



# **Service Productization – Business Plan for a Graphic Design Service**

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## **ABSTRACT**

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Service productization applies the characteristics of tangible products to intangible services in order to create value and lower risk involved in intangible purchasing. With the help of service productization, service design can be created to offer added value compared to traditional service design in graphic design industry.

Aim of this thesis is to research the topic of service productization in order to build competitive business plan that utilizes service productization. Author familiarized herself with the topic of business plan and service productization with secondary data. To map more profoundly customer assumptions related to graphic design services the author conducted customer research as primary research.

By combining secondary and primary research the business plan can be crafted to offer added value and competitive edge in high competition market. The outcome of the research was a business plan that has added value with service productization.

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Key words: business plan, graphic design, service productization

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## 1 INTRODUCTION

Unlike products that give tangible goods to prove the value for money spent, services often lack tangible evidence of their value. Customers receive the service as it is produced and cannot preview their purchase prior to the buying decision. Service is often received as it is produced, therefore services offer none or very little tangible evidence prior to the purchase and customer has to trust that service will fulfil their needs as promised. By implementing service productization service providers can implement tangible characteristics to their offering to demonstrate the value and offer more risk-free buying process for the customer. With more visible value, service provider can stand out from the competitors and ease the purchase decision for the customers.

Productized service aims to influence service variables which offers its benefits by creating more clear service description and cut costs. Business can stabilise risks for example by standardizing services or service packaging thus creating more predictable costs and specific features. This distinguished offering among competitors services creates value and creates image of lower risk in the eyes of customers. Well conducted business plan helps when creating the best approach in service productization that matches to the target segment and business field itself.

This thesis aims to create business plan that utilizes service productization as a graphic design service provider. Secondary research conducted familiarised the author to the service productization and business models most commonly used in graphic design field. With help of secondary research and customer research author mapped the customer segment expectations about graphic design services and built a business plan that takes into account the graphic design field, customer segment and business model strategies that can be used to create added value to the graphic design service.

## **2 THESIS PLAN**

This thesis plan introduces the case-study, topic and objective of this thesis. Hereafter the data gathering methods and research method used in this thesis are introduced. Concepts and theories are explained prior to the research and analysis section and business plan. Definition of concepts and theories will guide the reader through the thesis. Finally, the thesis process is introduced with the topics of upcoming chapters.

### **2.1 Case-Study Background**

This thesis is done as a case-study for the author who is referred as the entrepreneur in the text. Case study is implemented due to the entrepreneur's own interest on developing part-time graphic design business into a profitable business with a business plan. As the case study business lacks a business plan this thesis aims to research graphic design service productization more profoundly and craft a business plan based on that research.

The entrepreneur has prior experience in graphic design from her studies as layout designer and from freelance work done as a part-time income. Since spring of 2016 the entrepreneur has done freelance work in the form of occasional graphic design projects for businesses and individuals. Billing was done by billing agencies and later on as light entrepreneur through OP-kevytyrittäjä. Now the entrepreneur has decided to grow her freelance business into a fulltime entrepreneurship and provide income for herself fully with graphic design work and the business needs a business plan to provide best possible starting point for the business to operate. Business will change name from entrepreneurs' own name to a more brandable business name and the business plan will provide business model that the brand will utilize when operating under that new name.

Research conducted in this thesis will provide information regarding customer expectations and productization possibilities in graphic design field. This research will provide much needed knowledge on the business operations in service productization before evolving the business actions to the next level and analysis

tools help to guide the direction the business plan should follow. Customer research is designed to map out target segment expectations and help focusing on right methods when productizing the service.

## **2.2 Thesis Topic**

The topic of this thesis is *Service Productization – Business Plan for a Graphic Design Service*. Thesis presents graphic design business as a productized service and offers strategies to gain leverage in order to make business desirable and beneficial to both customer and entrepreneur. Productization of graphic design service can provide leverage in creative field that is filled with competitors offering similar services.

This thesis explores service productization and business model strategies that offer more visible value compared to the competitors, therefore providing competitive edge. The survey is aimed to potential customers to learn more about customer shopping behaviour and biases related to graphic design services. Survey results is then analysed in order to form business plan that provides competitive edge.

Aim of the thesis is to create a business plan to boost sales and make the business profitable when establishing a business in view of service productization. The objective and main research question is: *“How to successfully productize a graphic design service?”*. With the help of supporting research question *“What graphic design service characteristics provide value to the customer?”* and *“What pricing methods are desirable in the eyes of customers?”* the research will provide a business plan that is up to date with desired target group internet behaviour and competitive in the saturated market.

## **2.3 Research Methodology and Data**

This case-study is assembled using secondary research from books, journals, articles and web sources. In addition, primary data from qualitative research in the form of a survey and analysed to support the business plan. Survey includes

multiple choice questions and open-ended questions that are aimed to map potential customers prior experiences, expectations and potential marketing channels. Research aims to gather more knowledge about the market and advantage possibilities in productization before growing the business. This qualitative research is crafted as part of the business plan in order to map unique selling propositions that add value to the customer.

Survey is crafted using data from secondary research to answer the research questions in most effective way possible. Survey is distributed in the social media groups intended for entrepreneurs, but individuals are eligible to respond as well. The survey respondents are seen as potential customers. The survey will research customer biases and expectations regarding value adding features that would provide much needed competitive edge and characteristics of a tangible offering. The survey answers will be analysed to see which pricing strategies are most engaging to the customers, what characteristics of a graphic design service provides value to the customers and which marketing channels the main target group is using. Eligible number of respondents is above twenty individuals, preferably more. Data gathered from the survey will be used when crafting the final business plan.

## **2.4 Concepts and Theories**

In this thesis the focus is on the topic of a business plan and productization of a graphic design service as value adding leverage compared to the competition. Theories and terms presented are used as a structure to provide a framework for the thesis and the business plan itself. Service productization and business model strategies in service industry are first explained and defined, thus they are vital part of the business plan in this case study. Customer research is explained to base the research as it is important to comprehend the basic terms prior to exploring the topic further. Common business plan structure is explained including definition of SWOT -analysis.

### 2.4.1 Service Productization

When characteristics of tangible products are applied to intangible services, that process is referred as service productization. Successfully productized service is easy to buy, better than competitors, easily marketable and efficiently produced (Parantainen 2007, 38). Best possible productized service can be described with all those four characteristics, but business can also exceed in one or few better than rivals to succeed. Service productization can be achieved through various tactics such as pricing, integrating products and services, simplified purchasing process or by creating efficient production process among other strategies. Productized service offers extra value in addition to the main service operations and gives the company competitive edge. To create competitive edge business can for example construct services unusual ways, display services differently from competitors, price services distinctively, reach customers in unconventional channels or make the buying process simple for the customer (Parantainen 2007, 168). Due to the inconsistent nature, services are usually more unpredictable to produce than products. Productization can have influence on variables involved and that way stabilise risks for example by standardizing services or service packaging thus creating more predictable costs and specific features. Productization aims to find balance between standardization and customization to create service processes that are more cost-effective. This distinguished offering among competitors services creates value and creates image of lower risk in the eyes of customers. Unlike products, services cannot be produced in advance and sold in bulks as service usually differs in some way from another and usually involves customer participation in some extend. Lack of tangible evidence or the fact that results are seen only after the service is already delivered creates unpredictable service quality in the eyes of customers. Productized service aims to gain the benefits of tangible products and cut the risks involved in unpredictable nature of services.

In graphic design the tangible evidence of the result is received at the end of project when the design is ready for publishing. Customers rely on recommendations and prior work demonstrations when purchasing graphic design services. On top of uncertain result of the service the price is most commonly based on hourly rate and the final price of each project is determined by the hours spent on

the said project. Uncertainty of the final price and quality can drive away potential customers. Graphic design service is perfect example of a business that can use service productization to make service more approachable and more stable to produce. Service design can be improved with several tactics to gain benefits of service productization depending on the graphic design company and their customer base.

#### **2.4.2 Added Value in Service Design**

Successful business model makes strategy concrete by combining business operations cashflow and customer perspective into a service design that is logical, modifiable and differentiates the business from the competitors. In digital age service design needs to be adaptable to the quick market changes. (Hesso 2015). In many cases the innovative service design is behind long-term success rather than the business offerings itself (Gassmann, Frankenberger, Csik 2014, 3). There are endless number of service design strategies and new innovations rise constantly. Multiple strategies can also be combined in a way that creates value over competitor's similar offerings. Value adding service design strategies introduced in this chapter can be implemented with graphic design services.

#### **Blog**

Frank Cowell, a digital strategy and execution agency CEO, puts into words in his blog how business at any size can use blogging to increase sales. With blog posts customers can find their way to the business site and increase traffic, gives opportunity to place call-to-action paths that lead to the products or services provided, increase site's search engine results and finally offers platform to demonstrate expertise in the field. (Frank Cowell n.d.).

Potential customers might be using search engines to find out how to obtain services, how to do it themselves or just to read more on the topic. In any case, the business can offer that information and show their talent on the field and gain sale through that traffic. Value is added to the service by creating transparent operations and customer can appreciate the service more after seeing the value a professional can offer.

Blogging is rather low-cost tactic to increase traffic on business site and develop search engine optimisation. Business can build trustworthy image on their brand and demonstrate their talent.

## **Bundling**

Company might utilise bundling strategy by combining products or services to be sold as combined package deal with lower price than the individual prices combined. In this kind of package deal the business has a bundle price for multiple products or services purchased together that is not the same as the combined price of those same products or services when purchased individually. (Marburger, 2015, 62).

Customers gain lower price than purchasing each product or service individually and might find products or services they would not have not considered without package deal.

Business gains more orders per one customer and thus the time and money spent on customer acquisition decreases. Bundling can also be used to increase sales of low selling product or service by bundling it with other popular services.

## **Customer Loyalty**

When business model utilizes customer loyalty tactic, the business rewards existing customers with offers or discounts in order to maintain customer relationships (Gassmann etc. 2014, 127). End result is returning customers and strong customer relationships.

Loyal customers return with their business due to the special offers and the feeling of importance. With working customer loyalty system customers are doing business with the company over competitors by their own choice and the company gains returning revenue (Gassmann etc. 2014, 127).

Customers grow to be more loyal to the company, due to the offerings and the sense of unique treatment from behalf of the company. Company gains returning clients and therefore saves in marketing expenses and customers gain familiar quality, sense of importance and discounts.

## **E-Commerce**

E-commerce is general definition to all trade happening via internet. (Havumäki & Jaranko 2014, 19). In most cases the business already has operations prior to the e-commerce introduction to the business model and e-commerce is used as a tool to boost the operations. In addition to actual trade happening via internet e-commerce can include customer service and support as well (Gassmann etc. 2014, 142).

Revenue can be gained in different ways depending on the nature of the e-commerce. Most usual revenue methods are sales of products or services, brokerage, subscription fees, advertising income, testimonials or link fee and licencing (Havumäki & Jaranko 2014, 24).

E-commerce can increase sales by making the business more reachable, enhance business operations, decrease expenses, reach new customers or boost the business brand (Havumäki & Jaranko 2014, 60). In many cases introducing e-commerce to business strategy is logical choice in digital age and in some business areas can be considered as an industry standard. Customers save time by getting information via internet, are able to research alternatives and minimise costs in pricing and in travel costs (Gassmann etc. 2014, 142). E-commerce makes business operations more transparent by offering information and recommendations on their website, which benefits both customers and the company image. In addition, marketing automation can be used as a tool when targeting potential customers.

## **Flat Rate**

When customer purchase a service or a product with a fixed amount and is then allowed to use said service or product unlimitedly it is referred as flat rate business model (Gassmann etc. 2014, 152). In graphic design this can be used as unlimited edits or even as monthly service including all designs the customer might need. In unlimited monthly service company can consider upper limits, for example max hours worked in graphic design, to control the costs and overuse.

Customers receive controlled costs and unlimited use of the service or product (Gassmann etc. 2014, 152). To the customer controlled costs make use of the ordered service more approachable when the price is known from the start and unlimited use gives worth for the money.

The company offering flat rate services or products must calculate average costs for their service or product in order to keep the operations profitable (Gassmann etc. 2014, 152). Other customers overuse the service and others underuse the service making the average price of the service or product still profitable compared to the costs.

## **Mass Customization**

In mass customization business produces offerings to customers' needs while at the same time functioning as efficiently as traditional mass production (Gassmann etc. 2014, 222). Usually mass customization uses similar product or service models as a base and alters them to fit client needs by adding features or altering appearances. Many customers are not interested in ready-made templates or mass-produced offerings, but are desiring customized solutions (Gassmann etc. 2014, 222-223). Mass customization combines the best of two worlds to reduce costs and create customized solutions.

Using same product or service designs with multiple clients creates savings in service design and reduces working hours. By altering the final result by adding unique looks, features or other to suit the client's purpose, the product or service can customize the end product that is in core mass produced. Customers get the

possibility to influence the outcome and therefore make the offering feel more exclusive to their needs and all the same time the core of that product or service is mass produced. Business itself can benefit by reducing work hours by creating ready templates and customizing them to the clients wishes.

### **2.4.3 Customer Research**

Cambridge Dictionary defines Consumer Research, also known as Customer Research, as “the study of people’s opinions about products or services they want or will buy” (Dictionary.cambridge.org 2019). Customer research can be conducted as part of other research such as a Marketing Research or a Business Plan.

Qualitative Customer Research uses open-ended questions with research method such as focus groups, one-to-one interviews and content or text analysis to observe their target group more profoundly. Quantitative Customer Research focuses on collecting analytical data via online surveys, questionnaires and polls in numerical manner. (Bhat n.d.).

Customer research can be conducted as qualitative or quantitative research depending on the nature of the research. Similarly, data can be collected in digital form or with one-to-one interviews to best fit the purpose.

Customer Research Process starts with defining the research objective. Research can be part of marketing research, business plan or other purpose, definition of the objective guides the nature of the research. Customer research first collects secondary data to map the subject in question and collects primary data from the intended target group. Secondary and primary data is then analysed and collected to complete the Customer Research. (Bhat n.d.).

### **2.4.4 Business Planning**

The staff of Entrepreneur Media describes a business plan as follows “A business plan is a written description of the future of your business. It is a document that tells the story of what you plan to do and how you plan to do it.” (The Staff of

Entrepreneur Media 2005, 3.) Whether the business is aiming to be large fast-growing corporation or stable small business writing a business plan is the best way to map where the business wants to go and how to get there. Business plan can be renewed whenever needed, for example when business is branching out or in need of new structure in the ever-changing market. Business plan can be composed in various ways, depending on the nature and situation of the company. Analysis tools can be applied when composing the business plan to help identify what needs to be done to reach business goals and succeed.

Business plan starts with defining business idea and vision. Business idea defines the products and services the business will be providing, how that business idea is executed and to what customer segment that service or product is intended (Hesso 2015). Profoundly described business idea lets the reader know what business is aiming for and how, it is the base of the whole business plan.

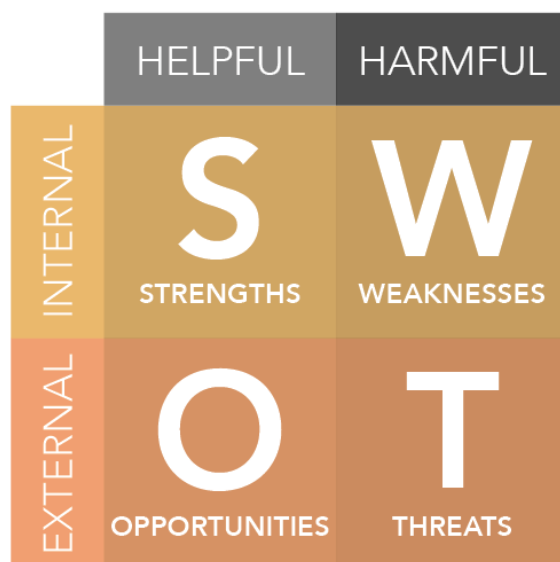
Within the environment analysis the business plan clarifies the competitive advantages that create value to the customer compared to the competitors (Hesso 2015). This can be done by using analysing tools to help define the unique selling propositions business is offering to their customers. Both external and internal analysis, often referred as micro- and macro environment analysis, is included. Macro environment analysis can contain political-, economical-, social-, technological- and legal environment analysis whereas microenvironment analysis focuses on organization efficiency, business processes and financial analysis of the business (Hesso 2015). Analysis tools such as SWOT -analysis, which is introduced in later chapters, can help the business conduct their environment analysis.

Strategy combines business idea and analysis conducted to a plan that aims towards business vision (Hesso 2015). Strategy is an action plan for their success that describes what actions the business should take to achieve competitive edge. Business model is part of the strategy and describes exactly how that particular business is going to implement their strategy (Hesso 2015). Business model as part of strategy describes the customer segment, communication methods, what is company's competitive edge and how the business builds revenue. Customer segmentation analyses potential customers and groups based on their

buying behaviour, market size and market structure (Hesso 2015). Customer research is often conducted to learn more about possible customer segment expectations and behaviour as business plans their marketing actions to attract desired customer segment. Environment analysis helps to distinguish value adding features and pricing methods by analysing internal and external environments. Finally, business plan introduces steps the business needs to take to implement the business plan. This includes a plan for practical matters involved in starting a business and possible future plan for business growth.

### 2.4.5 SWOT -analysis

SWOT -analysis is abbreviation from words strengths, weaknesses, opportunities and threats -analysis and is planned to map mentioned four factors. SWOT -analysis is a common marketing tool used to support business development and business plan. Strengths and weaknesses are analysing internal factors of business operations to find out the factors that affect from within the business itself. Opportunities and threats analyse external factors that for example customers and competitors present by their actions. (Professional Academy n.d.). SWOT -analysis matrix helps to visualise the analysis.



PICTURE 1. SWOT -analysis matrix

Strengths and Opportunities define the business positive factors and Weaknesses and Threats define the negative factors the business might face. SWOT -analysis guides business to map their possible obstacles and assets and is a useful tool when writing a business plan. Well-structured SWOT -analysis may assists to eliminate threats and weaknesses and emphasize opportunities and strengths of a business.

## **2.5 Thesis Process**

This thesis is formed from five chapters. First chapter covers the introduction of the thesis. Thesis plan explains the case-study, topic of the thesis, research methodology and data collection methods and finally concepts and theories used in this thesis are briefly defined. Third chapter introduces the customer research objective, research design, research validity, reliability and limitations as well as the survey results. Business plan chapter includes business idea and vision, environment analysis and strategy. Lastly fifth chapter includes conclusions and recommendations.

### **3 CUSTOMER RESEARCH**

Primary research and analysis chapter titled Customer Research consist of the objective of the research, walkthrough of the research design and conducting of the research, validity, reliability and limitations of the results and finally the research results itself.

#### **3.1.1 Research objective**

Research aims to gather primary data that helps to answer the research question *“How to successfully productize a graphic design service?”* and supporting research questions *“What graphic design service characteristics provide value to the customer?”* and *“What pricing methods are desirable in the eyes of customers?”*. Research questions are based on secondary research and with those research questions can data be collected via survey to discover more information about the target group expectations. As this research is done as part of Customer Research to support the business plan, is the aim of this research to examine customer preferences and pricing strategies to develop customer value.

The research is done via online survey that is distributed in social media groups intended for entrepreneurs, as the entrepreneurs are the desired customer segment.

#### **3.1.2 Designing and Conducting the Research**

The survey is conducted as part of a qualitative research. Survey is designed to map the preferences of the target group and the questions are designed to support the business idea. The main research question is *“How to successfully productize a graphic design service?”*. With the help of supporting research question *“What graphic design service characteristics provide value to the customer?”* and *“What pricing methods are desirable in the eyes of customers?”*. Research results can be found in the appendences of this thesis.

The first section of the survey maps the characteristics of the respondents. In the first section the respondents are asked their age, gender, region, work status and for entrepreneurs what business field their business operates in.

Second section of the survey will ask about the prior experiences of graphic design services the respondents have acquired or are planning to acquire. In addition, the regularity of purchasing graphic design services is asked.

Third section maps the value adding features of graphic design services. Questions included are aimed to find out what the respondents consider most important qualities of graphic design services and what would make them purchase graphic design services more. Finally, the potential pricing strategies are implemented to the survey in indirect form to see what biases the customer group has towards different pricing methods.

Fourth section will focus on the marketing channels and social media channels the customers are focusing most. Survey asks social media channels the respondents are using; in what scenarios do they click on online advertisements and which advertisement channels they pay most attention to. Finally, the type of search words the respondents would use if they would be looking for graphic design services on search engines are asked.

Final section includes information collection for the lottery that is used as inducement to gain as much respondents as possible. Open ended section is also added to give free speech possibility and to gain insight, these open answers are used to support the research.

### **3.1.3 Validity, Reliability and Limitations**

The research is done as online survey to map out the preferences of the target group. As the survey is distributed online is there always the risk of human error in the analysis or in the design of the survey questions. Questions aim to be designed so that they are not misleading. The sample size of target group is presumed to be small, preferably above twenty individuals and therefore the results can be analysed only to predict said target audience behaviour. Small sampling

might not give realistic view on the whole target segment responses. Survey will be distributed in social media groups and therefore the respondent age and social media activity is predicted to be similar to each other and will not represent entire target group. Distribution only to social media groups is expected to be favourable to the younger respondent group. Due to variable respondents quantity, personal traits, open ended nature of questions and the changing market situations the results are analysed as individual sampling.

### 3.1.4 Survey results

Survey was conducted as a qualitative research and shared in social media groups intended for main target group. Aim of the survey is to offer data and support the business plan. Total amount of responses was 36. Majority of questions were mandatory, only questions regarding e-mail addresses, open feedback, search engine and business field were optional. Survey results in full can be found in the appendices.

### Background information

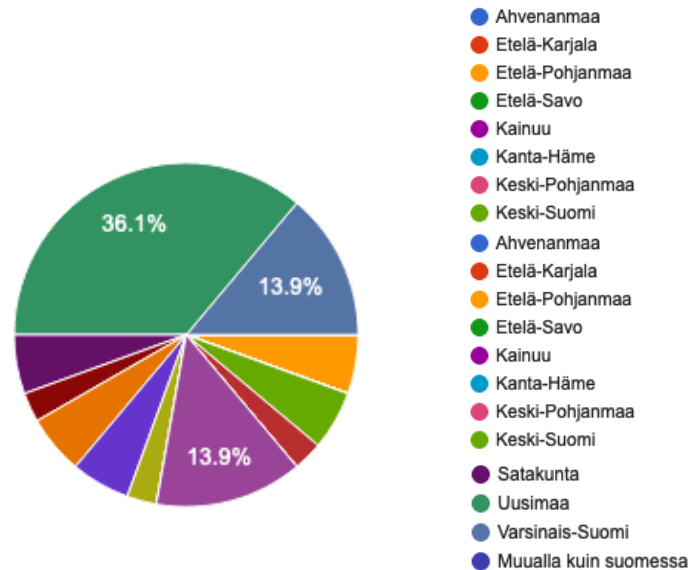
Majority of the respondents, 50%, were young adults age between *20 and 34*. 30.6% of the respondents were *35 to 49* years old and 19.4% of the respondents were *50 to 65* years old.

69.4% of the respondents were *female* and 30.6% *male*. None of the respondents chose the options *other* or *I'd rather not say*.

Location of the respondents vary, and the result is inconclusive due to low response count. Location of the respondents can be seen as minor factor due to the remote nature of business operations. Options included were *Ahvenanmaa* (0%), *Etelä-Karjala* (0%), *Etelä-Pohjanmaa* (5.6%), *Etelä-Savo* (0%), *Kainuu* (0%), *Kanta-Häme* (0%), *Keski-Pohjanmaa* (0%), *Keski-Suomi* (5,6%), *Kymenlaakso* (2.8%), *Lappi* (0%), *Pirkanmaa* (13.9%), *Pohjanmaa* (0%), *Pohjois-Karjala* (2.8%), *Pohjois-Pohjanmaa* (5.6%), *Pohjois-Savo* (5.6%), *Päijät-Häme* (2.8%), *Satakunta* (5.6%), *Uusimaa* (36.1%), *Varsinais-Suomi* (13.9%) and *Other than in Finland* (0%).

## Maakunta

36 responses

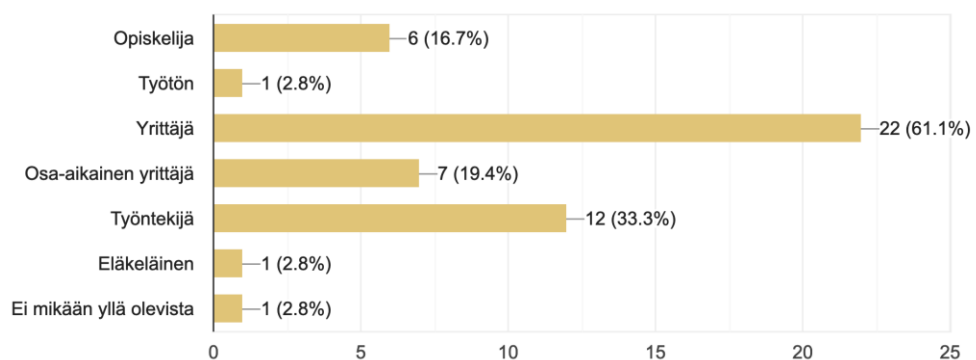


GRAPH 1. Location of the respondents.

In survey the respondents could choose multiple definitions for their work status to map also part-time entrepreneurs and their other life situations. Majority of the respondents worked as an entrepreneur and survey clearly reached the intended target group. From 36 respondents 80.5% stated their work status as an *entrepreneur* (61.1%) or *part-time entrepreneur* (19.4%). Rest of the respondents stated to be either *student* (16.7%), *unemployed* (2.8%), *employee* (33.3%), *retired* (2.8%) or *none of the above* (2.8%).

## Työtilanne (voit valita useita)

36 responses



GRAPH 2. Work status of the respondents.

As an open-ended question, the respondents could write their field of business if they were entrepreneurs, 25 respondents chose to respond with their business field. Open ended nature of question resulted in various response wordings, including entrepreneurs on field of marketing, graphic design, wellness, retail, animal care, consulting, ICT, greenery, beauty and architecture.

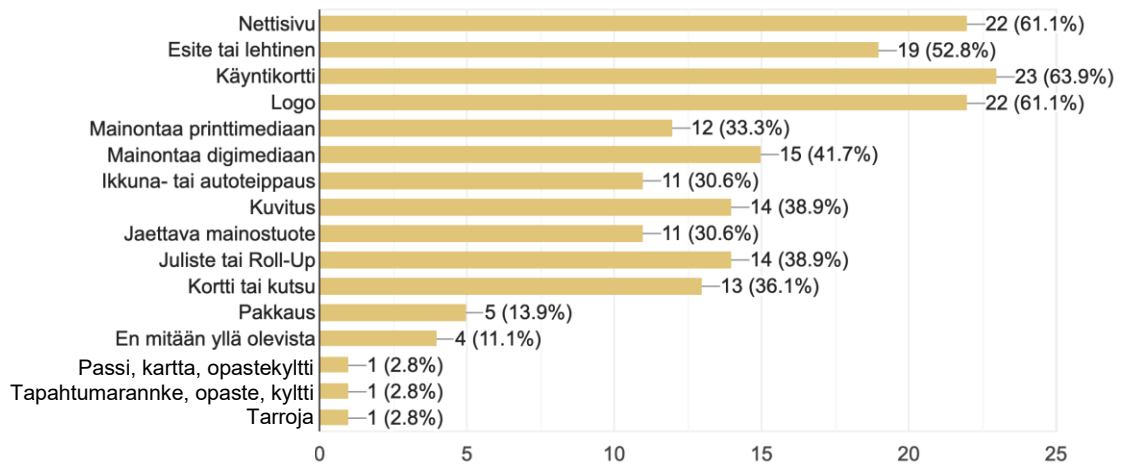
### **Prior experiences about graphic services**

Second section of the survey focuses on information about customers prior experiences about graphic design services and buying frequency in graphic design services. Survey reveals the most desired and used graphic design services among respondents quite clearly.

Most bought or considered graphic design services were *business cards* with 63.9% of responses, followed by *websites* and *logos* with both at 61.1%. Other responses included options of *brochure or flyer* (52.8%), *advertising for print media* (33.3%), *advertising for digital media* (41.7%), *window- or car taping* (30.6%), *illustration* (38.9%), *sharable advertising product* (30.6%), *poster or roll-up* (38.9%), *card or invitation* (36.1%), *packaging* (13.9%) and finally *none of the above* (11.1%). Open ended option of *other* was also displayed and few respondents chose to write their own suggestions, three respondents chose to type their own answer suggesting *wristbands*, *maps or signposts* and *stickers*.

Mitä seuraavista graafisista palveluista olet joskus ostanut tai voisit ostaa lähitulevaisuudessa? (Voit valita useita)

36 responses

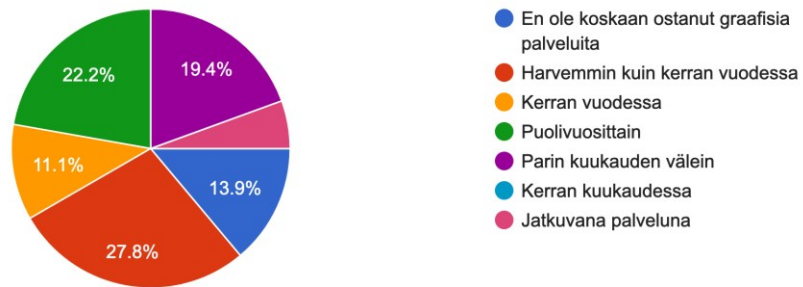


GRAPH 3. Most purchased or considered graphic design services of the respondents.

From 36 respondents 27.8% estimated to purchase *less than once a year*, 22.2% estimated to purchase *semi-annually*, 19.4% estimated to purchase *every few months*, 13.9% had *never bought graphic design services*, 11.1% estimated to purchase *once a year* and finally 5.6% stated they purchase graphic design services *as a continuous service*. Quite even distribution of answers signals opportunity on continuous service needs if marketed correctly on certain types of customers and package deals on others to deliver optimal value depending the needs and resources of the certain customers.

Mikä seuraavista kuvaa ostotiheyttäsi graafisissa palveluissa?

36 responses

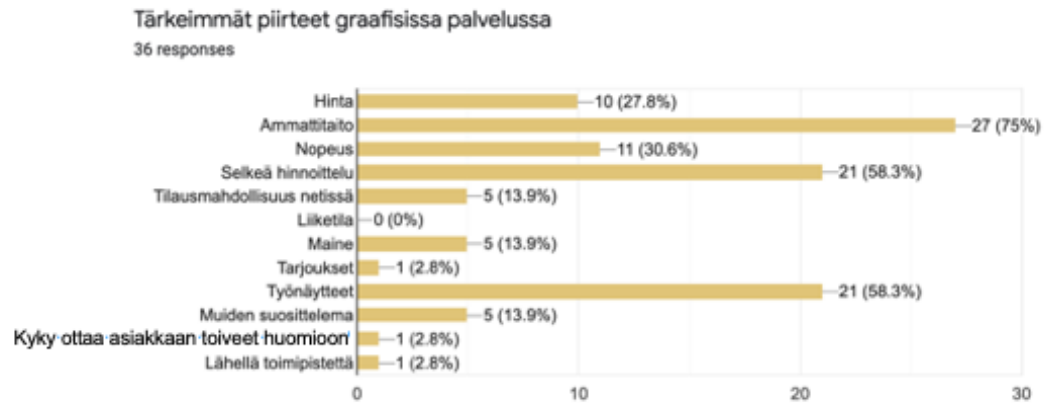


GRAPH 3. Buying frequency of Graphic Design Services of the respondents.

### Expectations about graphic design services

Expectations section of the survey aimed to focus on value adding features of graphic design services and pricing methods. Questions included asked opinions about most important characteristics of a graphic design service, what would make respondents buy more graphic design services and which potential pricing method would be most desirable.

Respondents were asked to choose three most important characteristics of from the stated options in order to map value adding characteristics of graphic design services. Top three was clearly separated from the options and can be considered as fundamental factors in the eyes of customers. The most important characteristics of graphic design service were *professional service* with 75% followed by *clear pricing* and *work demonstrations* both with 58.3%. Other options included *price* (27.8%), *fast service* (30.6%), *online order possibility* (13.9%), *premises* (0%), *reputation* (13.9%), *offers* (2.8%) and *word of mouth* (13.9%). Open ended option, other, was included and two respondents chose to answer with their own response, including *ability to take into account the customers wishes* and *near own business*.



GRAPH 4. Most important characteristics of graphic design service according to the respondents.

Next question asked respondents to select from options what could make them purchase graphic design services more. Respondents could select multiple or choose to type their own response under selection *other*. Most selected options were *simple buying process* with 47.2%, followed by *clear service descriptions* and *personalized offers* both with 38.9% of the responses. Other options included *campaigns* (25%), *additional information about service benefits* (16.7%), *reminders of fill orders* (16.7%), *advertising* (11.1%), *articles and tips about graphic industry* (11.1%) and *none of the above* (2.8%). Six respondents chose to type in their own answer including answers related to the workflow and successful cooperation with the designer.



GRAPH 5. What would make respondents buy more graphic design services.

Pricing methods were introduced to the survey with images of potential pricing models and respondents could choose the most desirable. Little over half of the respondents (52.8%) preferred the package pricing method making it considerable option for pricing strategy. Options included *Price rake (influence the price with delivery time)* with 13.9% of responses, *Choose 3 pay 2 (influence the price by ordering multiple)* with 11.1% of responses, *Package pricing (influence the price by selecting from pre-made packages)* with 52.8% of responses and finally *Project-specific pricing (ask for personalised price for specific project)* with 22.2% of responses.

Price rake (influence the price with delivery time) was introduced in the survey with picture to help respondents understand the nature of price rake pricing method. In price rake the customer can select the delivery time from the options and the price will change depending on the workload of that time or the day of the week. Customer can save money by selecting unpopular delivery time or longer delivery schedule. Company benefits from more equally divided delivery times and has less overlapping works. This method is often seen in airline or hotel bookings.



PICTURE 2. Potential pricing method as displayed in the survey: Price rake

Choose 3 pay 2 (influence the price by ordering multiple) pricing method was introduced to the respondents with picture of possible pricing method menu. In choose 3 pay 2 pricing method customers can save money with ordering three services at once and the most affordable option is free of charge. The company benefits from multiple orders at once.

**CHOOSE 3 PAY 2**  
most affordable for free

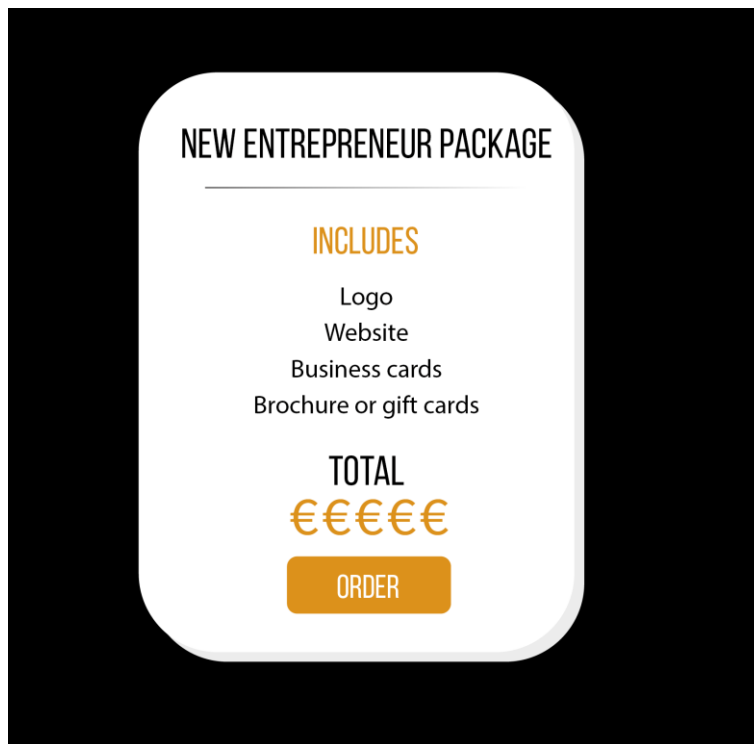
<input checked="" type="radio"/>	Logo	€€	
<input checked="" type="radio"/>	Website	€€€€€	
<input type="radio"/>	Banner	€	
<input type="radio"/>	Paper add	€	
<input type="radio"/>	Illustration	€€	
<input type="radio"/>	Window taping	€€€	
<input checked="" type="radio"/>	Business card	€	THIS FOR FREE
<input type="radio"/>	Gift card	€	
<input type="radio"/>	Book layout	€€€€	
<input type="radio"/>	Brochure	€€€	

**TOTAL**  
€€€€€

**ORDER**

PICTURE 3. Potential pricing method as displayed in the survey: Choose 3 pay 2

Third pricing method, the package pricing, was introduced with visual of example package. In this pricing method customer could save money by selecting from premade service packages that include services that are most bought together. Company benefits from multiple orders in one package. Package pricing method was most desired pricing model according to the customer survey.



PICTURE 4. Potential pricing method as displayed in the survey: Package pricing.

Final pricing method, Project-specific pricing, was introduced with contact form that is often seen in company websites. In Project-specific pricing customer asks an offer individually each time they are interested in services. This method is most common in graphic design field today. Customer gets individually crafted pricing each time and company can change their pricing between customers and depending on the project details each time.

 A contact form with a white background and rounded corners. At the top, the title "CONTACT US AND ASK OFFER FOR YOUR PROJECT" is written in orange. Below the title is a horizontal line. The form contains several input fields: "Name", "Email", and "Phone" (which is a smaller field to the right of the Email field). Below these is a larger text area labeled "Tell about your project". At the bottom left, there is a link "Add attachment" with the subtext "e.g. drafts or inspiration images" and a circular button with a white plus sign on a dark grey background. To the right of this is an orange button with the word "SEND" in white.

PICTURE 5. Potential pricing method as displayed in the survey: Project-specific pricing

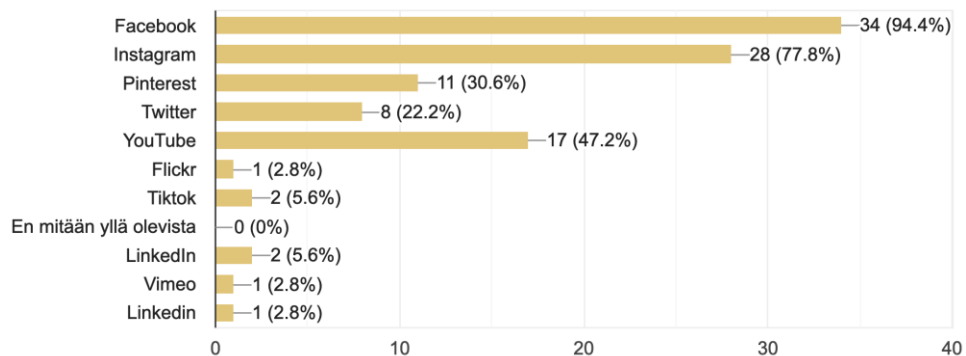
## Marketing channels

Fourth section asked respondents about social media channels, online advertising, advertising preferences and what keywords respondents would use when looking for graphic design services.

Respondents use multiple social media channels, most popularly Facebook which can be assumed as the survey was distributed on Facebook groups intended for entrepreneurs. First question asked about social media channels respondents were using, and respondents could choose multiple options including option *other* where three respondents typed their own answer including *LinkedIn* and *Vimeo* that were not included in the options. Options included *Facebook* (94.4%), *Instagram* (77.8%), *Pinterest* (30.6%), *Twitter* (22.2%), *YouTube* (47.2%), *Flickr* (2.8%), *TikTok* (5.6%) and *None of the above* (0%).

Mitä sosiaalisen median kanavia käytät? (Voit valita useita)

36 responses



GRAPH 6. Social media channels used by the respondents.

When asked when respondents click on ads online 33.3% responded *Sometimes, if an ad is something I need or want*, 27.8% responded *Rarely, only if an ad is particularly interesting*, 22.2% responded *Often, if an ad looks interesting*, 13.9% responded *I don't click on ads, but I may look for information about the ad on other sources* and finally 2.8% responded *I never click on ads*. Respondents

could choose only one option. Responses show that online marketing is viable option in marketing channels and should be researched further.

#### Milloin klikkaat mainoksia netissä?

36 responses



GRAPH 7. Survey results: When do you click on ads online?

Majority of respondents pay most attention to *Social media marketing* with 80.6% of responses. Other options included *Print advertising* (19.4%), *Tv advertising* (19.4%), *Online advertising* (30.6%), *Direct advertising* (16.7%), *Stream service advertising* (19.4%) and *None of the above* (0%). Respondents could select multiple from the options or type in their own response under option *Other*. Three respondents selected to do so including *street advertising* and *not one in particular* that were not listed as options.



GRAPH 8. Survey results: Most noticed marketing channels.

Open ended field collected keywords respondents would use when searching for graphic design services. Text field was not mandatory, and 28 respondents answered this question. Responses included different variations of the graphic designer job title, customers own locations and/or specific service items such as logo or print products.

### **Open feedback**

Open feedback field collected any opinions about the survey or the topic in general. Seven respondents chose to type their input. Responses pointed out their opinions of the survey in general or the topic of graphic design services. Particularly interesting responses pointed out the valuation of recommendations, irrelevance of face to face meetings and nonvisible existence of graphic design marketing in general.

### **3.1.5 Survey conclusions**

Survey results support the remote service delivery method with its young and online active respondent group. Local service providers are preferred when searching services online, but the location of the service provider is not relevant feature outside the desire to support local businesses. Open feedback and desired graphic design service characteristics reveal that the location or premises of the service provider is not important characteristic whereas professional service, work demonstrations and clear service descriptions were highly valued. Quality and information should be emphasised when implementing remote service delivery in order to compensate the location factor.

Package pricing of most desired services can be recommended since it was clearly most desired pricing method. Purchasing frequency indicates multiple types of service needs that can be solved with package pricing targeted for multiple situations. Implementation can include multiple categories to choose from depending of the size of the customers business or service need. Most bought or considered services revealed that most wanted services include basic business branding elements such as websites, flyers, business cards and logos which supports the package pricing and can be translated to one popular package. Other

packages can include advertising packages including advertisement for print- and digital media, Self-branding packages that include business cards, resumes and perhaps resume sites. Highly valued clear pricing supports package pricing together with simplified buying process and clear service descriptions that would make respondents buy more graphic services.

Online advertising should be considered as main marketing channel due to its effectiveness and high target group attention. Most used social media platforms were Facebook, Instagram and YouTube that can be taken into consideration when designing online advertising. Respondents click on online ads often if the ad itself is interesting or something they need which supports online ads especially as targeted advertisement. Respondents showed some interest in campaigns and personalised offers which could be implemented.

Survey results suggest that when productizing graphic design service, the emphasis should be on quality and information. Customers are interested in ordering services that are clearly priced, easy to purchase and the quality is demonstrated clearly. This can be achieved with prices listed clearly on the website with detailed service descriptions and with multiple work demonstrations including customer references and feedback statements. This way customers can be certain of the price and the quality of the service and the purchasing threshold is lower.

## **4 BUSINESS PLAN**

The case study company does not have business plan, but it has prior operations as a part-time freelancer. Following chapter will compose a business plan using data from secondary research and customer research and aims to utilize benefits of service productization in graphic design. Secondary research was conducted to gather information that can be used specifically when productizing graphic design services. Customer research was conducted to map potential customer expectations on pricing methods and the characteristics that customers are looking for when hiring a graphic designer. Data from secondary and primary research is used to compose a business plan that is using benefits of service productization.

Business plan chapter starts with description of the vision and business idea. Hereafter the environmental analysis is conducted with help of a SWOT -analysis and secondary research. Walkthrough of a strategy includes definition of customer segment, introduction of marketing strategy and finally financial brief.

### **4.1 Business idea and Vision**

Business idea is to create graphic design service that utilizes service production in order to create more approachable service design. Unlike traditionally used hourly rate based and offer request model in graphic design field, business will make purchasing decision easy by providing pricing information and service descriptions clearly on the website alongside with reference works and feedback statements from prior projects, thus creating more visible quality and pricing.

The vision of the business is to create service design that is simple and risk free to purchase. Vision can be achieved with clearly stated pricing based on project history and estimations, detailed and understandable service descriptions and finally work demonstrations along with customer feedback statements from prior projects. Aim is to create trust in service quality and offer information about the graphic design field to help customers better understand the aspects that the service includes. Understanding the steps necessary helps customers value the service prices and consider the value professional will bring to the process compared to self-made designs. Clear service descriptions and pricing topped off with extra

information accessible in the website makes purchasing convenient, understandable and carefree.

## 4.2 Environment Analysis

The field of graphic design services is highly saturated with talented competition. Grafia Ry known as organization of visual communication designers conducts yearly study about employment of visual communication designers among Grafia members. Year 2019 survey was sent to 959 members and was conducted with 213 respondents (Soramäki & Ojala 2019).

In 2019 Grafia survey 39.9% of the respondents stated to be employees, 39.4% stated to be entrepreneurs and 6.1% were freelancers. Other options included retired (5.2%), other (5.2%), student (3.8%) and Unemployed (0.5%). Survey indicates that majority of businesses among Grafia members are small, usually one person tradenames or limited companies with 75% of entrepreneurs working as a solo entrepreneur. Most common corporate form among Grafia members is either trade name (56%) or limited company (43%). (Soramäki & Ojala 2019).

Grafia entrepreneurs earned income is on average 2 711 euros per month and they estimate to charge on average 84 euros per hour for creative work and on average 72 euros per hour for routine work (Soramäki & Ojala 2019). Hour based pricing is usual in the graphic design field, even though traditional hour-based rate seems unpredictable and unappealing to the modern customers.

Survey indicates that Grafia members in general have stable employment situation and expectations for the future are relatively positive. Grafia entrepreneurs have strong believes regarding the future with 80% of Grafia entrepreneur members stating that they are certain or rather certain about their operations will continue as normal. (Soramäki & Ojala 2019).

Grafia members are highly educated: 73% of respondents have higher degree (Soramäki & Ojala 2019). Higher education is one indicator of industry expectations of educated and skilled designers. Designers need to be constantly adopting, multitalented specialists and the emphasis on constant education and skill

improvement will be pronounced in the future (Soramäki & Ojala 2019). As the customer research in chapter three stated, customers value professional designers over location. Visual communications is global market in modern world where designs can be provided over borders (Soramäki & Ojala 2019). Modern platforms such as Fiverr make design work possible regardless of location by providing marketplace for designers and clients to meet and arrange design work online lowering the threshold of global competition.

The year of 2020 will certainly be remembered by the Covid-19 related crisis that will affect the economy in whole and the position of entrepreneurs even though the effects of this crisis are very unsure in the time this thesis is written. Effects on marketing actions of potential customers and as well the operations of the designers including the case study of this thesis will be affected in some extent by the Covid-19 crisis. MarkkinointiKollektiivi, a community of marketing professionals and experts, implemented a survey about what is happening now in marketing field in the middle of Covid-19 crisis. Survey was conducted among MarkkinointiKollektiivi members in 19.-20.3.2020 and gathered 215 responses. 45% of the respondents stated that now more than ever businesses should market their offerings more than normal and the emphasis should be on long term brand building with 82% agreeing with long term brand building. Long term brand building is in general best tactic and marketing during Covid-19 crisis is no exception. Businesses react in various ways as Covid-19 crisis effects different industries in different extends, some by shutting down marketing until further notice and others add more aggressive marketing actions to promote their business. To the question "Is your organization marketing more now?" respondents could clarify their responses with written answers. Respondents that do not market more now are thinking about situation sensitivity, do not have budget, the time is not usual to do marketing changes even in normal situation, staff is occupied with other tasks, have decided to wait and see or in the specific industry the marketing is not wise decision at this situation. Respondents that stated that they do market more now are emphasising brand building, see new opportunities and potential, alter their marketing channels and invest in digital marketing or create completely new content to react to the situation. (MarkkinointiKollektiivi 2020). Research shows that graphic design services are still needed even during Covid-19 crisis.

## 4.2.1 SWOT -analysis

### Strengths

The business offers easy to purchase graphic design services with easy to understand service descriptions. The accessibility and low threshold buying process lowers risk in the eyes of customers. Combined with receptive and easy to understand yet professional service design, the business delivers what customer needs without any trouble. Professional and approachable service is guaranteed with educated service professionals with good social skills to fit the job.

### Opportunities

Digitalisation creates new customer segments that are looking for simple-to-purchase services. Many of the small business owners either have no website or online presence or it is very outdated. Traditional pricing of graphic design services is not effective in today's online ordering market and productized graphic design services offer value compared to the traditional project pricing with more approachable and visible pricing and detailed service descriptions.

### Weaknesses

Multi-talented skillset is needed, and education and skill improvement are necessary to keep up with developing graphic design markets. Investment towards education is needed in the future, and time for skill improvement needs to be part of the working hours. The business lacks connections with local print houses, which are important in cases of quick production schedule.

### Threats

Service Productization is growing to meet the needs of the market and competitors can introduce similar services. Highly saturated graphic design market is filled with competitors offering similar services. Digitalisation gives opportunities for global working environment that is becoming the new industry standard therefore creating more competition.

	HELPFUL	HARMFUL
INTERNAL	<ul style="list-style-type: none"> <li>• Clear pricing</li> <li>• Service packaging</li> <li>• Accessibility</li> <li>• Low threshold purchasing</li> <li>• Professional and approachable service</li> <li>• Low investment</li> </ul>	<ul style="list-style-type: none"> <li>• Constant skill improvement needed</li> <li>• Investment in education needed</li> <li>• Lacks connections with local print houses</li> </ul>
EXTERNAL	<ul style="list-style-type: none"> <li>• Digitalisation creates new customer needs</li> <li>• Traditional purchasing channels are outdated</li> <li>• New pricing methods are needed</li> </ul>	<ul style="list-style-type: none"> <li>• Highly saturated market</li> <li>• Competitors might use similar service packaging methods</li> <li>• Global opportunities create more competition</li> </ul>

PICTURE 5. The SWOT -analysis for the graphic design service productization.

### 4.3 Strategy

The business already has some existing customers but is looking to expanding the operations. Main customer segment is small businesses and secondary customer segment is co-operations with industry professionals. Marketing towards two separate customer segments differ from nature but support each other to create image that appeals to both. In order to achieve the benefits of productized graphic design service the pricing stated as project-based pricing which is calculated using hourly rate estimate and hour estimates based on project history and estimates. Customer research revealed high interest towards package pricing which is used to attract customers to purchase more at once. The operation is started under tradename and growth towards limited company is considered only if company will hire employees or add investors to the business. Investments towards hardware and software is not needed at this point since the entrepreneur provides own hardware and software to the company use. Investment towards

premises are not planned to be part of business model due to the remote business operations that is supported by the survey results that stated that customers value quality and informative content over premises.

#### **4.3.1 Customer Segment**

Main customer segment for the business is small entrepreneurs. Small business owners are seen as desirable target group due to its loyal nature and recurring need for graphic design services. Small businesses are usually operating with only solo entrepreneurs that are seeking to outsource graphic design to give themselves more time to attend their actual business actions and do not have hired staff to provide graphic design inhouse. Marketing actions are focused on main target group.

Secondary customer segment is co-operations with industry professionals such as larger communication houses that seek subcontractors and event planners that have recurring need for designs. This secondary customer segment offers steady recurring projects with loyal customer connections that requires professional communication and reliable quality rather than constant marketing actions.

#### **4.3.2 Marketing Strategy**

Marketing actions between primary and secondary target groups differ and therefore both approaches are explained from perspective of each media type: Owned media, bought media and finally earned media.

Owned media entails all brand building materials that business has deliberately acquired, that can be for example business website, office, blogs or social media pages and apps (Havumäki & Jaranko 2014, 132). Owned media creates the base for the brand and can be seen as the ideal self-image to the business, how the business wants to appear to the customer.

Bought media means all the media the business has bought to enhance their brand image and reach target group. Bought media can be advertising space

online or offline, direct marketing, exhibition advertising, sponsorship or paid co-operation (Havumäki & Jaranko 2014, 132).

By gaining good reviews from customers, experts, influencers and recommendations the business can reach earned marketing benefits (Havumäki & Jaranko 2014, 132). Earned media is more relevant than ever, when customers seek for information from other users and experts before making the purchase decision. Earned media can be seen as the best demonstration of quality among other customers (Havumäki & Jaranko 2014, 166).

### **Primary target group**

Majority of marketing actions are focused on main target group aka small businesses and owned media is built to serve main target group. The customer research declares that most effective marketing channel among target group is social media marketing and therefore strategic long-term marketing actions focuses on social media and search engine marketing operative campaigns experiment with local newspaper advertising to attract new client groups.

Owned media is mainly built to support marketing towards primary target group. Website introduces service descriptions and prices as the viewer is not familiar with business lingo and aims to explain terms and processes to build understanding of the graphic design field. Clearly described service steps and pricing makes the work process more understandable and clear pricing makes purchasing decision easier for the customer. Website includes blog that offers extended information on topics related to graphic design and operate as lure to attract traffic to the website by giving out valuable information and perhaps new clients. Social media pages used are Facebook and Instagram that are used as an update channel for business daily actions and portfolio. Atmosphere on website, blog and social media is casual and approachable friend like view of entrepreneur colleague.

Bought media includes search engine marketing and social media advertising and is also targeted to primary target group. Search engine marketing aims attract potential customers to the blog to find useful information about the topics of

graphic design and that way view services offered. Bought adverts on social media channels promote the services as supplement to search engine marketing that focuses on blog visibility. As operative campaign nature marketing business is experimenting with print advertising on small cities local newspapers to attract customers that are outside usual marketing channels. Nature of marketing is approachable, casual and informative with emphasis on co-operation and partnership rather than client and service provider relationship.

Earned media can be achieved with quality work and long-lasting client relationships. Word of mouth is the best possible advertisement and feedback collection will be implemented to each project in order to collect customer statements that can be displayed on owned media. Prior work demonstrations were highly appreciated according to the customer survey thus work demonstrations are updated frequently.

### **Secondary target group**

Marketing actions towards secondary target group are more personal and individualised towards each potential client. Potential clients are researched comprehensively and approached with co-operation proposal that is crafted to each connection individually. Bought media is not the main communication channel, but the emphasis is on networking between professionals and building owned media to visualise the operations to promote worthwhile co-operation possibilities.

Owned media towards secondary target group is mainly on social media that displays the business daily actions and portfolio material. That content provides potential clients detailed image of how the business operates and what kind of quality does the business provide. Communication is casual but professional co-worker like tone that convey confident and approachable image.

Bought media towards secondary target group is next to none. Connections are made with networking events or as direct marketing via e-mail or social media direct messages.

Earned media is achieved with professional and attentive work with test projects and long-time partnerships. Networking events are perfect for building word of mouth between industry professionals.

### **4.3.3 Financial Brief**

Financial brief will look into the company's corporate form, start investment calculations, profitability calculations, pricing method and sales targets in order to define costs and pricing. As the business does not have business plan the calculations are important part of the business plan in order to calculate needed investments, profitability, pricing and sales targets.

### **Corporate Form**

Majority of corporations in Finland operate as tradenames or limited companies and the decision of corporate form depends on industry, extend of business operations, possible growth plans, number of founders and time used to business operations (Yrityksen perustaminen n.d.).

Investment towards the business depends greatly on the industry the business is planning to operate in, and corporate form differs in the responsibilities the business owner has. In tradenames the risk is always personal whereas in limited companies the risk is mainly on the capital invested in the company. In the case of this case study the start investment is small when only investment is towards marketing actions and management costs. For tax purposes tradename is better choice if the profit is aimed towards personal income and limited company can be considered if the spare profit is constant year after year and large enough to gain tax benefits. (Yrityksen perustaminen n.d.). From the industry point of view trade name is viable choice and according to Grafia 2019 56% of entrepreneurs on visual communications have tradename and 43% have a limited company (Soramäki & Ojala 2019).

Trade name is best for companies that rely on own work efforts, are financially relatively small operations and are not planning on growing the company operations. If the business aims to seek new shareholders or investors or is going to

hire employees limited company is reasonable choice (Yrityksen perustaminen n.d.). Based on the growth plans at this time the case study business should consider limited company only in the future if employees or shareholders are considered, but at the time being start business as tradename when moving from part time OP-Kevytyrittäjä billing service to full time operations.

### **Starting Investments**

Start investment for company operations comes from the entrepreneur's private investment. Start investment calculations take into consideration investments needed during first three months of operations that need to be funded without cash flow from billing. The entrepreneur will utilise existing hardware and software for the time being and business operations do not require premises to operate. Therefore, investment towards equipment or premises is not needed.

The business will change name to more brandable operating name. Tradename change notification costs 60 euros.

Website and marketing materials are produced inhouse, but budget includes funding for marketing actions in order to improve the brand image and gain visitors to the website. Estimated marketing budget for the first three months is 300 euros.

Working capital for first three months is 640 euros covering necessary costs such as small purchases, communication expenses, insurances and accounting fees.

Entrepreneurs salary is calculated to be lower in the beginning of operations and will cover salary of 1000 euros per month thus adding 3000 euros to the costs for the first three months. Start-up grand will be applied in the start of operations to support entrepreneurs own financial situation, but the calculations are done based on situation where start-up grand is not granted.

Investment needed to start operations is 4000 euros that will be funded with entrepreneur's private investment.

<b>START INVESTMENT CALCULATION</b>	
Tradenname change notification	60 €
Marketing	300 €
Working capital	640 €
Entrepreneurs salary	3 000 €
<b>Investment needed</b>	<b>4 000 €</b>

### **Profitability calculation**

Goal profit that is the amount of yearly salary for the entrepreneur is 24 000 euros per year and 2 000 euros per month. Aim is to reach that goal gradually. Profitability calculation is redone yearly based on yearly financial statements and estimates.

"Fixed costs" lists expected costs such as insurance fees, office supplies, licence- and domain fees, web hotel costs, small purchases, repairs, communication costs, travel costs, marketing costs, accounting fees and union fees. Estimate of the fixed costs is 11 580 euros per year.

Sales related purchases are relatively low in graphic design field where majority of services are delivered digitally. However, purchases include possible print fees and domain costs. Purchases is estimated to cost 1 440 euros per year and 1 161 euros without VAT, on monthly level the purchases are estimated to be 120 euros per month and 97 euros without VAT.

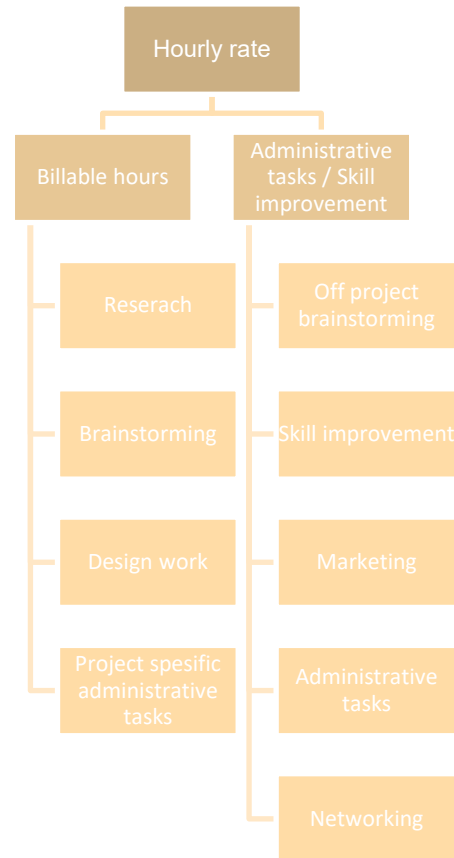
Including taxes and VAT billing needs to reach approximately 45 560 euros per year and 3 800 euros per month to keep business operating.

<b>PROFITABILITY CALCULATION</b>	<b>MONTH</b>	<b>YEAR</b>
<b>Goal Profit (salary)</b>	<b>2 000 €</b>	<b>24 000 €</b>
Tax (approx. 20%)	400 €	5 280 €
<b>Fixed costs total</b>	<b>965 €</b>	<b>11 580 €</b>
YEL-Insurance	215 €	2 580 €
Insurance	25 €	300 €
Licence and domain fees	85 €	1 020 €
Small purchases	50 €	600 €
Maintenance and repair	30 €	360 €
Communication costs	30 €	360 €
Travel costs	20 €	240 €
Accounting fees	100 €	1 200 €
Unemployment fund and union fees	40 €	480 €
Other expenses	50 €	600 €
<b>Purchases (VAT 0%)</b>	<b>97 €</b>	<b>1 161€</b>
<b>VAT 24%</b>	<b>735 €</b>	<b>8 818€</b>
<b>Billing needed</b>	<b>3 797 €</b>	<b>45 559 €</b>

### Pricing strategy

The business utilizes project pricing and detailed service descriptions to gain benefits of service productization. Pricing strategy explains the calculations behind project pricing that business needs to keep operations profitable. As stated on the profitability calculations the billing needs to reach approximately 3 800 euros per month to cover goal profit, costs and taxes.

In order to calculate project pricing of each service the hourly rate must be calculated first. Hourly rate takes into account billable hours and also administrative tasks and skill improvement. All operations need to be covered with billable hours and time to skill improvement and administrative tasks need to be included in workdays.



PICTURE 6. Tasks included in hourly rate.

Considering administrative tasks and skill improvement the billable hours can be considered to take one third of working hours on estimate. With regular 22 work-days a month the billable hours are on estimate 66 hours per month. Therefore, the hourly rate is 58 euros per hour.

$$\text{Billing need} \div \text{billable hours} = \text{hourly rate}$$

$$3\,800 \text{ €} \div (22 \text{ days} \times 30\%) \approx 58\text{€/h}$$

Hourly rate plays well with competitors as it offers slightly lower pricing: According to Grafia survey entrepreneurs bill approximately 84 euros per hour for creative work and 72 euros per hour for routine work (Soramäki & Ojala 2019). Remote work method and lack of premises costs lower the price compared to the industry norm.

Project pricing is based on estimate of hours spent on project, prior hours spent on similar projects and competitor hour estimate. Hour estimate is based on entrepreneur's prior knowledge and each project difficulty. Prior similar project actual hours are always recorded and average e.g. logo project hours can be calculated. Competitor hour estimate is based on randomly selected similarly skilled professionals' pricings. Average of these three estimates is then multiplied with hourly rate.

*a = Hour estimate*

*b = Hour average of prior similar projects*

*c = Competitor hour estimate*

$$((a + b + c) \div 3) \times 58\text{€} = \textit{Project price}$$

To ease billing process and cover irregular variables final project price is rounded to next even 25 euros. Each new project affects hour average of prior similar projects and helps keeping the project pricing profitable. Project pricing is analysed and altered monthly in order to keep pricing profitable and competitive.

All services can be purchased individually but package pricing is offered for optimised income to the business and savings to the customer. Chapter three customer research revealed interest towards package pricing among main customer segment. This is implemented by gathering most desired graphic design services from the customer research and bundling related services to one package deal. Most popularly together purchased services combined to package pricing offers quantity discount for the customer and more orders for the business. For example, the new entrepreneurs package includes website, logo, brand handbook and print product of their choosing such as business card or flyer. Package pricing is based on individual project prices and given a volume discount of 25% to make packages more appealing.

### **Sales Target**

Individual project takes on average seven hours depending on the project. In order to maintain business profitable, the business needs 10 projects per month.

As the business starts its operations approximately three projects a month is already achieved. In the beginning small number of projects can be expected from returning customers or recommendations and new contacts to potential customers needs to be constant in order to keep customer flow steady.

Marketing budget is calculated to create 220-390 new visits on the website or social media feeds. From those visits conversion rate can be estimated to be about 2% thus creating 4-7 new contacts monthly. In WorldStream report that is based on sample of 20 297 client accounts on Google Ads the conversion rate in business services is 3,6% in search networks and 0,55% on google display network (Donnelly, 2020). Realized conversion rate can be analysed after campaigns are launched and numbers can be analysed. Target marketing aims to contact industry professionals with co-operation proposals that can potentially give more recurring projects. Recurring customers are more cost effective and in long run recurring customer's projects are aimed to will majority of orders.

## 5 CONCLUSION AND RECOMMENDATIONS

The objective of this thesis was to conduct comprehensive research in order to create business plan from the point of view of graphic design service productization. This business plan was aimed to guide business actions that would take the business from part-time services to profitable business. Research was done as secondary research and primary research in form of customer survey aimed to the potential target group. Data collected helped the author to build the business plan for the case study. This thesis provides timely business plan for graphic design market that is undergoing changes in both operating models and in customer expectations due to the digitalisation and globalisation of the industry.

The business plan itself answers the main research question *“How to successfully productize a graphic design service?”*. The supporting research questions *“What graphic design service characteristics provide value to the customer?”* and *“What pricing methods are desirable in the eyes of customers?”* were answered with customer research conducted in the third chapter and helped to support the main research question. Survey results indicate that productization of graphic design service should emphasize quality and information. The remote service delivery method was supported with highly valued quality and information over location of the service provider. Package pricing should be implemented in pricing due to high interest in said pricing method alongside with visible project pricing opposed to industry norm hourly rate and offer request model. Informative and clear service descriptions along with work demonstrations and feedback statements should be implemented to create proof of quality.

The business should operate as tradename and target small businesses and industry professionals with offering co-operation in form of graphic design. Value creation should be aimed to high quality designs that are provided by educated professional that offer information and designs through online platforms and emphasis on quality over location.

Objectivity and validity of the research was affected by the low number of respondents in customer survey that make the results inconclusive on a larger scale. Unpredictable economic situation due to the Covid-19 crisis that has not

unravelling at the time of writing this thesis might affect the business actions in general and also the purchasing power of the customer segments.

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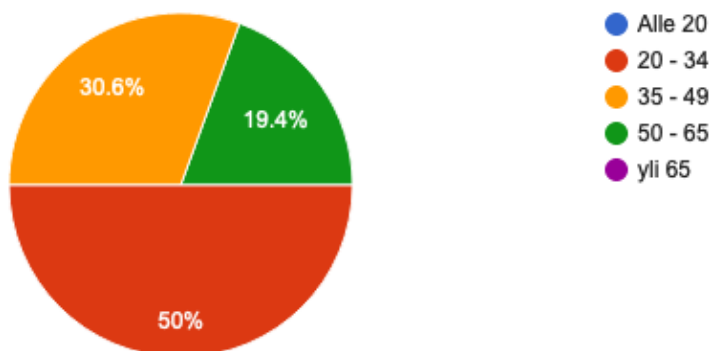
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## APPENDICES

### Appendix 1. Customer research results: Survey on Graphic Services

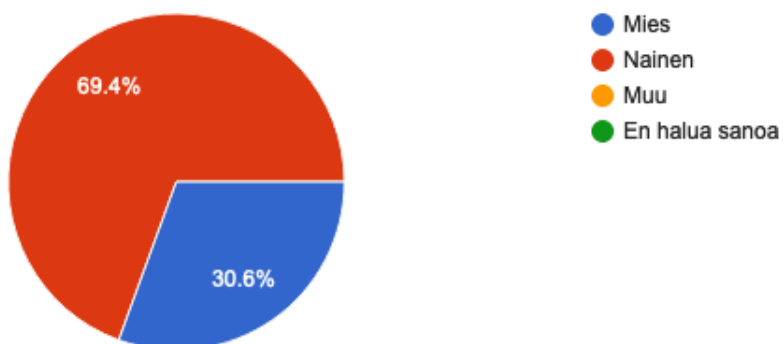
#### Ikä

36 responses



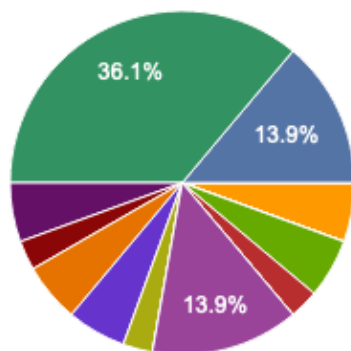
#### Sukupuoli

36 responses



## Maakunta

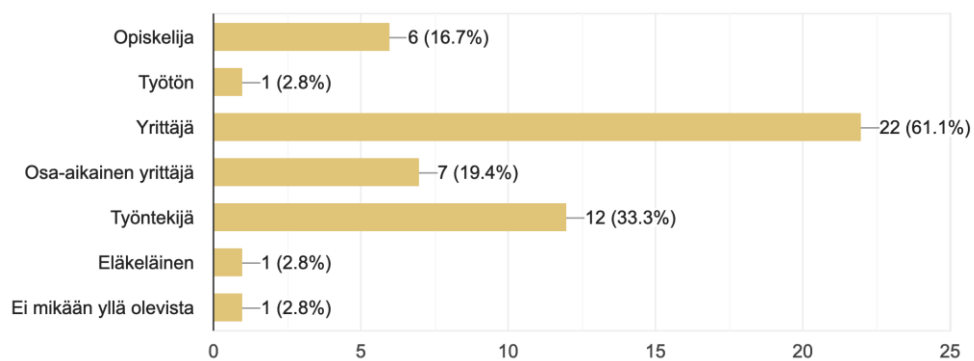
36 responses



- Ahvenanmaa
- Etelä-Karjala
- Etelä-Pohjanmaa
- Etelä-Savo
- Kainuu
- Kanta-Häme
- Keski-Pohjanmaa
- Keski-Suomi
- Ahvenanmaa
- Etelä-Karjala
- Etelä-Pohjanmaa
- Etelä-Savo
- Kainuu
- Kanta-Häme
- Keski-Pohjanmaa
- Keski-Suomi
- Satakunta
- Uusimaa
- Varsinais-Suomi
- Muualla kuin suomessa

## Työtilanne (voit valita useita)

36 responses



Jos olet yrittäjä, millä toimialalla yrityksesi toimii?

26 responses

Sähköinen markkinointi

Mainosala

Kuvittaja (graafikko)

Markkinointi, telemarkkinointi, puhelinpalvelut

Hyvinvointi- ja liikunta-ala

Hieronta

mainostoimisto

Merkintäala

optinen ala

Myynti ja markkinointi

Eläintenhoito

Koulutus valokuvaus

Yksityinen terveydenhoito

Luovat alat

Liikkeenjohdon konsultointi

Graafinen suunnittelu

Tietotekniikka, ICT

Viestintä ja pilvipalvelut

Palveluala

Viherala

Kauneushoitola-palvelut

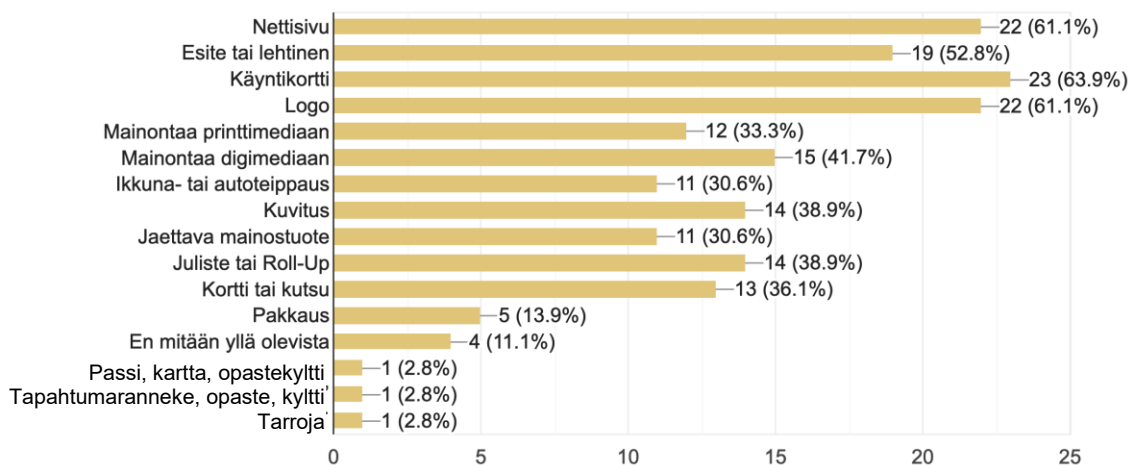
vaatetusalalla

Arkkitehtuuri

-

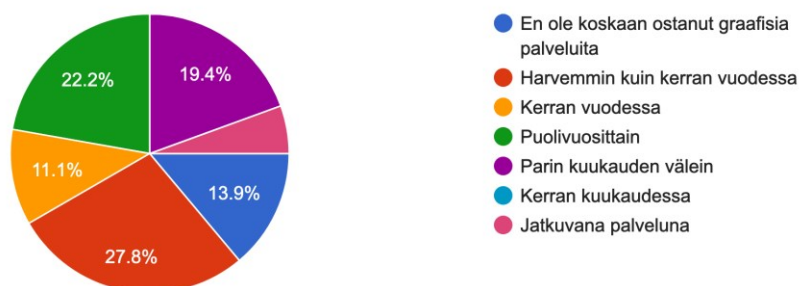
### Mitä seuraavista graafisista palveluista olet joskus ostanut tai voisit ostaa lähitulevaisuudessa? (Voit valita useita)

36 responses



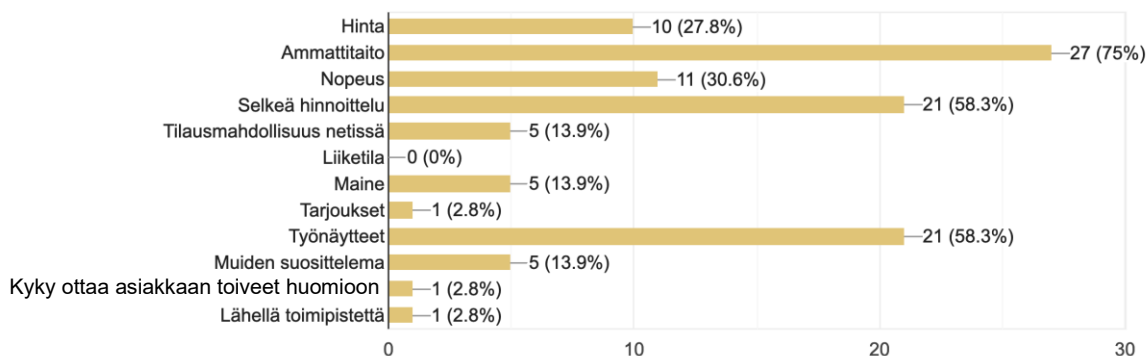
### Mikä seuraavista kuvaa ostotiheyttäsi graafisissa palveluissa?

36 responses



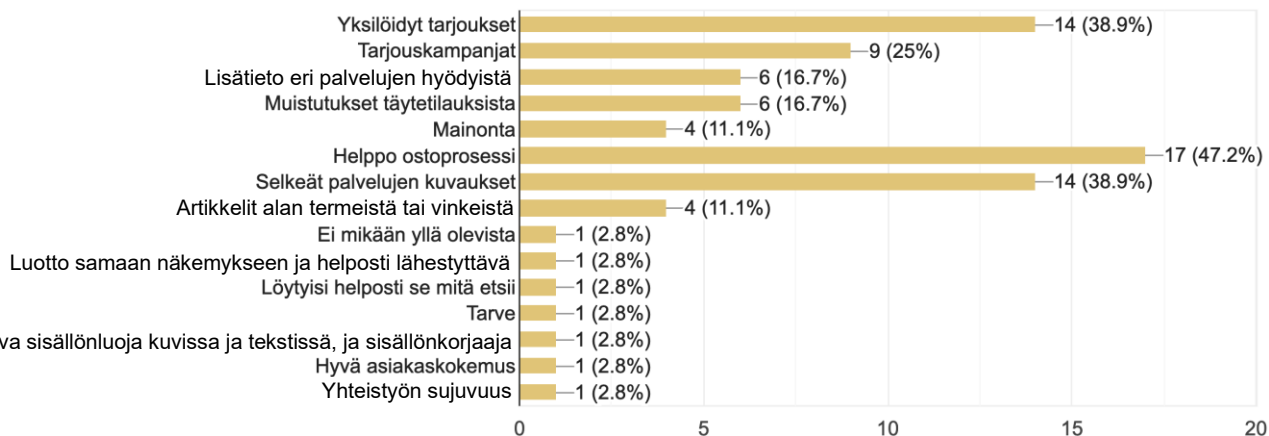
### Tärkeimmät piirteet graafisissa palvelussa

36 responses



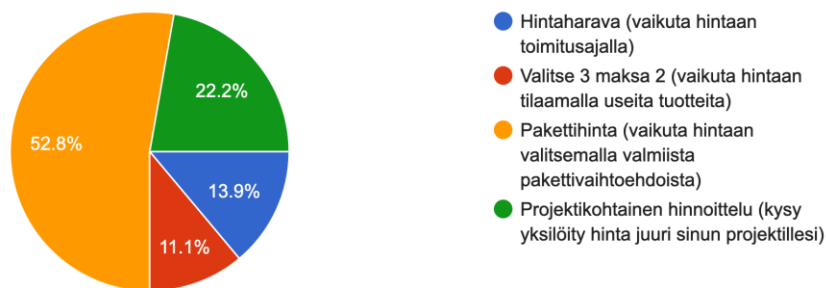
### Mikä saisi sinut ostamaan graafisia palveluja enemmän tai useammin?

36 responses



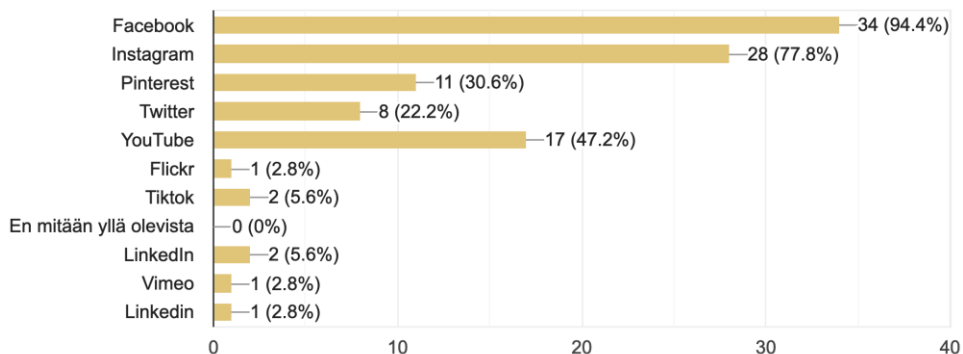
### Mikä seuraavista kuvitteellisista hinnoitteluluista on mielestäsi houkuttelevin?

36 responses



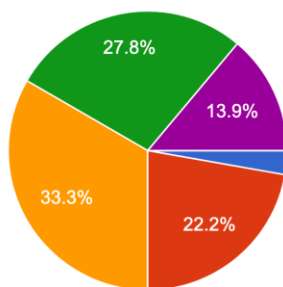
### Mitä sosiaalisen median kanavia käytät? (Voit valita useita)

36 responses



## Milloin klikkaat mainoksia netissä?

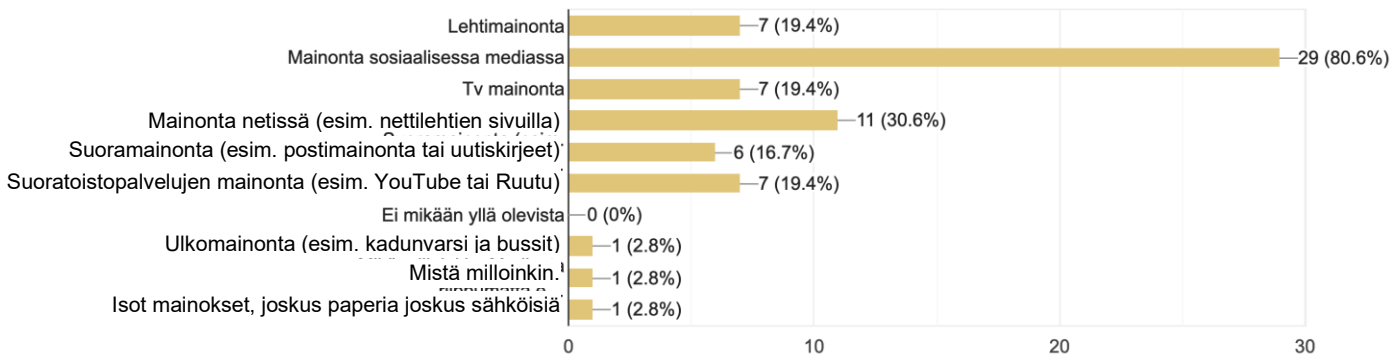
36 responses



- Aina kun mainos kiinnittää huomioni
- Usein, jos mainos näyttää kiinnostavalta
- Joskus, jos mainos on jostakin mitä tarvitsen tai haluan
- Harvoin, vain jos mainos on erityisen kiinnostava
- En klikkaa mainoksia, mutta saatan etsiä tietoa mainoksesta muuta kautta
- En klikkaa mainoksia ikinä

## Minkälaisiin mainontatapoihin kiinnität eniten huomiota? (Voit valita useita)

36 responses



## Mitä hakusanoja käyttäisit etsiessäsi graafisia palveluita? Kirjoita vastauksesi kuten kirjoittaisit hakukoneeseen

28 responses

Graafikko

Kuvittaja, graafikko, logon tekijä

Kotisivut yritykselle

Nettisivut, graafinen suunnittelu, ulkoasu

Käyntikortti, tilaa lehtinen,

graafikko hinnasto

Mainostoimisto

mainostoimisto oulu

Graafinensuunnittelija mainostoimisto painotuotteet

Kutsukortit

suoraan tuotteen nimellä + ehkä paikkunta

graafikko Helsinki, juliste Helsinki, käyntikortti

Riippuu täysin siitä mihin ongelmaan haen ratkaisua.

Graafikko helsinki

mainos

käyntikortti suunnittelu, suunnittelu

Markkinointipalvelu + kotikuntani

Logot ja mainokset helposti

graafinen suunnittelu graafikko mainostoimisto

mainostoimisto tampere

Palvelu + paikkakunta, esim. logo helsinki, sillä haluan tukea paikallista yrittäjää

etsisin halutun tuotteen nimellä esim. käyntikortti suunnittelu, logo suunnittelu

Graafikko tai sitten tuote esim. käyntikortti

Graafinen suunnittelu

(riippuu mitä tuotetta etsin, siis tuotteen nimellä)

Minimalistinen logo, arkkitehti,

grafiikka mainos suunnittelu graafinen suunnittelija mainostalo

## Vapaa sana

7 responses

Usein suositukset vaikuttavat graafikon valintaan. Se että kuulee jonkun, kenestä on hyviä kokemuksia, jokin linkki omaan maailmaan ja nopeus. Usein graafikon kanssa on neuvotellut myös ihan etänä, tapaamiset eivät ole olleet pakollisia. Itsellä tuntuu aina olevan myös vähän hoppu ja graafikko on valittava tavallaan etukäteen ja sovitaan milloin työ tulee tulevaisuudessa pöydälle.

En oikein hahmottanut kyselyn ideaa

Graafisten palveluiden markkinointi on ollut vähäistä ottaen huomioon että koen olevani kohderyhmää (yksityis-/pk-yrittäjä yksityisellä toimialalla, jossa uskon että näitä palveluita nimenomaan tarvittaisiin). Jos markkinointia olisi osunut silmiini enemmän, olisin todennäköisesti käyttänyt enemmän kyseisiä palveluita.

Kaikissa tarjotuista pakettihintavaihtoehdoissa on se perustavanlaatuinen haaste, että yksi tuote ei juuri koskaan ole samanhintainen kun speksit muuttuu. Miten määritellä vakiohintaa esim verkkosivuille tai esitteelle, kun hintaan vaikuttaa olennaisesti monet tekijät.

Tsemppiä opinnäytetyön tekemiseen! Löysin tämän kyselyn facebookin tmi yrittäjät -yhteisöstä.

Vastasin hinnoitteluesimerkeistä kohdan 4, koska se on kysymyksen asettelun mukaisesti sopivin, mutta en silti ostaisi sen perusteella mitään. Yksilöity tarjous on järkevin ja myyvin, mutta tyhjä lomake ei ole vastauksena houkutteleva.