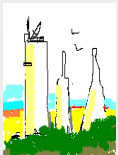# Report of the Expert Panel on Service Innovation

**Allan Mayo**

**Chairperson of the Expert Panel on Service Innovation in the EU**

**Faro, 7 October, 2011**

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# The Expert Panel

# EUROPE 2020 TARGETS

- 75 % of the population aged 20-64 should be employed.
- 3% of the EU's GDP should be invested in R&D.
- The "20/20/20" climate/energy targets should be met (including an increase to 30% of emissions reduction if the conditions are right).
- The share of early school leavers should be under 10% and at least 40% of the younger generation should have a tertiary degree.
- 20 million less people should be at risk of poverty.

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# The Exam Questions

- **What can service innovation and service firms themselves contribute to the concept of smart, sustainable, inclusive growth?**

- **What key policy measures might unleash that service innovation potential?**

# EU Productivity Growth

Labour productivity,[1] indexed to the United States
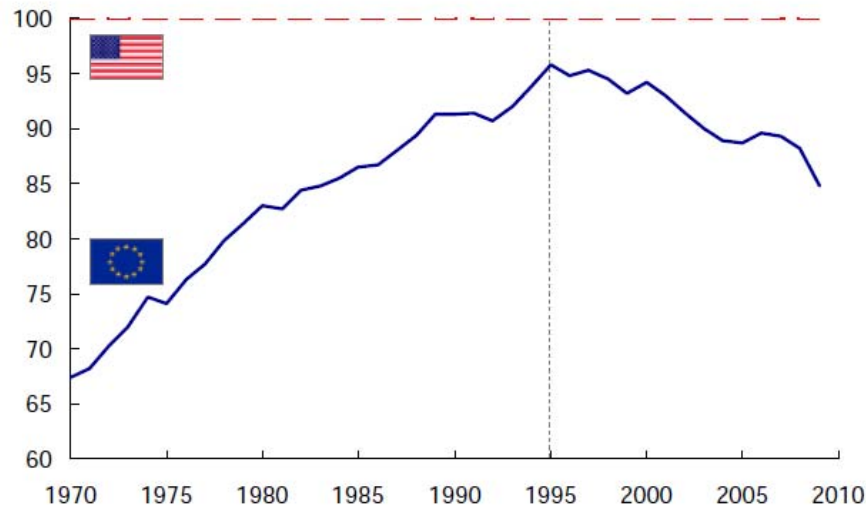

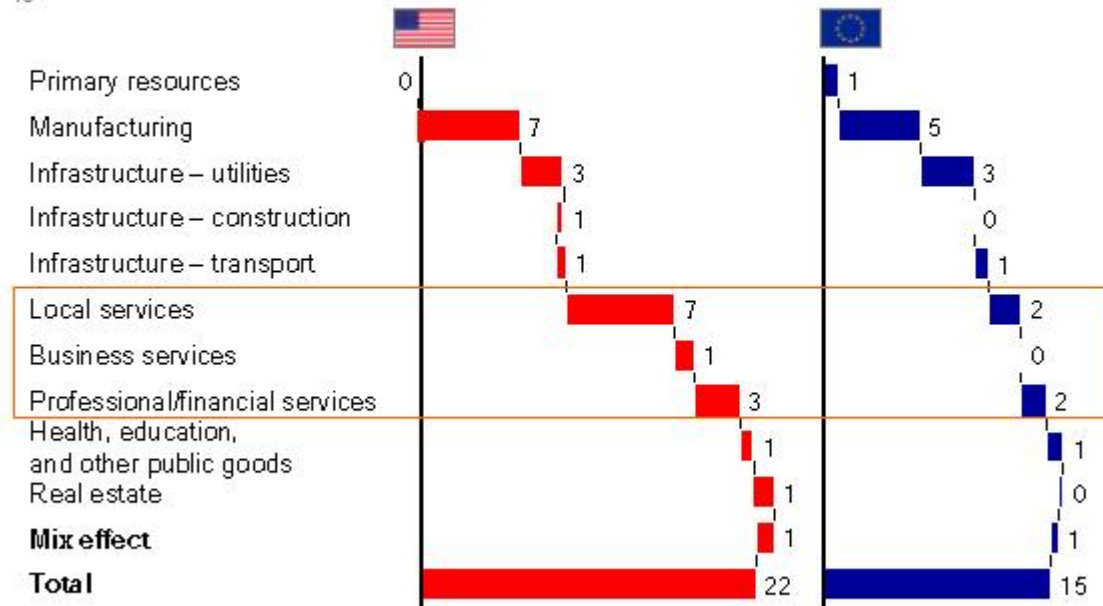
1 Expressed in $ at 2009 purchasing power parities (PPP) using the Elteto-Koves-Szulc (EKS) method
  for deriving transitive multilateral purchasing power parities.

SOURCE: The Conference Board; International Monetary Fund; OECD; McKinsey Global Institute analysis

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# Analysis of Productivity Performance



Europe's slow productivity growth stems mostly from under-performing service sectors

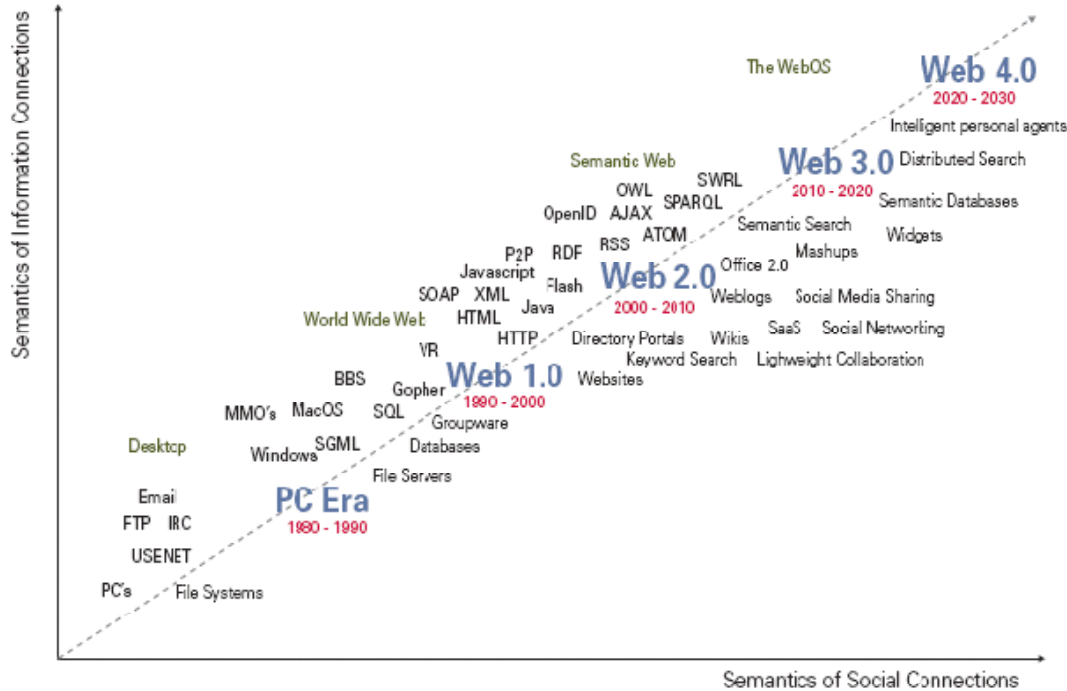Contribution to overall EU-15 and US productivity growth by sector, 1995–2005 %

| | US | EU-15 |
|---|---|---|
| Primary resources | 0 | 1 |
| Manufacturing | 7 | 5 |
| Infrastructure – utilities | 3 | 3 |
| Infrastructure – construction | 1 | 0 |
| Infrastructure – transport | 1 | 1 |
| Local services | 7 | 2 |
| Business services | 1 | 0 |
| Professional/financial services | 3 | 2 |
| Health, education, and other public goods | 1 | 1 |
| Real estate | 1 | 0 |
| Mix effect | 1 | 1 |
| Total | 22 | 15 |

Note: Numbers may not sum due to rounding.

SOURCE: EU KLEMS; McKinsey Global Institute analysis

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# Transformative Services

**Services are transformative when they disrupt traditional channels to market, business processes and models, to enhance significantly customer experience in a way which impacts upon the value chain as a whole.**

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# Technology Change:  Web 2.0 to Web 3.0



Figure 4.2. Growth of information networks

Source: Radar Networks & Nova Spivack 2007 – www.radarnetworks.com

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# "You've got to start with the customer experience and work back to the technology – not the other way round"

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# Societal challenges - Population



**Battle of the bulge**

Euro-area population by age group, m

Source: UN Population Division

*Forecast

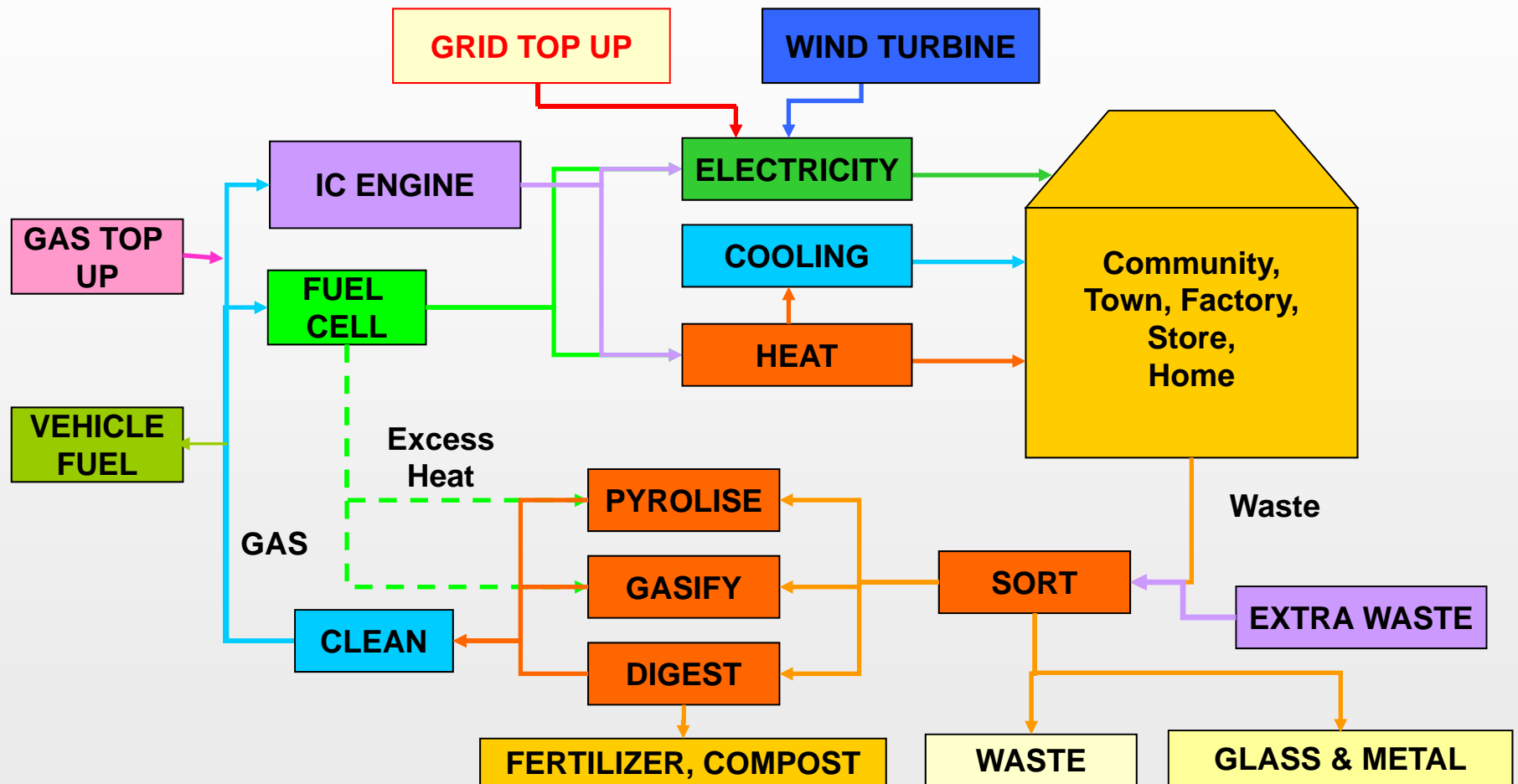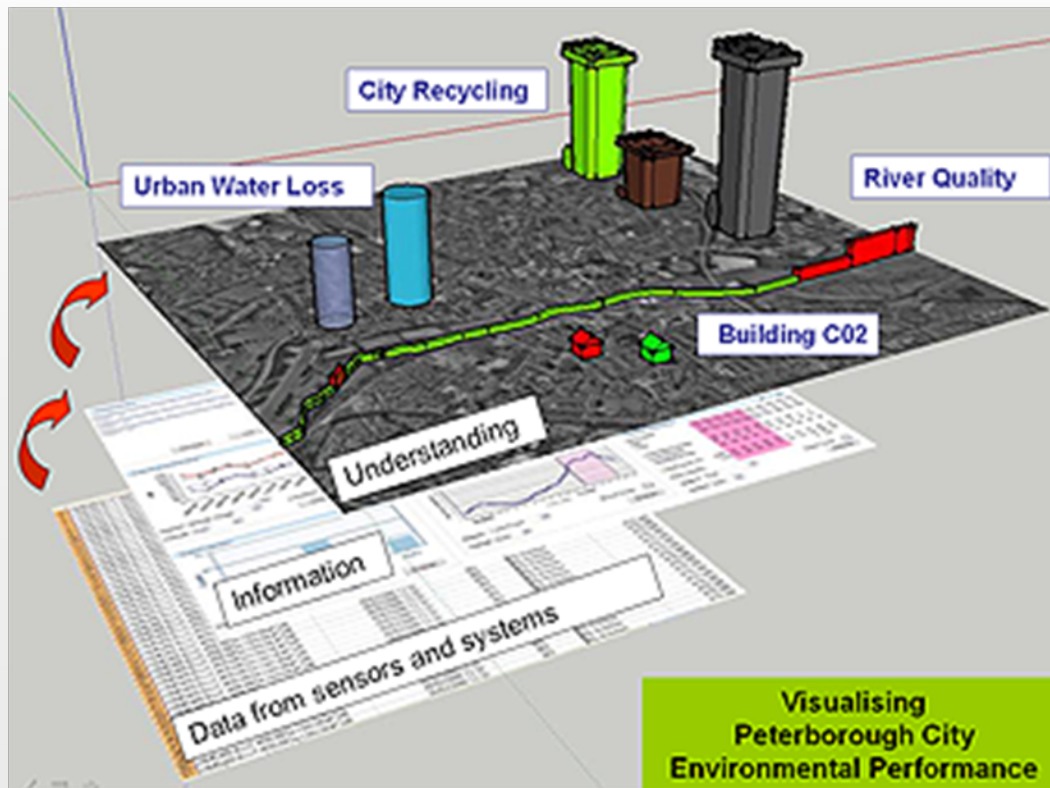**Telehealth**
- Cholesterol monitor
- Blood-pressure cuff

**Telecare**
- Glucose meter
- Medication tracking
- Sensor networks

**Home automation**
- Pedometer
- Lights Doors / Windows Motion / Activity Bed Kitchen Bathroom

**Elderly living independently**

**Home Hub Appliance**

**Records**
- **NHS**
- **Social Care**
- **Housing**
- **Personal Health Record**

**Service Hub**

**Care professionals**

**NHS Direct**

**Tele-carer**

**Care response service**

**Friends and family**

**Emergency services**

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# Traffic and Transport

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# Intelligent Transport Systems

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# Sustainable Communities

# Smart Cities

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# Creating Dynamic Regions

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**Service Innovation**

Cloud Services

Location Services

Sustainability Services

**Infrastructure**

**Service Innovation**

New Services

Channels to Market

Business Processes

Business Models

Interoperable Standards

**Societal Challenge**

**R&D**

**People and Skills**

**Market Framework**

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# Recommendations: IPs & Demonstrators

- **Large scale, linked demonstrators, which identify:**
  - Infrastructure and new technology requirements
  - The need for specific (interoperable) standards
  - Opportunities for service transformation
  - Barriers to progress
  - Skills needs

- **In the following areas:**
  - Industrial areas in transition
  - Smart Cities
  - Dynamic regions
  - Sustainable co-ordinated transport

# Recommendations:  Raising Awareness

- **European Service Innovation Centre**
  - Provide a powerful evidence base for business, policy makers and other stakeholders
  - Foresight studies
- **Disseminate widely**
  - Interactive, networked approach with stakeholders
  - Global vision

# EPISIS

• EU Collaborative project

•Smart, sustainable business services which support tourism

• Developing a policy roadmap

*http://bis.intelligus.net*



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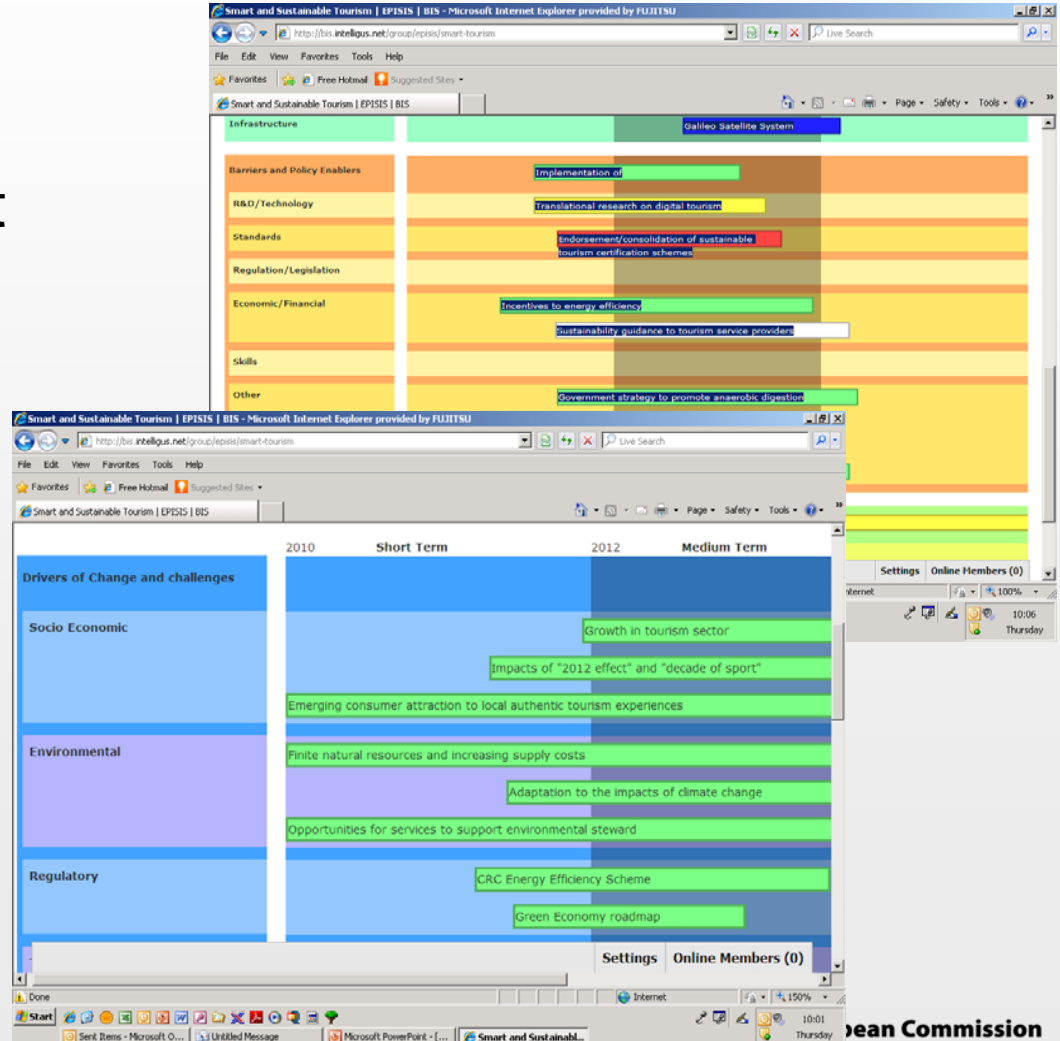
# Emerging findings: demand needs unlocking…

- **Fragmented supply and demand**
- **Fragmented structure of tourist sector in the UK**
- **Inertia, resistance to change to more sustainable modes in small micro businesses**
- **Plethora of advice – lack of confidence in services offered**
- **Micro business planning: "environment an overhead"**
- **Preference for "quick fixes", over more fundamental business efficiency gains**
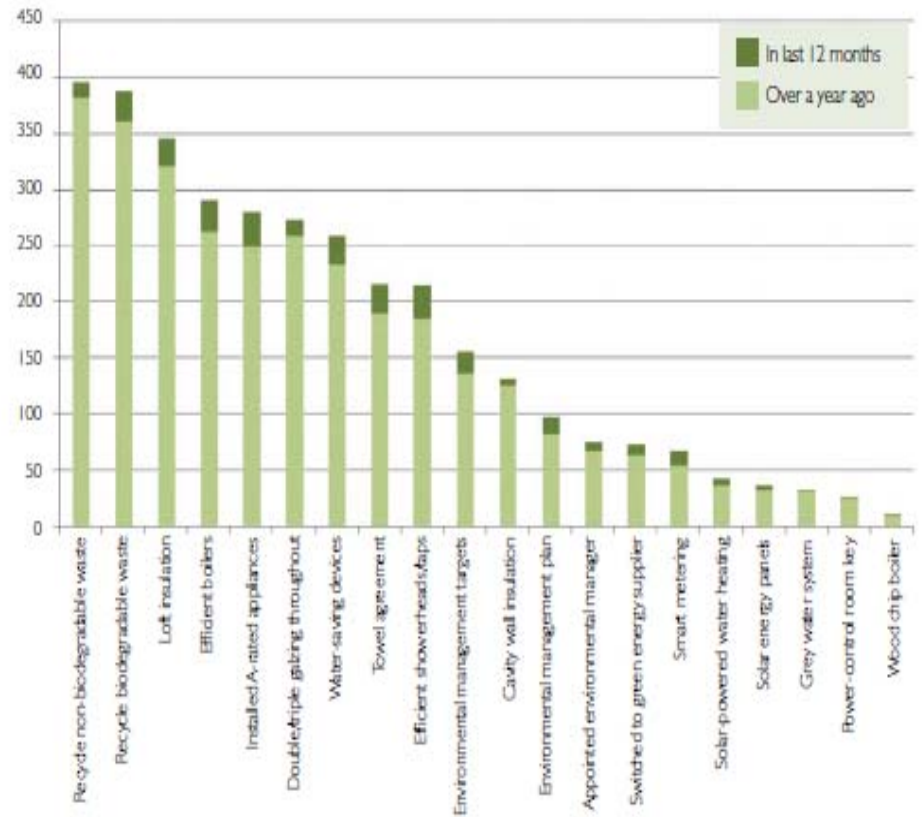
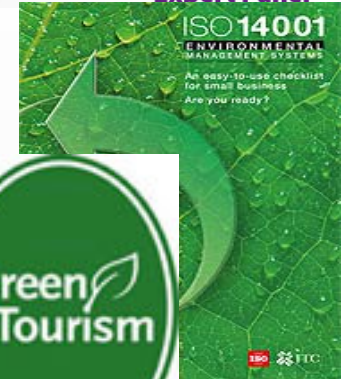Survey evidence on South West England tourist accommodation providers (Source: "The Future's bright, the future's greener", Exeter University, ESRC)
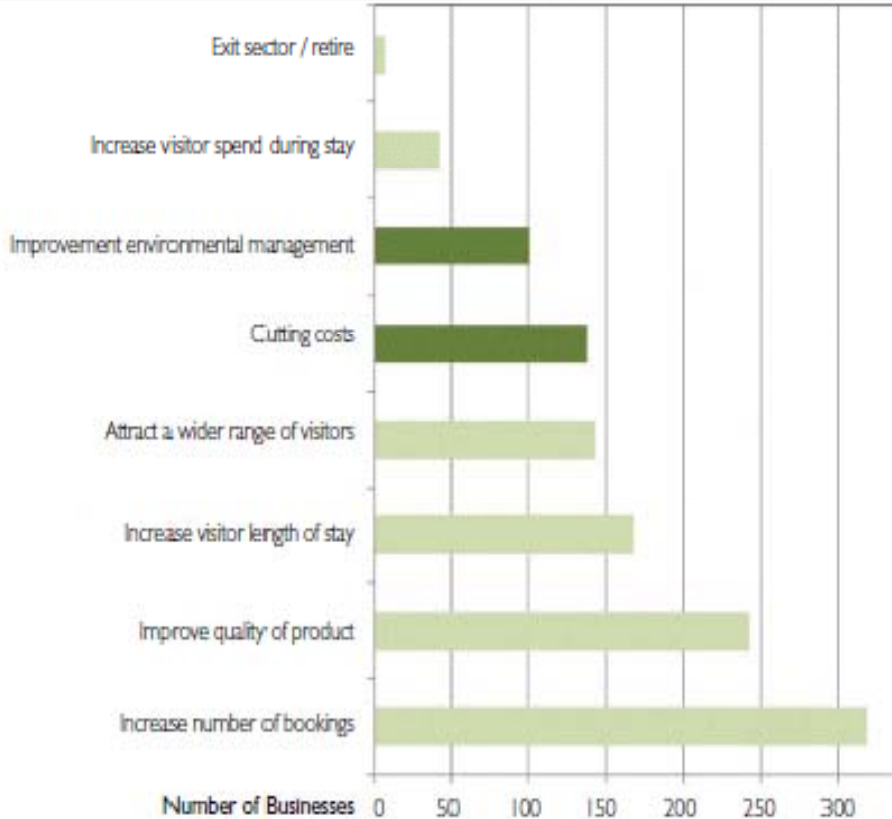
Messaging and incentivisation

Norms and standards

Infrastructure

Skills development…

… and vision and leadership to business communities at local/regional level