

A case study, defined as an empirical inquiry that investigates a contemporary phenomenon within its real-life context (Yin, 2003), is stated to be especially appropriate for exploratory

research with a focus on documenting a phenomenon within its organisational context, exploring the boundaries of a phenomenon, and integrating information from multiple sources (McDermott, 1999). As this study is exploratory in nature, a qualitative research strategy was employed. In particular, we chose a multiple case study approach in order to cover a sufficiently wide spectrum of broad-based financial service providers and to allow analysis both within each setting and across settings (Baxter & Jack 2008, p550). The evidence from multiple cases is often considered as more compelling, and the overall study is therefore regarded as being more robust (Yin 2003, p46).

Case selection was completed based on the research phenomenon and the research questions. Selection criteria were twofold. Firstly, the service providers needed to operate on business-to-business markets. Secondly, we centred our investigation to service providers that are currently either a part of a broad-based financial group (i.e. operate in both banking and insurance business) or have a selling agreement with a bank / insurance company. Through a research network of financial industry in one country, we discovered two service providers who fulfilled these criteria and were willing to engage in the research.

The data collection was conducted through semi-structured interviews on both strategic and operational management level of the case companies' banking and insurance business lines. To increase the possibility to explore variation in the cases, the interviewees were carefully selected according to the context they operate: representatives of banks, life insurers as well as property-casualty insurers of the case companies included in the study. A total of ten key informants were interviewed. An interview protocol, structured around the following three categories, was used in the interviews: 1) How is new service development executed in your business line at the moment? 2) Has the cooperation with the banking/insurance business line affected the new service development?, and 3) How do you perceive the new service development to evolve in the future? All questions had customer involvement perspective. Interviews were tape-recorded and transcribed to the letter for the data analysis purposes.

RESULTS

Description of case companies

The case companies included in the study are two of the largest financial services groups operating in Finland. Some characteristics of the case companies are illustrated in Table 2.

Table 2. Description of the case companies.

	Case company 1	Case company 2
Description of the company	- Group includes: <ul style="list-style-type: none"> • bank • life insurer • asset management • property-casualty insurer 	- Group includes: <ul style="list-style-type: none"> • bank • life insurer • asset management • property-casualty insurer
No. of interviews	5	5
Interviewees	Banking unit: <ul style="list-style-type: none"> • service managers Life insurance unit: <ul style="list-style-type: none"> • executive vice president • service manager and actuary Casualty-property insurance unit: <ul style="list-style-type: none"> • service manager 	Banking unit: <ul style="list-style-type: none"> • chief executive officer • service manager Life insurance unit: <ul style="list-style-type: none"> • service manager Casualty-property insurance unit: <ul style="list-style-type: none"> • business development manager • service manager
Interview durations	45 - 65 minutes	45 - 70 minutes

Case company 1 is the one of the largest banking group in Finland in terms of balance sheet total. The financial group contains a bank and a life insurance company, and it has a sales agreement with non-life insurance company. Case company 2 consists of member cooperative banks and a group central cooperative, including subsidiaries and closely related companies. The group has three business lines: banking and investment, life insurance, and property-casualty insurance.

Research findings

Due to increased complexity and bureaucracy in financial conglomerates, NSD processes are required to be very formal and rigid, even though the providers would like the processes to be more agile and transparent. Customer value is considered as the basis of all operations, which is why customer should participate actively in the NSD processes. The case companies are interested in the existing customer needs, but also require knowing how these needs are changing in the foreseeable future. In general the case companies perceive that traditional service development methods are not effective enough to find out weak customer signals.

The companies said that they usually try to involve lead users in the service development processes, but find it hard to specify who a lead user is, as the bank and the insurance company might have different opinions about that. Thus, the case companies seek to involve a wide scale of different types of customers in the idea generation stage in order to have a good view on customer needs. In case of the most important customers, the services are highly customized, and the customer needs are carefully taken into account.

Both companies have quite similar methods in the involvement of customers in the NSD. End customers participate mainly in the idea generation and screening phases, and most of their input is generated in the beginning of the process. After the idea generation stage, customers are not usually involved in the process until in the testing and piloting stages. On the other hand, the R&D departments regard branch offices as their internal customer, and personnel from the customer interface is usually included in the development team. This also influences the degree of customer involvement. Front line personnel and key account managers continually observe customers, so they are considered as natural substitutes for customers. They have a wide knowledge about different customer segments, and it is easier to use only one internal person in the process instead of involving several end customers in the NSD.

The case companies use various traditional methods to find out customer needs, such as face-to-face and group interviews, user visits and meetings and customer surveys. However, the case companies consider these traditional methods inadequate, because they want to find out also latent and future customer needs. Both companies arrange customer panels and customer observations on a regular basis and try to discover weak signals, where the next superior service ideas may come from. The results of our interviews are summarized in Table 3.

Table 3. The strategic decisions of customer involvement.

	Case company 1	Case company 2
Objective	Due to the integration of banking and insurance, it is even more important to involve customers in the new service development projects. The objective is to better understand and fulfil customer needs from the beginning of the project, and to save time and money.	Compared to traditional methods, involving customers in the new service development projects enables better perception of weak signals and latent customer needs.
Customer characteristics	Depends on the objective of the development project. Usually large compa-	The main group is lead users, but we also like to have a wider perspective of our

	nies or customers who have more negotiation power and more professional understanding of their needs.	different customers. As it is difficult to involve a large number of customers, we concentrate on one or few target groups.
In what phases of the development process are customers involved?	End customers participate mainly in the idea generation, service testing and piloting phases. Front line service personnel can participate in the development team and be involved throughout the whole development process.	The process is quite transparent at least for most important customers, but most of the input comes in the beginning of the process. In idea generation phase customers describe their needs and problems, suggest desired features and help screening the most promising services. After that there is no structured operations model. Personnel from the customer interface usually participate in the R&D team, providing input from end customers. Piloting is normally started in a selected branch office.
Degree of customer involvement	End customers: Involvement by advice, as they usually provide us information. Front line personnel: involvement by weak control to involvement by doing, as they participate in development team from time to time.	It depends who we think the customer is. For us the customer is usually our branch office. Then involvement can be very active, but if we talk about end customer, involvement is more infrequent. Bigger customers are involved more often than smaller ones.
Mode of involvement	Multiple different projects, but no systematic approach: face-to-face and group interviews, user visits and meetings, brainstorming, users' observations and feedback, focus group discussions, social media. Our goal is to arrange more workshops with our customers.	Feedback from the customers and personnel, customers brainstorming service ideas, focus groups, in-depth interviews, observation of customers.

Both financial conglomerates use customer involvement to some extent in their NSD, but they believe that lot of potential is unexploited at the moment. One example of a mode of customer involvement was an arranged seminar, which purpose was to enhance knowledge about customer behaviour. Before the seminar service provider organized an online survey to their own front line workers for example account managers and sellers. The survey was about the customer feedback, needs and requests that they had received from a new service. The results were analyzed and after that the provider sent an e-mail inquiry to customers based on the preliminary survey. The information was gathered from both sides and the objective was to clarify are the sales and the customer's views parallel. The seminar was for small and medium sized enterprises and about hundred invitations were sent, but in seminar there were only six participators. The participators were asked how they see service provider's offerings, would they like to be involved in development projects and how actively. The seminar had good results and the participants were interested in involving development projects. The biggest problem was how to get more interested participants involved in the process.

Another example came up in the interviews, which solves this problem. In this case, the new service was new type of car insurance, which the service provider developed in co-operation with a transportation company. First a customer panel was organized, where the service provider and the transportation company's manager discussed about insurance pricing. Then the transportation company's trucks were installed with black boxes gathering information about driving behaviour. This information was used to support the development of an insurance fulfilling the customer's needs. The customer was very interested in involving this experience, as the collected information was useful for both parties.

The case companies also reported some challenges regarding customer involvement. The first problem is how to motivate customers to agree to take time out of their busy schedules to consider the case companies' services. Secondly, customers consider their own needs more short-sighted than the service provider does. As customers live at the present moment, the problem is, do they still have the same opinions and needs after a year when the service is ready? Thirdly, confidentiality is an important issue. Throughout the course of interaction, customers might get access to certain confidential information and proprietary skills, and reveal this information intentionally or unintentionally to competitors.

The integration between banking and insurance business lines has its own impacts in the customer involvement. As there are notable differences between banks and insurance companies, the internal dialog may not be efficient enough, and there is no systematic process to involve customer properly in the joint service development. From the partnership perspective, customer involvement has had a relatively small role in NSD. The interviewees thought that there are still more urgent subjects and difficulties in the co-operation in the new service development, such as how intensive the integration should be and how to utilize the common customer data base more effectively. The R&D is not fully integrated, but usually carried out separately except for combination products and services. An additional perceived problem in the service development was that legal requirements are very different in banking and insurance companies. However, the case companies expect that customer involvement will be more important in the future, as these problems have been taken care of.

CONCLUSIONS

Financial conglomerates understand the potential benefits of customer involvement and some types of involvement activities have been performed within the case companies. Through the integration of bank and insurance services, the conglomerates have more resources and possibilities to satisfy even more discreet customer needs, but at the same time also the product/service complexity increases. Thus, it may be impossible to create services that fulfil customer needs appropriately without involving customers in development processes.

However, it seems that there is lot of potential to improve the daily practices regarding customer involvement. Identified problems in the involvement activities include the difficulty of creating customers the right incentives to participate in the service development processes and the challenge to interpret the output of customer involvement clearly enough to implement required actions in the development process. In addition, the co-operation between bank and insurance company seems to be quite rigid, as the service development processes are not integrated. This complicates customer involvement in the processes.

One of the main goals of the financial conglomerates is to increase value created to customers. On the other hand, mergers and/or acquisitions between banks and insurance companies increase complexity, and shared new service development requires cooperation and integration between the business lines. That is why customers should be involved in the new whole service development process.

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