



# The Daily

Statistics Canada

**Monday, January 18, 1999**

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## MAJOR RELEASES

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- **Innovation in dynamic service industries, 1996** 2  
The communications, financial and technical business services industries are at the heart of the innovation system in Canada. A new study reveals high rates of innovation in the service sector, rates as high as those in many manufacturing industries.

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## MAJOR RELEASES

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### Innovation in dynamic service industries

1996

The communications, financial and technical business services industries are at the heart of the innovation system in Canada. All have been undergoing rapid transformation, driven by innovative products, advanced technologies and increased competition.

This new study reveals high rates of innovation in the service sector, as high as rates in many manufacturing industries. Between 1994 and 1996, 62% of firms in financial services introduced a new product, process or form of organization, as did 45% of communications firms and 43% of business services.

In each sector, the primary type of innovation consisted of new or improved products, either goods or services, followed in terms of importance by new processes. Innovation was intensive in the three dynamic service industries. A majority of businesses that brought in innovations did so on average one or more times a year.

Two of the most important strategies in each of the three industries involved satisfying customers and improving positions in existing markets. Consequently, activities surrounding innovation in all three industries were motivated by attempts to maintain or increase market share. Customers were the most highly rated source of ideas for innovation in these three service industries.

Firms in communications, financial services and business services produce products used by businesses in all sectors of the economy. As a result, innovation in these three service industries often provides the impetus for innovation and change elsewhere. Advanced computer-based technologies have transformed much of the manufacturing sector. Software provided by computer services firms is critical for the workings of these technologies. New products and methods of service provision offered by financial services firms have radically altered the nature of financial management.

Innovators in all three sectors examined by this study reported similar effects - improved product quality and quality of service. Nevertheless, firms in these three industries follow different paths to innovation. Important differences exist in the forces that drive innovation, the

#### **Note to readers**

*This release is based on a study titled Innovation in dynamic service industries available today. It investigates innovation in three sectors of the service economy: communications, financial services and technical business services.*

*The results of this study are based on data collected from the 1996 Survey of Innovation conducted in early 1997. The survey included 895 firms from all communications industries except postal services, 160 banks, trust companies and life insurers, and 3,830 businesses in the computer or related services, offices of engineers, or other technical services industries.*

*This is the fifth in the series of publications on innovation and technological change in Canada. Of the four earlier studies, one investigated the type of innovation occurring in the manufacturing sector, while two focused on advanced manufacturing technologies. The fourth examined how innovative firms protect their intellectual property after they have innovated.*

*Statistics Canada has issued several other publications focusing on the importance of innovation. They concentrate on small- and medium-sized firms, and place their innovation activity in the context of other business strategies.*

impact of innovation and the problems that must be overcome when innovating.

#### **Financial services firms: innovation most common**

The financial services industry referred to in this study consists of chartered banks, trust companies and life insurance firms. Companies are generally largest in financial services, so innovation is most common among them, particularly highly complex innovation involving product, process and organizational change.

Innovators in financial services operate in a marketplace in which customer service and price are extremely important. The ability of consumers to take their business to other financial service firms, coupled with the threat posed by new firms, are especially important sources of uncertainty. The primary benefits of innovation in this industry - the ability to adapt flexibly to customer requirements and speed of product or service delivery - flow from a focus on retaining, and attracting, these consumers.

In developing their innovation strategies, innovators in financial services look to their competitors for ideas more so than do innovators in the other two sectors. Innovators in financial services also put greater emphasis on reducing labour costs - responding to a marketplace they perceive to be very price-competitive.

### **Communications industries: legislative restrictions seen as a barrier to innovation**

The survey covered firms in all communications industries, excluding postal services. These consisted of businesses in radio broadcasting, television broadcasting, combined radio and television broadcasting, cable television and telecommunications.

Innovators in communications face both rapidly changing production technologies and significant financial losses if they invest in the wrong technologies. In addition, they operate in a regulated marketplace that restricts freedom of action. In response, communications firms work closely with their suppliers who not only provide the products and services they need, but serve as principal sources of ideas for innovation activity.

Improved product reliability is the primary benefit of innovation among these firms. More than other service industries, innovators in communications cite legislative restrictions as an important barrier to innovation.

### **Business services firms: innovators face uncertainty in more areas**

The business services industry in this study included computer services, computer maintenance and repair, offices of engineers, and science and technical services industries.

Innovators in business services face uncertainty in more areas than do innovators in other industries. Several factors combine to create this uncertain business environment including rapidly changing production technologies, rapid product obsolescence, new competitors, as well as difficulties in predicting the actions of customers and competitors.

The study found that the key elements of the innovation strategy in business services are market and customer diversification. Firms achieve market diversification by stressing expansion into global, as opposed to domestic, markets.

In responding to the uncertain environment and to the needs of their diverse markets, innovators in business services rely on more sources for ideas about innovation than do their counterparts in communications or financial services.

To meet the greater number of challenges, business services firms improve product quality by realizing innovation-related improvements in more areas, including reliability, speed of delivery, user friendliness, accessibility and adaptability to customer requirements.

Business services innovators also give greater emphasis to research and development as an important element of their innovation strategies. More than in other industries, innovators in business services identify a shortage of skilled labour and difficulties in securing financing as important barriers to innovation.

The publication *Innovation in dynamic service industries* (88-516-XPB, \$40; Internet version: 88-516-XIE, \$15) is now available. See *How to order publications*.

For more information, or to enquire about the concepts, methods and data quality of this release, contact John Baldwin (613-951-8588), Guy Gellatly (613-951-3758) or Valerie Peters (613-951-0482), Micro-economic Analysis Division. ■

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## OTHER RELEASES

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### Railway carloadings

Ten-day period ending December 31, 1998

Carloadings of freight (excluding intermodal traffic) during the ten-day period ending December 31, 1998, decreased 16.5% to 4.6 million tonnes from the same period last year. The number of cars loaded decreased 14.1%.

Intermodal traffic (piggyback) tonnage totalled 391 000 tonnes, a 15.4% increase from the same period last year. The year-to-date figures show a decline of 0.7%.

Total traffic (carloadings of freight and intermodal traffic) decreased 14.7% during the period. This brought the year-to-date total to 255.9 million tonnes, a decrease of 3.4% from the previous year.

All year-to-date figures have been revised.

For further information, or to enquire about the methods, concepts, and data quality of this release, contact Robert Larocque (613-951-2486; fax: 613-951-0009; [larocque@statcan.ca](mailto:larocque@statcan.ca)), Transportation Division. ■

### Steel wire and specified wire products

November 1998

Shipments of steel wire and specified wire products totalled 65 009 tonnes in November 1998, up 3.2% from 63 011 tonnes in November 1997. Production and export market data for selected commodities are also available.

#### Available on CANSIM: matrix 122 (series 19).

The November 1998 issue of *Steel wire and specified wire products* (41-006-XPB, \$7/\$62) will be available shortly. See *How to order publications*.

For more information, or to enquire about the methods, concepts, and data quality of this release, contact Etienne Saint-Pierre (613-951-9837; [saineti@statcan.ca](mailto:saineti@statcan.ca)), Manufacturing, Construction and Energy Division. ■

## PUBLICATIONS RELEASED

**Innovation in dynamic service industries**  
**Catalogue number 88-516-XIE**  
(Canada: \$15; outside Canada: US\$15).

**Innovation in dynamic service industries**  
**Catalogue number 88-516-XPB**  
(Canada: \$40; outside Canada: US\$40).

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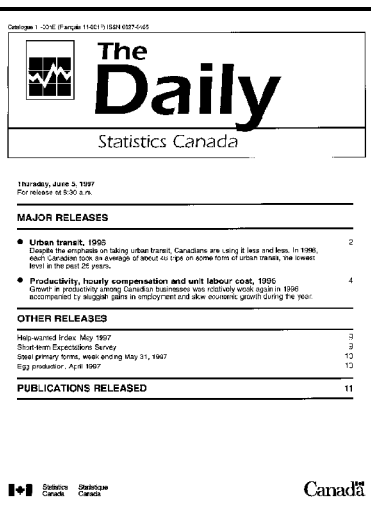
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