

MEETING THE CHALLENGE OF EUROPE 2020

THE TRANSFORMATIVE POWER OF SERVICE INNOVATION

CASE STUDIES

collected by the Expert Panel on Service Innovation in the EU

Partnerships for better
innovation support



**Innovation in Services
Expert Panel**

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Introduction

At the beginning of 2010, the Directorate-General for Enterprise and Industry of the European Commission established an Expert Panel on Service Innovation in the EU comprising 20 members. The Panel's mandate has been to consider the concrete and specific steps which should be taken at European level to support service innovation in the context of the Europe 2020 Strategy.

The 'Europe 2020 Strategy. A strategy for smart, sustainable and inclusive growth'¹ puts forward a dynamic vision of an effective social market for the 21st century. It identifies three priorities: Firstly **Smart Growth** to develop an economy based on knowledge and innovation. Secondly, **Sustainable Growth** to promote a more resource efficient, greener and more competitive economy. Thirdly, **Inclusive Growth** to foster a high-employment economy delivering social and territorial cohesion. The Europe 2020 Strategy was presented in March 2010 and was followed by the launch of seven flagship initiatives². These flagship initiatives are intended to be the main tool for implementing the ambitious targets of the Europe 2020 Strategy.

The Europe 2020 Strategy also sets out five measurable targets for 2020 that will steer the process towards growth and innovation:

1. 75% of the population aged 20-64 should be employed.
2. 3% of the EU's GDP should be invested in Research & Development.
3. The "20/20/20" climate/energy targets should be met (including an increase to 30% of emissions reduction if the conditions are right).
4. The share of early school leavers should be under 10% and at least 40% of the younger generation should have a tertiary degree.
5. 20 million less people should be at risk of poverty³.

In the course of the year, the Expert Panel has met four times to discuss the role of service innovation in attaining the Europe 2020 goals of smart, sustainable and inclusive growth. The Panel has been evaluating the policy rationale behind successful service innovation initiatives both at national level and EU level to assess what can be done, notably at European level, to promote the power of service innovation to transform the economy.

This collection of 23 case studies supplements the report of the Expert Panel "Meeting the Challenge of Europe 2020: The Transformative Power of Service Innovation". The Expert Panel has selected the cases, which have been edited by the Expert Panel Secretariat, to provide evidence, data and examples of the transformative potential of service innovations, in the three priority areas of smart, sustainable and inclusive growth of the Europe 2020 Strategy.

Expert Panel Recommendations

The analysis and case studies of the Expert Panel show that business is becoming increasingly aware of the way in which service elements and service innovation transforms value chains and their own position within them. However, while considerable focus has rightly been given to creating a Single Market for services, industrial and innovation policy at the European, national and regional level needs to be similarly geared towards services. The recommendations of the Expert Panel are therefore aimed at strengthening the policy framework in five main areas:

1. **Raise awareness of the transformative potential of service innovation and its contribution to EU competitiveness**

1 http://ec.europa.eu/growthandjobs/pdf/complet_en.pdf

2 The seven Flagship Initiatives are: "Innovation Union"; "A Digital Agenda for Europe", "Resource efficient Europe", "An industrial policy for the globalisation era", "An Agenda for new skills and jobs", "European Platform against Poverty" and "Youth on the move"

3 See introduction in Europe 2020 Strategy. A strategy for smart, sustainable and inclusive growth'

The Expert Panel recommends that:

- The European Commission develop a European Service Innovation Centre (ESIC) to strengthen the links between policy makers, business and academia. The ESIC can help raise awareness of new developments and emerging opportunities related to service innovation.
- The ESIC act as a central hub of expertise, and collaborate closely with the Institute for Prospective Technological Studies in Seville, the International Institute for Applied Systems Analysis near Vienna, universities, think tanks, industry and knowledge intensive service sector associations, to provide authoritative analyses, sectoral and foresight reports, and evaluations of support programmes.
- The findings of the ESIC inform the thinking of the High Level Group on Business Services, which the Commission is proposing to establish.⁴

2. Strengthen political leadership at the European, national and regional levels**The Expert Panel recommends that:**

- The High Level Group provide the political leadership that is necessary to promote a service perspective in policy making and take forward the recommendations of this report.
- Regional innovation strategies give particular weight to the role which services and service innovation might play in contributing to growth and economic development.
- Where appropriate, Member States review their strategies towards the use of Structural Funds and, in particular, develop measurable outcomes in relation to supporting innovative services. Such an approach could lead to their active participation in the Innovation Partnerships and large-scale demonstrator programmes set out in this report.

3. Build new competitive business from service innovation and improve the agility of policy making to do so**The Expert Panel recommends that:**

- The European Commission adopt established mechanisms for encouraging the development of the new innovative services. The European Creative Industries Alliance may provide such a model.
- Under the Alliance, the Commission set up an Expert Group to help the Commission and Member States develop and share a common vision of how creative industries can contribute to modern industrial policy, to monitor the Alliance's progress, and to liaise with the High Level Group on Business Services.

4. Develop dedicated programmes in support of innovative services**The Expert Panel recommends that:**

- The European Commission develop a Service Gazelles Programme to support high impact gazelles within the EU.
- The European Commission implement initiatives to foster and strengthen joint innovative interactions between service and manufacturing companies.

5. Promote the application of service innovation to meet societal challenges**The Expert Panel recommends that:**

- The European Commission set out its model for Innovation Partnerships in relation to its chosen pilot of assisted living at the earliest opportunity.
- Urgent consideration be given by the European institutions to the selection criteria and governance of Innovation Partnerships/demonstrators with a view to adopting this policy tool as a key driver of innovation and industrial policy in the EU.
- The next R&D Framework Programme (FP8) give due consideration to the technologies that underpin the "smarter", sustainable systems which enable firms to develop responsive real time services in sectors as diverse as transport and logistics, construction and facilities management, energy distribution, telecommunications and financial services.

⁴ As worded in the European Commission document 'An Integrated Industrial Policy for the Globalisation Era: Putting Competitiveness and Sustainability at Centre Stage, COM(2010) 614: "... The Commission will ... set up a High Level Group on Business Services to examine market gaps, standards and innovation and international trade issues in industries such as logistics, facility management, marketing and advertising (2012) ...

CASE 11: Sustainable Growth

Global Environmental Services

Country : Finland

Responsible

REACHLaw Ltd with more than 20 global partners from industry associations, environmental consultancies, toxicology and eco-toxicology specialists, to testing laboratories and law firms.

Description

The pressure to reduce risks to environment and health of humans has led to a fast-increasing number of complex regulations and technical requirements affecting manufacturing, importing and trading of products worldwide. For the industry the costs, complexity and management of the increasing regulatory compliance requirements in different markets have become a vital issue.

At the same time, environmental sustainability has become a strategic rather than a compliance issue affecting the strategy, products, branding, investments and management of companies. For public bodies the same development has necessitated the creation of management structures, initiatives and programmes for environmental sustainability.

REACHLaw Ltd has created and implemented a set of service products for the compliance needs of companies as well as environmental service needs from both the private and public markets world-wide. The majority of customers are large companies within the oil, petrochemical, metals and fine & specialty chemicals industries, where the services integrate risk management, customer project management and technical services.

The transformative potential of the service

The main innovations are related to the design and implementation of a business model for a small company that has made it possible to target global clients profitably from the outset. This business model has enabled a very fast growth for a company that was established in late 2006.

The main elements of the business model are combining highly specialised legal, technical and business competencies into productised services, creation of a wide and specialised partner network to address global markets, service development model, and all of the innovative elements are related to development of service business, there are no new technological innovations involved.



Impact/assessment

The main value proposition for customers is management of risks in a complex environment, sharing the best available knowledge, and cost advantages compared to building and managing much specialised competences in house.

The company got more than 200 large customers in three years. The customers are from more than 40 different countries in all continents. Several of the largest customers belong to Fortune 100 companies. The public sector customers are governmental bodies and large agencies.

The company was awarded The Internalization Award by the President of Finland in 2010.

The company has created awareness and understanding of regulatory and environmental issues for a large number of individuals from both public and private organisations in its free events, seminars and webinars organised globally.

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