

Singapore Productivity Centre **Study Mission Series**

SOUTH KOREA'S SERVICE INNOVATION: INSIGHTS AND LESSONS FROM BEST PRACTICE STUDY MISSION





The case for service design

Over the years, Singapore Productivity Centre (SGPC) has played a leading role in advising Small and Medium Enterprises (SMEs) on creating roadmaps for growth and spearheading their productivity projects. To foster big business breakthroughs, it is essential that Singapore's SMEs expand their horizons and exchange valuable insights with overseas businesses on best practices, key learnings and new technologies.

Enterprises have commonly tried to increase productivity with tools such as process improvement methodologies (e.g. Lean tools like 5S and Six Sigma Tools), technologies such as queue management systems, and concepts like menu engineering. However, these tools have been observed to have little impact on business profitability as they are not customer centric, i.e. they do not involve customers in the process. Using technology to create better customer experiences is par for the course in this digital age, but to truly succeed, the human touch must remain a part of the experience journey for both customers and staff.

In these uncertain times, it is ever more critical to gain customer trust and retention as the Covid-19 pandemic has transformed customer behaviour. Today's customers search for the best offers and grab them while they last. They want customised experiences and accept AI as the norm. Experiential retailers like IKEA and Decathlon are extremely popular and often packed with customers. Retailers such as furniture store Commune have leveraged on technology such as 3D floor planners and VR simulation to help customers visualise their "perfect" homes.

Environmental sustainability is another key aspect that consumers are mindful of. To continue engaging and attracting customers, businesses must constantly innovate, refine, and redesign their business models. This changing landscape and nature of the sector has reinforced emphasis on human engagement.

With long working hours and low wages, many of our partners in the service industry have expressed difficulty in attracting and retaining local manpower. The double-edged sword of an ageing population and decreased Dependency Ratio Ceiling (DRC) will further affect enterprises' bottom lines and negatively impact productivity.

As such, SGPC has evolved our approach to helping companies by curating a set of service design methodologies which we have incorporated to our business improvement methodologies. This will help enterprises rethink their service delivery model and includes service design tools contextualised for SMEs to kickstart their business transformation. Enterprises will begin with applying service design methodologies in their processes to drive the creation of customer-centric service. After all, in the words of Peter Drucker, "The purpose of business is to create and keep a customer."

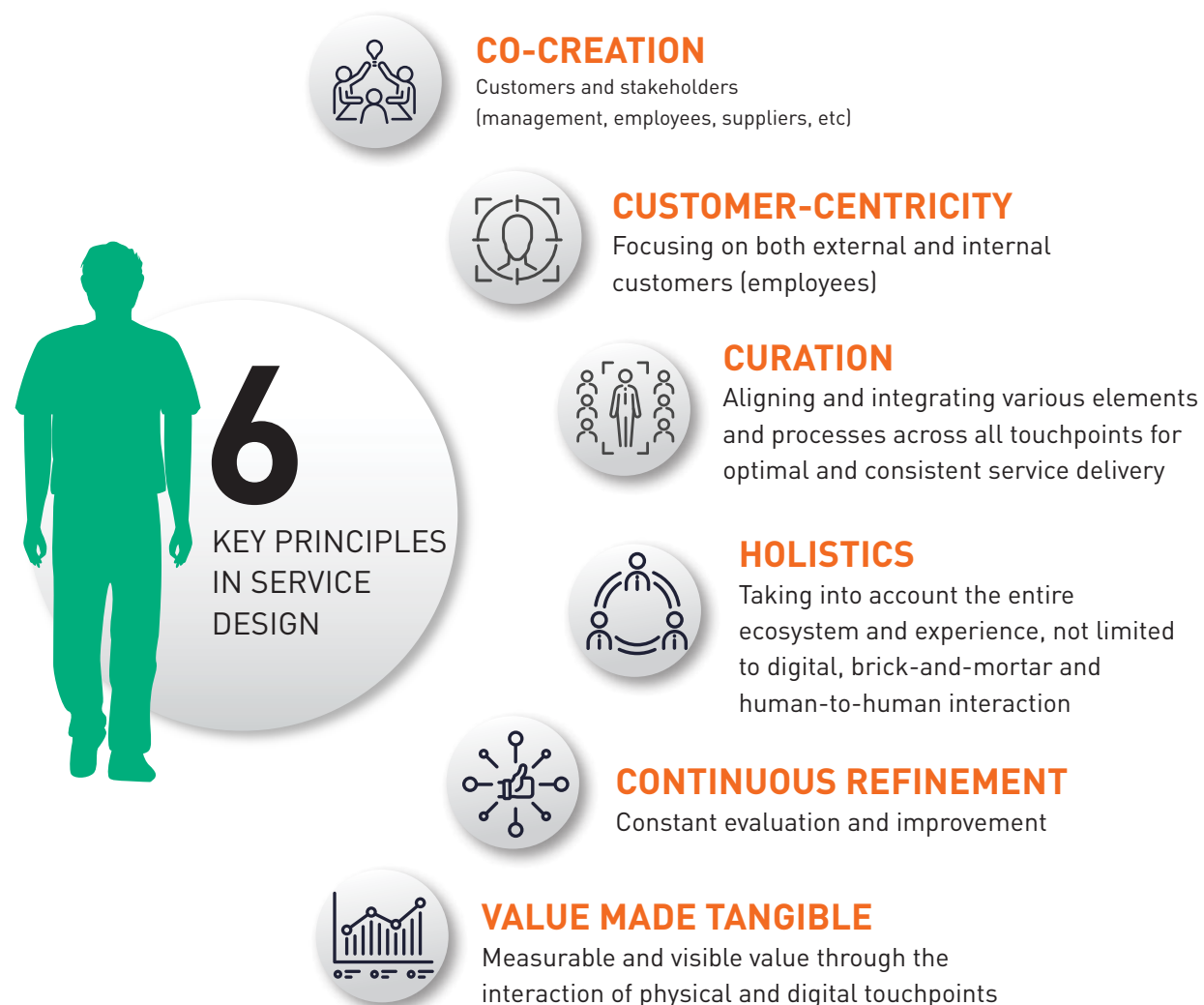
To refine our methodology, keep up to date with the latest global trends and gain collective insights, SGPC conducted a study mission trip to South Korea in 2019 to learn from companies that had successfully undergone organisational transformation using Service Design in their business productivity performance.

What is Service Design?

Service design improves the experience of users and employees by designing, aligning and optimising an organisation's processes to better support the customer experience.

Service design holistically examines the processes of "what is made" and "how it's made" with the aim of making the value of products or services visible to the customer. By putting the customer at the centre of the experience and carefully curating decisions and strategies from their perspective, businesses can gain a competitive advantage. Your customers will be happier, while your employees or internal customers will be optimised and engaged.

Based on the concept of customer- centricity, SGPC has identified 6 key principles in our approach to service design:



Service Innovation in Korea

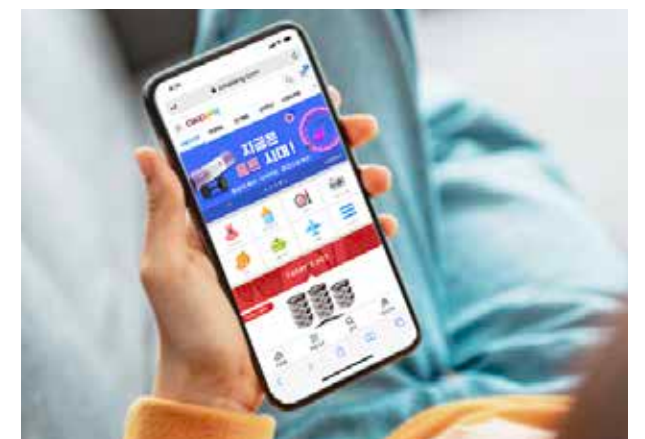


In Korea and other developed cities, customers today seek experiential shopping and customised and personalised experiences. In response, companies in Korea have designed products and services with customers at the heart of the process.

For instance, Hyundai Motor announced plans to build one of Korea's largest driving centres in 2022 to provide customers with dynamic driving experiences⁴. E-commerce giant Coupang has become the country's most popular online retailer⁵ by turning a customer-centric focus on satisfaction and differentiated service. It invested in building fulfilment centres powered by its own logistics business, Rocket Delivery. This fills the last-mile void which was a major pain point in the e-commerce customer experience. To ensure customer satisfaction, Coupang hired and trained its own delivery employees and provided them with incentives aligned to the company's values. Through vertical integration of fulfilment and delivery, Coupang was not only able to deliver faster than its competitors, but also control customer experiences, leading to significantly higher customer satisfaction⁶.

South Korea is the fourth largest economy in Asia and the eleventh largest in the world. Thanks to its large workforce, the country boasts powerful industries in mobile, automotive, beauty, fashion, entertainment and technology¹.

South Korea ranks second behind China in terms of online consumption. It is estimated that more than 50% of residents in Korea shop online². While the e-commerce market grows rapidly, offline stores still represent a vital retailing channel that provides customers with experiences that e-commerce cannot. According to Euromonitor, 91% of surveyed participants still visit offline stores for innovative in-store shopping experiences, suggesting that online and offline stores are inextricably connected³.



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2. seoulz.com/ai-and-iot-will-revolutionize-the-consumer-shopping-experience-in-korea/
3. Future Watch: Consumer trends in South Korea Euromonitor (2019)
4. www.aag-beijing.com/newsinfo/414471.html
5. www.koreaherald.com/view.php?ud=20190625000822
6. digital.hbs.edu/platform-digit/submission/coupang-changing-the-face-of-retail-and-distribution/

Korean Standards Association

The Korean Standards Association (KSA) was founded to contribute to the development of the national economy by boosting industrial standards and quality management, promote scientific techniques and improve production efficiency.

Established as a top-notch professional group equipped with theories and practical business skills across all industries, KSA leads national industrial development in 21st-century technology. This accomplishment can be attributed to its deep knowledge of and experience in surveys, research,

education and training, KS/ISO certifications, events for promotion and international cooperation concerning industrial standardisation and quality management.

Korea Service Grand Prix

Korea Service Grand Prix is an award that discovers and rewards outstanding enterprises, organisations, institutions and individuals that have established customer-centred service management systems and achieved excellent service quality innovation in overall management.



Insights from visits to Korea Service Grand Prix award winners

In November 2019, SGPC led a delegation of participants from retail companies to Seoul, South Korea on a study mission themed Beyond the Ordinary in Retail. The study mission is a core component of SGPC's range of programmes that enables best practice learnings from overseas markets and companies. Among the companies visited were GS Retail, DB Insurance, Lotte Rental (Car Rental), Lotte Hotel, Lotte World – Seoul Sky Observatory, and Lotte World Amusement Park.

Enhancing customer service through reinforcing the business capabilities of store managers



GS Retail, part of GS Holdings, is a specialised distribution company that runs G25, South Korea's second most popular convenience store chain; beauty and health store Lalavla; and leading global hotel company Parnas. With customer satisfaction at its forefront, GS Retail has adopted a customer-oriented management approach to fulfil its aim of being a true lifestyle partner that brings delight and happiness to customers.

Faced with intense competition and rising labour costs, GS Retail realised a need to differentiate itself and increase its workforce. Employees expressed that they were often caught up in store operations and ad-hoc programmes to offer a truly valuable customer experience.

After creating a customer journey map and interviewing franchise owners and store managers, GS Retail developed a store manager chatbot as a solution. Chatbot Jini was a first for convenience stores. It bolsters the capabilities of store managers, allowing them to participate in events, enjoy daily conversations and perform important basic tasks. Chatbot Jini helped reduce the number of complaints and raise customer satisfaction.



Store managers now have more time to participate in the organisation's themed activities and have the autonomy to handle difficult situations without need for consulting management or franchise owners. All these have led to improved employee satisfaction.

Digital transformation: Long-term car rental in just five minutes

Lotte Rental is the leader in South Korea's domestic rental industry. Established in 1986, it provides rental options as an alternative to car ownership and is known as the "Global ICT Rentalution (rental + solution) Leader".

Lotte Rental conducted interviews with its internal and external customers, then mapped the journey of a long-term car rental customer to identify the pain points and opportunities. Findings showed that customers often expressed a desire to compare different models and car conditions before making a decision but lacked time to meet with a salesperson. They also saw documentation for vehicle contracts as an inconvenience. Meanwhile, the company's sales managers pointed out that market competition had intensified, with large enterprise-based companies and new entrants with financial muscle entering the industry. Almost half of surveyed sales managers said they found it difficult to find new B2C customers. A third of them said the increased number of individual consultations was taking up more of their time.



To meet customer needs, Lotte Rental launched a mobile application called Deputy Senior Manager Shin Direct, which allows customers to select their choice of car, undergo screening and verify information through safe-key certification, and sign a contract electronically in under 5 minutes. This convenient and contactless service has raised customer satisfaction tremendously.



Image taken from Lotte Rental website.



CUSTOMER PERSONA

Digital transformation: Long-term car rental in just five minutes

PROFILE

Name: Shin
Age: 34
Location: Incheon
Occupation: Emergency medical technician
Traits:

- Busy on weekdays
- Skilled in using IT devices
- Conducts research through phone

BEHAVIOUR

- Hesitate to buy a car at high price
- Consulting is difficult due to nature of job
- Burdensome to compare models and consider financing methods
- Like to compare different vehicles before making decision

NEEDS

- Easily compare different vehicle types
- Consult for quotation without time-space constraints
- Easily contracted services without complex procedures

Giving meaning to spaces

Lotte Hotels and Resorts, the largest hotel group in Korea, has expansion plans beyond Asia to become a global brand. Its lifestyle hotel L7 opened in 2017, following which numerous other lifestyle hotels began entering the market. As a result, L7 found it difficult to differentiate itself in a crowded market. Before rejuvenating its space, L7 conducted customer preference surveys, focus group discussions and in-depth interviews with regular customers. Through these, the team discovered that they needed to provide cultural content that would offer customers a uniquely valuable experience.



The L7 team transformed their limited spaces and began crafting cultural content. The parking lot was carefully transformed into a roller-skating rink with music. In the evenings, the lobby lounge doubled as a yoga studio and even a cinema for hotel guests. With the reinterpretation of spaces, L7 hoped to enhance customer experiences and turn customers into loyal fans who would revisit regularly.



Image taken from Lotte Hotels & Resorts website.



The lobby lounge transformed to a yoga studio.

Co-creation: enhancing visitor experiences



The Seoul Sky Observatory is located at the top of Lotte World Tower, the world's fifth tallest building at 555 metres high. As the tallest building in South Korea, it is the only place where visitors can take in a gorgeous 360-degree view of Seoul.

The team at Seoul Sky Observatory recognised that the dominant trend in global tourism was experience consumption. It observed dissatisfaction among visitors about the lack of activity aside from the view, which was often marred during bad weather. Leveraging on service design tools such as customer persona, customer journey mapping and service blueprint, the team identified various pain points such as the mundane wait at the Sky Shuttle Waiting Zone.

To elevate the visitor experience, the world's first four-pane display elevator was introduced in the Sky Shuttle to delight passengers during the minute-long ride. The team launched a media art competition, inviting guests

and aspiring artists to create content and art in the observatory itself. The winning works were displayed, giving visitors something other than the view to explore. In turn, visitors were impressed with the media content, saying that it gave them other things to discover apart from the stunning views.



Image taken from Seoul Sky website.

How Service Design benefits Singapore companies



Gain competitive advantage

With the right tools and knowledge, companies can help redesign value propositions to incorporate solutions that meet customer needs and sustain competitive advantage.



Redefine brand proposition

Placing the focus on end-to-end customer experiences.



Service Design Innovation

Focusing on understanding customer needs to make services or products user-friendly, competitive and relevant to customers. Begin by building your customers' personas today and find out in the review if you are solving their problems right.



Improve productivity

The focus is not only on touchpoints visible to the customer, but also on internal processes and employees who are essential to the functioning of the service or product. Tools such as customer journey maps and service blueprints allow companies to gain insights on front-and back-end processes while delivering their service. This aligns organisational goals, streamlines operations to improve productivity and grows margins.



Innovate to increase profits and attract new customers

With markets saturated, it is important for companies to define and establish unique selling propositions. Service Design helps companies develop outstanding service offerings or build brand stories to sustainably differentiate themselves from the competition and open new customer groups.

How Singapore Productivity Centre (SGPC) can help

Companies can tap on our comprehensive range of solutions targeted at boosting productivity and building capabilities. Together with Enterprise Singapore, we offer various assistance schemes that cover areas such as service design, digital transformation, workflow redesign, job redesign, automation, central kitchen implementation and shared services.

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Supported by



The Singapore Productivity Centre (SGPC) is a one-stop competency and resource centre supported by Enterprise Singapore (formerly SPRING Singapore) and is a wholly owned subsidiary of Singapore Productivity Association (SGPA).

With a focus on the retail, food services and hotel sectors, SGPC's vision is to be the go-to experts for enterprise excellence, playing leading roles to guide small and medium-sized enterprises (SMEs) in creating a roadmap for growth.

SGPC provides a comprehensive range of services and programmes including in-depth productivity consultancy, workshops, study missions, benchmarking for best practices and industry insights. Through its expertise and services, SGPC helps enterprises to be future-ready in and beyond Singapore by creating value through innovation, productivity improvement and capability building.

For more information visit www.sgpc.sg

Workforce Singapore (WSG) is a statutory board under the Ministry of Manpower (MOM). It oversees the transformation of the local workforce and industry to meet ongoing economic challenges.

WSG promotes the development, competitiveness, inclusiveness, and employability of all levels of the workforce. This will ensure that all sectors of the economy are supported by a strong, inclusive Singaporean core.

While its key focus is to help workers meet their career aspirations and secure quality jobs at different stages of life, WSG also addresses the needs of business owners and companies by providing support to enable manpower-lean enterprises to remain competitive. It will help businesses in different economic sectors create quality jobs, develop a manpower pipeline to support industry growth, and match the right people to the right jobs.

For more information visit www.wsg.gov.sg



Conclusion

Service Design is where Businesses and Customers join forces to create value for the customers and the businesses' bottom lines. Businesses must look at improving the experiences of both external and internal customers by designing, aligning, and optimising their operations to support customer journeys.



11 Eunos Road 8, #08-01
Lifelong Learning Institute,
Singapore 408601
Tel: 6745 5833

www.sgpc.sg



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