Abstract: We are on a way towards a service economy and much of our society is now driven by services. Consequently, it becomes more and more important to develop new services which is commonly referred to as New Service Development (NSD). In the general area of services, those services delivered electronically over the Internet play an increasing role. In this article we derive a set of key attributes that distinguish electronic from non-electronic services and investigate their potential influence on NSD. Using these attributes as a framework for analysis the article presents a literature review of core NSD research with regards to their applicability to the development of electronic services. This leads to the identification of problems that have to be addressed when developing electronic services but also to new possibilities that can be exploited. The analysis reveals certain gaps in NSD research. In particular, current NSD methods are not designed to address the rapidly changing nature and the networked structure of most electronic services. Moreover, these service development methods do not fully exploit the potentials and advantages offered by electronic services over their non-electronic counterparts. These are in particular potentials for continuous improvement, rapid deployment of service changes, and the transparent feedback generated by service usage.