



LAHDEN AMMATTIKORKEAKOULU
Lahti University of Applied Sciences

A MARKET ANALYSIS OF SINGLE-HOUSE RENOVATION SERVICES IN FINLAND

A Customer-Oriented Service and Business Development

LAHTI UNIVERSITY OF
APPLIED SCIENCES
Degree Programme in International
Business Management
Master's Thesis
21.11.2013
Jouni Helppolainen

Lahti University of Applied Sciences
Degree Programme in International Business Management

HELPPOLAINEN, JOUNI:
A MARKET ANALYSIS OF SINGLE-HOUSE RENOVATION SERVICES IN
FINLAND; A Customer-Oriented Service and Business Development

Master's Thesis, 68 pages, 2 pages of appendices

Winter 2013

ABSTRACT

Finnish privately owned residential single-house renovations are forecasted to increase heavily in the following decades. A major part of single-houses have been built between 1940-1990, this are now in need of renovation. Even though the depth of repairs is increasing, companies that provide such renovation services to customers are not clearly addressing the main issues behind this situation.

The purpose of the study was to investigate the connection between the market potential as well as the needs and challenges of the consumers. One target was to create a new service development-process model for business renovation services. Hence, the literature review combines service and business development processes into one process.

The consumer study was applied in this research. The data was collected from private house owners by a web-questionnaire. The analysis and results of the answers supported the existing knowledge and status of the renovation market. Existing service concepts operate rather well, but those need to be developed to meet up with the consumer's future requirements. The increasing competition in the renovation market will challenge companies to find out new ways to sustain their profitability and market shares in the future.

According to the research, companies should know their customers more closely in the service business. Customers need to be taken in consideration with service development processes among company organisations. Companies need to offer more value for their customers; customers aren't eager to pay any extra to get services. At the same time, companies must remember to create more profit for themselves. In addition, new service concepts must be designed in such way that customers understand the benefits and value of their own activities; the new value proposition needs to be displayed in a more attractive manner to the eyes of customers. Also, new developed service concepts need to be fitted in the existing company strategies, resources and skills; extra employee costs aren't usually the solution for creating more value.

Key words: Customer Familiarity, Market Analysis, Service Design, Shared Value, Service Innovation, Service Concept, Business Development

CONTENTS

1	INTRODUCTION	5
1.1	Background	5
1.2	Research questions, objectives, scope and limitations	8
1.3	Knowledge base of the research	10
1.4	Research approach	11
1.5	Structure of the research report	14
2	LITERATURE REVIEW	15
2.1	Market analysis	15
2.2	Definition and services demand	16
2.3	Customer Orientation and Customer Familiarity	17
2.4	Service design and process	19
2.5	Service innovation	22
2.6	Service Profit Chain	24
2.7	Creating shared value	26
2.8	Brand positioning	27
2.8.1	SWOT analysis	28
2.8.2	Competitor analysis	29
2.8.3	Customer segmentation	30
2.8.4	Competitive advantage	31
2.9	Value chain	33
2.10	Porter's Five Forces	34
2.11	Summary of literature	36
3	RESEARCH CONTEXT AND METHODS	39
3.1	Evaluations of different approaches	39
3.2	Methods for gathering data	40
3.3	The empirical research design and structure	41
4	EMPIRICAL RESEARCH	42
4.1	Analyzing and grouping the respondents	42
4.2	Market potential	44
4.3	Consumers' expectations and experiences	48
4.4	The respondents' development proposals	55
4.5	Summary of results, findings and recommendations	57

	3
5 CONCLUSIONS	59
REFERENCES	63
APPENDICES	69

1 INTRODUCTION

This study is set out to explore the connection between customer intimacy, service and business development. The introduction part of this study points out the reason for the mentioned subject. The introduction also consists of a short status report about the business environment of the renovation industry in Finland. The main research question, sub-research questions, research objectives, limitations and scope are explained shortly for this study. Also, the research approach and the structure are explained in the introduction.

1.1 Background

The industry's share of Finland's total production has fallen by a fifth since 2008 because of the global economic crisis. The Ernst & Young's recent report (2013) estimates of Finnish industrial production to be dropped up to 4.6 percent in 2013. This is one of the largest drops in the euro area. (Talouselämä 2013.) As the gross domestic product (GDP) is formed from industrial and service industries, the future focus should be moved to services. This study is focused on services in the renovation segment. According to the stated before, the industry's share is dropping. Furthermore, the service sector can be seen even more important for the Finnish economy because of the mentioned phenomenon. The service sector will play a key role when the new growth and future development are forecasted in the Finnish industry.

The importance of services in the world's economy, as in the Finnish economy, has continuously grown. Finland's service businesses cover almost 70 percent of the GDP and the employment. According to the Ministry of Employment and Economy (TEM), nearly 1.8 million people were employed in the service business in 2011. (TEM 2013.) The service business also covers a significant and growing share of manufacturing industry. On the other hand, services have been industrialized; in particular, the digitalization has even accelerated this event. Developing service innovations, increasing productivity and internationalization of the economy, are the key points for the business and the political economy. Also, service innovation research is developing in Finland. This is, however, still

in its early stages. Opportunities for service innovations are large and these opportunities must be exploited more effectively. (Martikainen 2008.)

Housing wealth will be one of the significant themes over the next decades; as new construction starts to decrease. Referring to Nordea, the Finnish home had an average price of approximately EUR 164 000. The Statistics Finland (SF) calculated the housing stock was 2 784 469 pieces, so the total residential property value is set to EUR 457 billion. (Kauppalehti 2011; SF 2013.) For most of people, the majority of household wealth is held in apartments and houses. Bigger and more expensive homes have even increased households' housing wealth value. (Finlands Bank 2008, Säylä 2008; Määttänen et al. 2010.)

The building stock is aging rapidly, because the number of new building construction has been decreased. This phenomenon has risen after 2008 because of the global economic crisis. Banks have tightened when it comes to lending requirements for construction companies and private persons. (Handelsbanken 2011.) In recent years, the construction backlog grew by nearly 2 percent per year. Renovation work has, however been modest, so much of the current rate of building repairs is reduced and the national politic targets will not be achieved. As indicated, more efforts should be focused on reconstruction of the building. This decade will eventually push the starts of renovation projects with a faster pace. (Roti 2009.) This was also one of the main reasons for this study.

Weighted average age of the buildings floor area is still 30-35 years, due to the construction business strong growth in 1960-1970's. These buildings should be renovated to meet the functionality, comfort and energy efficiency in today's requirements. The full-scale of plumbing, electricity, heating, ventilation, air-conditioning, cooling (HVAC) and window renovation in a dwelling house can be easily summarized as tens of thousands of euros per house. (Lehtinen 2005.) The society and the citizens do not have such money, so new appropriate and cost-effective renovation services need to be developed. For example, the applicable building codes can be seen too demanding in each renovation projects. Instead, the required level of the applicable codes might be adapted and optimized to the object properties. (Roti 2009.)

In 2005, the housing stock was, including all house types, about 2.6 million apartments. This amount included single-family homes at about 1.07 million, terraced houses at about 0.36 million and blocks of approximately 1.16 million (Figure 1-2). (Lehtinen et al. 2005.)

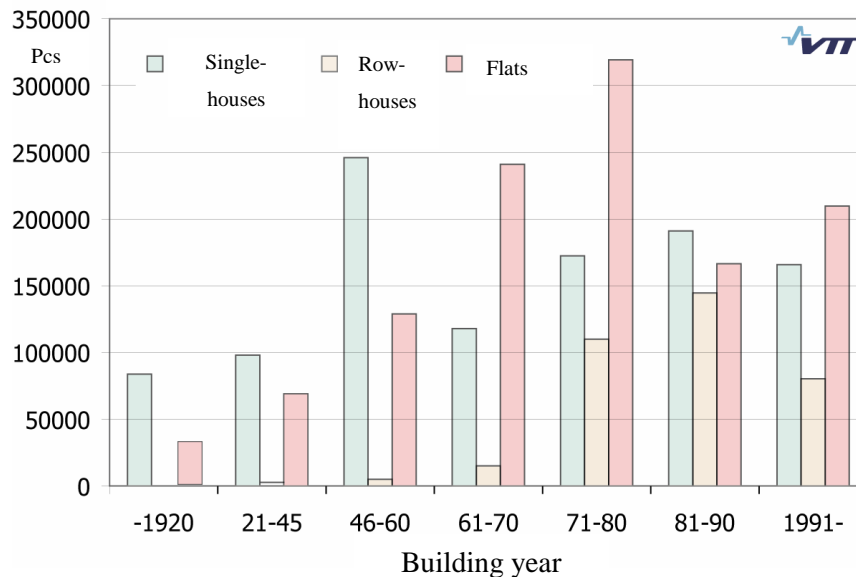


Figure 1-2: Building stock in Finland 2005 divided by housing types and building year. (Lehtinen et al. 2005)

As shown above, the need for the renovation of Finnish building stock is growing significantly in the coming years. A number of VTT studies show that the renovation will increase significantly over the next decades (Lehtinen et al. 2005; Paiho et al. 2009; Pajakkala 2010.) Therefore, the renovation business for a private single-family house was chosen for the research. This market segment was found to be interesting also, because the market shares are fragmented to small companies. On the other hand, the services of this kind of fragmented market offer a great potential to achieve significant and profitable growth for a new rival entry. New services are slowly developed for private house owners by large construction companies. According to the mentioned reasons, the study focuses only for the B-to-C business.

All industries in Finland are currently facing challenging times. The global economy shapes almost all market areas of different companies and industries. This globalization event should be executed in companies as well as executing

new business plans according to a risk management protocol. Large, global companies tend to put pressure on Finnish domestic market and competition. This is due to the tightening of global competition and the global economic downturn. Companies around Europe are also facing more competition in their old market areas, which forces them to seek new markets from Scandinavia and Finland.

Traditional manufacturing companies across the construction business have increased their service offering to increase and stabilize their net sales and profitability. Partly, the failure or really slow-pace moving toward service businesses can be seen today in Finnish economy. Evidence of such events can be seen in the news, which is full of redundant reports or co-operation requests together with employees and employers.

The economical purpose of this study is to look for solutions for companies to go faster and more efficiently towards their business services. Finnish economy needs to break the economic downturn by developing new business services, which can be even exported abroad.

1.2 Research questions, objectives, scope and limitations

The scope of this study is to find out the service development key points, which can be used to deliver new thinking and process development models for companies. The objective is to help companies, who plan to enter into business services, or who are developing their existing services.

According to the recent statement, the main research question of this study is:

- How customer intimacy, service and business development can be linked together?

Sub-research questions are designed to find answers to the main research question. The three sub-research questions are listed below:

- What is the renovation market potential for single-houses?
 - What kind of history and future demands can be seen in the selected construction areas?

- What renovation and customer segments are the most attractive now and in the future?
- How should renovation service companies act with their customers?
 - What do house owners wish from their renovation project and service companies?
 - What issues do house owners appreciate in service situations?
 - What problems do house owners have faced with service companies?
 - What kind of service concept do customers want?
- How could these services be developed in the future?
 - What kind of service concept would be more suitable for most customers?
 - Are there any new tools or concept possibilities to create extra value for customers and companies?

The primary objectives of the study are:

- To define market potential of single-house renovation businesses.
- To define private single-house owners' wishes, challenges and problems.
- To plan, compete and execute renovation projects.
- To study developmental possibilities for services.
- To create a framework for service development process in accordance with the customers' intimacy and business development.

There are limitations for the study. The first limitation considers the type of renovation services, which are defined as single-house renovation services. The second limitation considers the geographical area of the research. It was challenging to contact a large group of private house-owners in Finland. The reason for this is because private house-owners can't be contacted by a simple email questionnaire without knowing their email addresses. This study was granted permission from Finland's private house-owners' union (Suomen Omakotiliitto) to make a public questionnaire through their own email link. The questionnaire has been sent only to members of Lahden Seudun Omakotiyhdistys ry. This limited the amount of answers and the reliability of the research.

1.3 Knowledge base of the research

There is an enormous amount of business literature, business and service development, different strategy approaches and customer oriented service studies. Also, the theory models or paradigms are well-explained by many journals and business articles. The challenge, in this study, was to find Finnish surveys of single-house renovation services.

The researchers own knowledge and experiences of single-house renovation situations were the main reasons to search for more information about potential markets, customer needs and business development possibilities. The researcher has worked in a large Finnish company that builds & manufactures construction material; being the manager in sales and marketing positions.

A challenge to this chosen research topic comes from fragmented renovation markets and a lack of studies in the single-house renovation services.

The survey of the single-house renovation services in Finland was challenging. Most of the renovation service studies are focused on public or housing companies. Actually, the problems of public building renovations, e.g. budget accuracy, estimation cost accuracy, lack of working resources, time schedule accuracy, work quality and products are presented in the Finnish public topic and discussions. There are plenty of articles that have been published in the news, media and professional construction reviews. (Laitinen 2007)

Even the renovation depth in single-houses is increasing, causing a lot of insurance compensations, the house owners don't invest enough in renovation projects. The slow pace of the renovation project implementations by authorities has been astonishing. A much faster pace for renovation investments would be more suitable from a national and a political economy aspect. The situation of plumbing renovations can be visualized as follows: Insurance companies pay an annual 162 million euros of water damage compensation in Finland. This money is now used for patching holes and drying moisture structures. With the same amount of money, some 40 000 houses' hot water pipes could be replaced. Ignorance and lack of understanding of the old metal pipings' limited life cycle expectancy are the main reasons for the amount of growth caused by water

damage. (Ruohio 2013.)

In simple matters, this phenomenon might have two reasons: At first, the surveys of single-house renovations should affect and convince citizens to maintain and renovate their real estate properties. The customers can't see the real value of renovation of a real estate compared the need of the investments. The second, renovation service companies do not offer enough interesting service concepts for their customers. Companies can't visualize the value for the customers and/or the customers don't dare to choose the services offered by the companies.

Renovation business reviews or surveys have been delivered mostly by VTT in Finland. VTT have made a market study analyses and surveys of new renovation methods for residential buildings (Lehtinen et al. 2005; Paiho et al. 2009; Pajakkala 2010). As it has been stated before, those studies are focused more on public or housing company owned high-rise buildings or apartments. Privately owned single-house renovation has a minor interest in public discussion or surveys. Lack of interest might also explain the fragmentation of renovation business services.

As a summary, theoretical knowledge of business development, service design, customer value creation, strategic innovation, etc. has been studied extensively. But, there is a missing link in the theory of business service development to practice a base strategy approach in the Finnish single-house renovation services. This study aims to be a pilot study for this demand.

1.4 Research approach

This research is designed to combine business development and service development paradigms or models in order to structure a common process model for service development. The research approach and methods are explained in more detail below.

The quantitative research method is chosen for this study due to the subjective nature of the research and lack of recognized studies. The research is divided in three phases, following the next research framework:

- Phase 1: Desk Research
- Phase 2: Empirical Research
- Phase 3: Findings & Recommendations

Phase 1 of the study was a desk study with the following objectives:

- To find out theoretical implications, paradigms and common models for service and business development processes.
- To combine both service and business development as one process model.

Phase 2 of the study was the empirical research with the following objectives:

- To study of single-house renovation situation and demand in Finland.
- To find out existing and future opportunities of the renovation service businesses in Finland.
- To measure and evaluate the selected renovation market potentials.
- To measure customers' expectations and problems of house renovation services.
- To assess existing service concepts and contacting methods from customers' perspectives.
- To analyze the needs for new service concepts regarding renovation services.

Phase 2 of the study is based on a web-questionnaire, which was delivered to members of Lahden Seudun Omakotiyhdistys ry by Suomen Omakotiliitto. The members received an email from their umbrella union, which proposed to answer the questionnaire in a defined time period.

Quantitative data was analyzed to shape an overall picture and detailed results. The results are presented in the empirical research chapter, in a form, which can be published e.g. as an article of the Omakoti-magazine. The Omakoti-magazine is owned by Suomen Omakotiliitto; the umbrella union of Lahden Seudun Omakotiyhdistys ry.

Phase 3 of the study, the conclusion, was the final phase of the study. The chapter includes the following objectives:

- To list findings and recommendations from the study
- To create a framework for service development process in accordance with customer intimacy and business development
- Recommendations for further studies

The data collection for this study is divided into two parts: primary and secondary data. The primary data is gathered from the selected market segment. In this case, the segment was single-house owners in Finland. More specifically, they were members of Lahden Seudun omakotiyhdistys ry, which has almost 300 members in their union. The web-questionnaire was sent to those members, who had an email address in the unions' databank by their umbrella union Suomen Omakotiliitto. The members had six days to answer 12 multiple choice and optional questions. The questionnaire was done anonymously as requested by Suomen Omakotiliitto.

The web-questionnaire was prepared and created in accordance with the research objectives. The questionnaire was divided in three parts:

- Additional survey for business renovation potential
- Survey of consumers' experiences and expectations of renovation service companies
- Development survey for future service concepts

This structure of the questionnaire is also following the service design process model of Tuulaniemi (2011). The consumer study is listed as the second process step in his universal model of service design process.

The secondary data is collected during the desk research, before the actual web-questionnaire research is done in the selected consumer segment. The researcher collected the secondary data from published material and official public websites. Other institutes' published documents, like universities' websites, were used for the research. The secondary data materials are gathered from books, internet, journals and newspapers. The search engine Google and Google Scholar were

utilized, Lahti University of Applied Science's Nelli-portal database including electronic documents, books, reviews and journals. All these links and research documents are listed in the references after the conclusions.

1.5 Structure of the research report

This research report follows the basic structure of Lahti University of Applied Sciences final thesis template. The template has four chapters in addition to this introduction. The introduction chapter has been designed to create an interesting research framework from a practical business area.

In the second chapter, the theoretical framework of the study is introduced. The literature review forms an overall picture of chosen theoretical background for the research. The most recognized theory models and paradigms have been chosen to meet up to the sub-research questions, objectives and scope. The chapter also includes a summary of the literature review.

The research context and methods are explained in chapter three. The chapter evaluates the chosen approach method, explaining the gathered data, assessing the validity of the research and visualizes the design and structure of the research.

The empirical research is captured in the fourth chapter. The chapter introduces the description of the research web-questionnaire, answers from the respondents, results and analyses of the research. Finally, the chapter includes a summary of the findings and the consumer survey recommendations.

The fifth chapter, conclusions; includes findings of the research and the study, recommendations for the renovation service companies. The final summarizes the literature and the research, proposals for a new development process model and the recommendations for further studies.

2 LITERATURE REVIEW

This literature review is designed according with the research questions and objectives. The list of theoretical framework can be seen as a development process flow from start to end. Another way of visualizing the process is a circle, which continuously rotates for business developing purposes.

2.1 Market analysis

The competitiveness of companies is essential so that services meet the customers' expectations (Grönroos 1996, 17-18). The best way to get the information about the customers' wishes and expectations is to determine those from customers themselves. Collecting customer feedback and customer service integration in the development process has never been as easy as it is today. Currently, there are different kinds of contact surfaces, which did not even exist 15-20 years ago. For example, there are internet enabled e-mail, website, social media, blogs or mobile telephone to collect images, text and videos.

According to Vuokko (1997), the market analysis can be seen as a starting point and “the end point” for a marketing process (Vuokko 1997, 12). The business development should be based on identifying the external information: customers, competitors, distribution channels, authorities and the impact of the network channels (NetMBA 2013). The market analysis is a basic tool for a company, which needs to draw up a strategy for the selected market or customers. Even, many companies want to jump over it for cost reasons, by doing so; it could lead to major investment failures. A successful market analysis can speed up the access to a profitable business. (Finsve 2013.)

According to Aaker (2010), it is important to determine the market size, structure and future trends. This will help the company to understand the selected or desired market in general with reflections of the companies' expectations and objectives. If the market is reducing or trends appear to be unfavorable from business targets, there must be good reasons before any investment is placed in the selected business segment. In the positive scenario, business plans need to be executed quickly. (Finsve 2013.) Future trends are even more important than the current

state of the market and it often solves the business development decision. This is the most difficult part of the market analysis, because no one knows, what can be expected from the future. It is also important that the market analyses include accurate and objective conclusions and those are also applied to business plans. The company's management commitment and involvement in the conclusions has a very important role inside the working strategy.

The market analysis should determine the structure of the market; the survey should cover the following issues: the customers and their decision processes, the market concentration, the necessary auxiliary services, distribution of the different sectors of the market (Finsve 2013). For example, in the construction industry, it is important to know who will do the final buying decision; a designer, a consultant, a contractor, an architect or a builder. Knowing the structure of the market is the most important aspect in order to assess a company's own ability to act according to market conditions and be able to invest in the right things. Sometimes, a company management can consciously choose the opposite strategy compared to a market analysis, by using it as a competitive advantage compared to rivals.

2.2 Definition and services demand

Services can be classified as consumer services or business services. In consumer services, companies sell directly to consumers. According to Grönroos (2000), the services have three basic features: services are processes, services are produced and used simultaneously, and a customer takes part in the production service process (Grönroos 2000, 81).

Distribution of products and services is not always sufficient and should be separated from tangible products, intangible products and services. Intangible products have the same characteristics as the tangible products and are not to be confused with the services. Intangible products, the production and consumption can be separated, they can be stored, they can be connected to the ownership and they can be traded. Services in contrast, are there alone, without a provider and a consumer. Classifications explain the diversity of the difficulty to perceive and process services.

Service and manufacturing companies throughout the business need support services. When a business is becoming more complex and globalized, intensive-knowledge business services KIBS (Knowledge-based Business Services) are becoming increasingly important for business operations. The importance of services has increased worldwide. The increasing innovation speed and competition have resulted in the need to acquire global innovation know-how. This has created a global demand in innovation and intensive-knowledge services. Services will play a continuous increasing share of economies' international trade in the future. (Martikainen 2013.)

Global market forces and the existing economical turndown have pressed manufacturing companies to engage development service processes in the last decade. The profit requirement from shareholders has been increasingly pressuring companies to examine the service potential when it comes to providing profit requirements. Services have been traditionally seen as productive assets among trade. Services have been seen as a "free gift" role in corporate business. They are often offered to the customers without compensation for boosting the actual product trade. The services can also be seen as extra items for trades, which is only a disadvantage for the business.

In addition, the share of services in employment and GDP in Finland is more than 70 percent. One could say, we live in a service society and well-being is dependent on the productivity of services. Private and public sector services have been moved to service innovations. Our well-being and future growth survival will depend on the ability to give more input towards innovation services. (TEM 2013.)

2.3 Customer Orientation and Customer Familiarity

A customer-oriented company places customer satisfaction at the core of each of its business decisions. Customer orientation is defined as an approach to sales and customer-relations organizations. A well-focused customer orientation is built to meet customers' long-term needs and desires. In this business model, management and employees align their individual and team objectives around satisfying and retaining customers. This is a contrast to sales orientation, which is a strategic

approach where the needs and desires of the firm or salesperson are valued over the customer. (Cross 2013.)

Customer familiarity can be seen as a relationship with customers, making them feel like it is a partnership with a supplier, rather than a mere business arrangement. Companies accomplish this through communication, which are tailored to the needs of the customer and also marketing campaigns that create a sense of connection with the company and its products. Companies that are focusing on customer familiarity want to reach their customers as individuals, rather than a generic user base. In customer familiarity, companies usually keep the lines of communication open up. They have hotlines and other services for instant contact and they may offer services beyond basic customer needs. Customers can have easy access to more benefits and connections to the company's operations and they have a possibility to influence their own service. (McMahon 2013.)

Today, social media allows companies to interact directly with customers to promote customer familiarity. This may engage new activities like responding to public reviews of their products, whether they are good or bad. Companies can also organize different events throughout the social media: contests, feedback lines and online chats for customers to connect with each other. Social media is a new possibility for companies, but it can also have negative impacts for businesses if a company is not capable of dealing with it. According to that phenomenon, many companies have recruited a social media specialist, who can help or advise an appropriate social media strategy for the company's needs. (McMahon 2013.)

The main goal of the customer familiarity is to build a loyal client relationship. The consumer will select the company's products and services, when possible, along with the company's business partners. Customers may also talk about their loyalty to the company with friends and family. This may attract new customers through the customer reviews of the company and what they offer. This can allow a company to build up an even stronger customer database. (McMahon 2013.)

2.4 Service design and process

The social importance of services has grown constantly. Their share of GDP is now more than two-thirds. The systematic product development and research has growth in companies. Meanwhile, the design field has expanded from product development, to other business areas such as business development and strategy development. However, the systematic development of services has only been in a minor status. The knowledge of the consumer and user-centered design has been left aside from the business development main stream. Hence, for this situation, the service design has been developed to meet the need of today's customer centered business requirements. (Martikainen 2008)

Service design can be described as a design that reaches people through various touch points. Process-like nature of services includes a temporal service path with a number of different service sessions and contact points. The service path of a customer is influenced by the designed service process, as well as the customer's own choices. Each of the service touch points is built from a serie or a series of partial services, which together form the customer value. Individual episodes are called: service moments. Each service moment is formed from a variety of contact points. The individual contact points are the points, through which customers can experience a service. Contact points may be a space, objects, processes, and people. (www.servicedesign.fi)

The service design means: innovation in services, development and planning through design methods. The service design is a key objective of the service experience user-centered design, in such a way; the service meets the needs of users and the service provider's business objectives. Customer service experiences are the building blocks for service touch points, service moments and the service string (Wikipedia, 2013). Service design has a meaning to innovation, design and development using traditional development design methods. In addition, service design makes it possible to find customers' hidden needs and desires.

Table 2-1: Service Design vs. Product Design (Lopez-Ona 2011)

Product	Service
Tangible	Intangible
Storable	Perishable
Control Quality with Data	Define Quality by Experience
Measure Output	Measure Outcome
Repeatable	Very Difficult to Repeat
Bonus	
Can be Patented	Very Difficult to Patent

People often produce the services. In service design, these people fall into two different user groups: customers and customer's servants. Service is formed from complex interactive choreography between those two groups. The customer can be seen in the center of a service delivery process. Services are aimed to provide even more customer-oriented and tailor-made offers so the consumers and the customers are nowadays connected more closely to the services' production. Customer interface is where the service provider and the consumer face are; therefore, it is an important service innovation area. (Wikipedia 2013.)

Traditionally, the design is focused on a single physical product and the user's relationship. In service design, the user goes through multiple touch points, where the service is perceived, sensed and seen. According to Saffer (2007), the touch points can be divided into four categories: facilities, objects, processes and people.

Facilities are the places where a service is visible to the customer and a service takes place. Facilities communicate to the consumer about what is it possible to do and it also contributes to human behavior. Companies should especially pay attention to all the contact points, which are noticeable to human senses, these might have great importance for the customer service experience.

Objects, such as a restaurant menu or a self-service machine are intended to create interaction between the service provider and the customer. Service design objects can also be a service to the production of the necessary items that are only used

for the staff, but are still visible to the customer and have the impact on service experience.

Processes define the service model of production. All service processes and routines can be set to the smallest detail. The production of services can be changed and developed in a daily basis.

The service design process is a creative problem-solving process that follows defined principals. The nature of process development is unique, causing difficulties to define it only in one specific model. But still, this unique feature of service design process needs to be simplified to understand the rough meaning of it. Tuulaniemi (2011) visualizes a common model for service design processes (Tuulaniemi 2011, 126-128):

- Define the problem
- Study the service development area
- Evaluate new ideas and improve concept possibilities
- Test and develop the new concept with customers
- Assess the development process and market results

Service-oriented business development requires a long-term and goal-oriented work from a company. It is often the corporate culture and the change in the process level that typically takes years to accomplish successfully. However, this work is worthwhile because it allows creating a superior competitive advantage. This relative advantage compared to rivals is one of the most difficult or even impossible to copy. Service development requires a systematic approach to ensure that all-important aspects are covered during this process. The service development process needs to be documented carefully and systematically to enable editing afterwards; when the market or customer behavior changes rapidly.

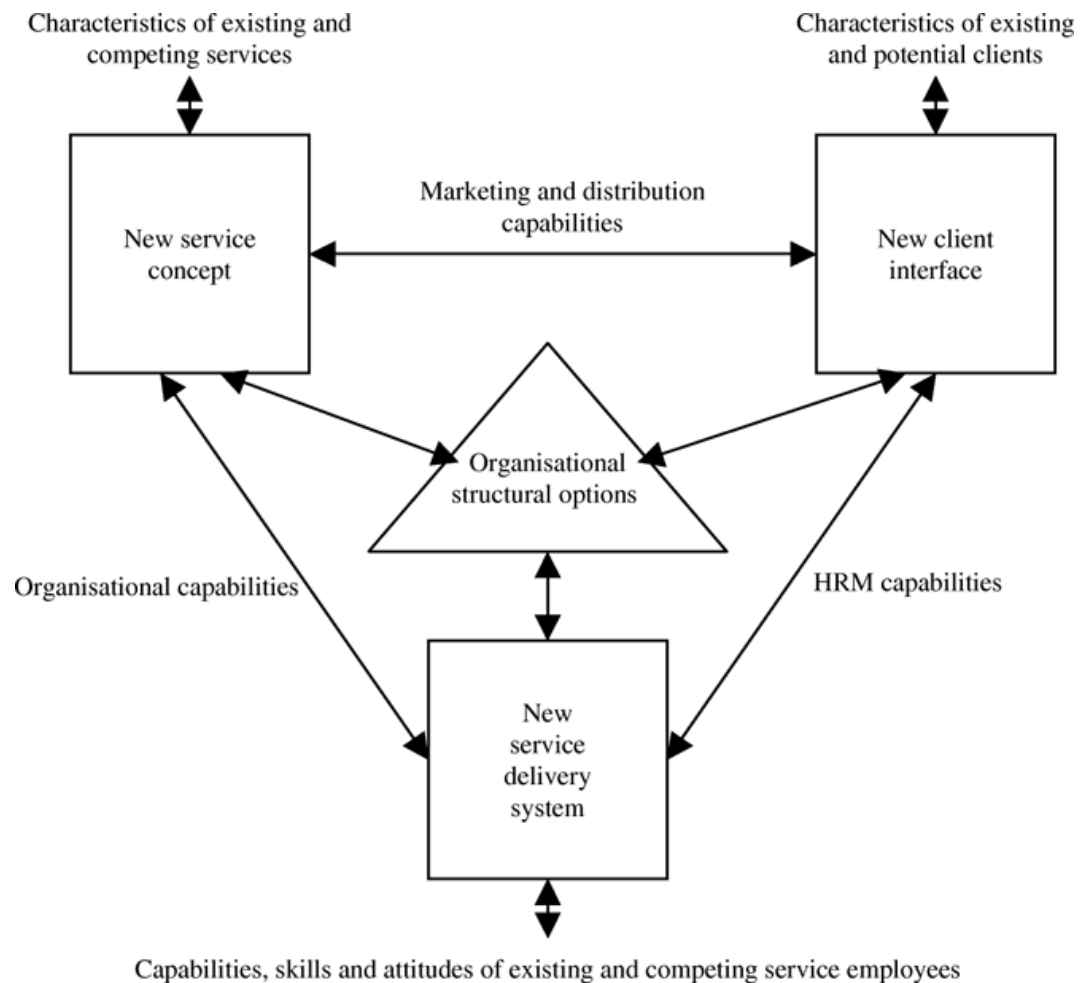
As a summary, service design is more than designing services. Service design is a way of working towards developing services, which is the starting point for consumer services. Service design values the creation process, which should be combined with the value of the business process. Service design broadens the offering of the company's service portfolio. Accordingly, the customer is a tool, not just a business; but still a part of the planning targets. By understanding the

customer's role, the service design formation will have a strong starting point for the development of a new service.

2.5 Service innovation

In today's marketing and particularly in the development of innovative service concepts; both require consumer activation. This is very important, not only for a customer-oriented service, but because the customers can be a great source of new ideas. Consumer understanding is necessary to go deeper into the common customer queries. According to understanding, companies can design and evaluate new service innovations to meet up with customer-value processes. (Hämäläinen et al. 2009.)

According to Hertog (2000), the service innovation has four dimensions (see figure 2-1); the service concept, the client interface, the service delivery system and technical options. These definitions can be used to challenge existing service processes while a company starts to develop new services for their customers.



Capabilities, skills and attitudes of existing and competing service employees
Source: Adapted from den Hertog (2000)

Figure 2-1: Service innovation dimensions by Hertog (2000)

Customer interface is where the service provider and the consumer create an important service innovation area. The interface moments can be a major innovation field for service companies. This should be managed systematically and should be challenging for existing customer service models. Constant development, especially service innovation, can be created only with systematic and documented customer interface. (Melkas 2013.)

The service delivery system can be related to the linkage between the service provider and its client; since delivery does involve an interaction across this interface. Much of innovation concerns the electronic delivery of services, but also, for instance, transport and packaging innovations. An emerging concept of system delivery is the idea of taking a product approach to service innovation. (Goldstein et al. 2002.) A product approach is a standardized and industrialized

environment for more effective service innovation, development and operations for the Internet era.

Technological options can resemble of a process innovation in manufacturing sectors. New information technology is especially important to services, since it allows for greater efficiency and effectiveness in the information process. This phenomenon has increased in the service sectors. Physical products accompanying services like customer loyalty cards and a wide range of devices for communication services are also seen quite often.

As a summary of service innovation, companies need to remember to keep up the customers' attention in the service by offering interesting service innovations. These service innovations need to provide consumers with an easy way to get a reliable service to meet up their needs.

2.6 Service Profit Chain

As service innovation was divided in four different dimensions, the idea of a new innovation needs to be evaluated. The service innovation itself can't create success without being delivered with a profitable and a more effective way to market it. The evaluations of new process models or service innovations need to be assessed according to internal and external factors. The new service concept can be evaluated as a tool, which is presented below.

Hessket et al. (1994) – Some analyzed service organizations that were consistently more profitable and prosperous than their competitors. They determined differences and delivered a simple model on “how to success in business”. They created a concept known as the Service Profit Chain (SPC). The concept is determined as a: *Unified field theory for service organizations*. The SPC is creating a new internal and external perspective view for companies' services. The SPC explains the connection between Internal and External, Service Delivery and Perception of Value, Employee Loyalty and Client Loyalty. All mentioned factors in the chain flow going both directions: Service Value creates Client Satisfaction, while at the same time Client Satisfaction increases Service Value. (Hessket 1994)

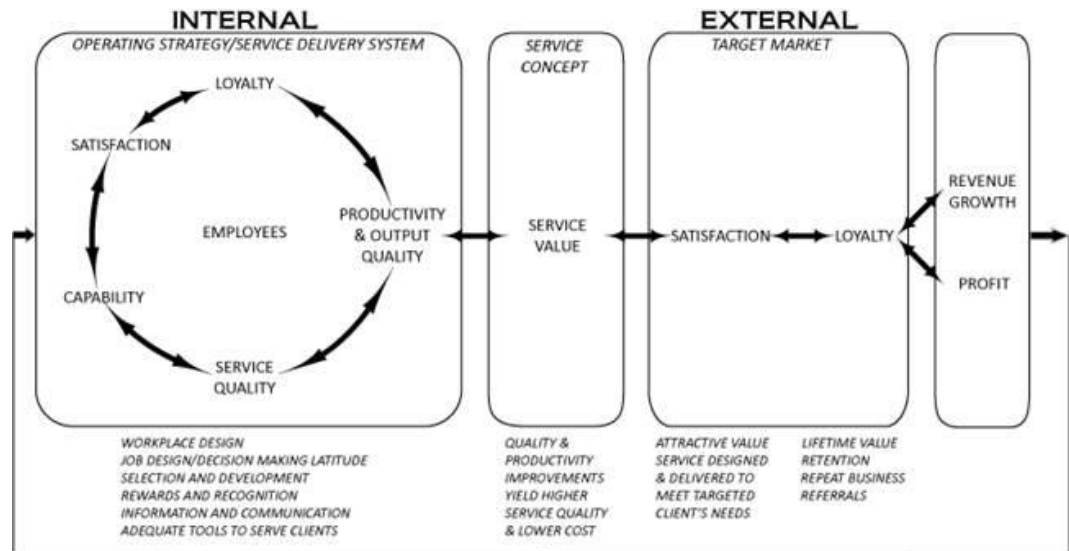


Figure 2-2: Service Profit Chain by Hessket et al. (1994)

Services and the new service concepts in the market are generally seen as one of the most potential ways to strengthen the competitiveness of manufacturing companies in the global market. However, only a few production companies have managed to develop services, which have generated a significant number of new businesses. One of the main reasons for this is the fact that customers aren't eager to pay for this kind of renovation service. The industry has traditionally provided services to them without compensation. Customers are also trying to avoid ending in a situation, where they are strongly dependent on a single service provider.

Customer service experience should be designed in a user-friendly way, where the service meets the needs of users as well as the service provider's business objectives. The definition of design includes product orientation, comprehensive experience, processes and design systems. The method is applied successfully in the business as well as in social developmental services. (Aalto University 2013.) A well-designed value proposition to customers is essential for the service provider. This will create an atmosphere, where customers can see and feel the well-designed offer from the service provider that could potentially bring a solution to the customer's problem.

2.7 Creating shared value

Creating value is essential for a company to show how they offer something of extra value to solve customers' problems. A change from the product approach into a customer-oriented approach requires understanding of what it is experienced by the customer value and how can it be created. In product-oriented thinking, the value of product-related functionality can be seen as: the value of the product and the customer "gets" starts to form when goods are exchanged or services are affected. The value of the service is measured by comparing the quality of the service and the price to be paid: the price-quality ratio can be seen here as a measure. This way of thinking will be challenged when a company begins to consider the customer's perceived value and its creation. (Arantola et al. 2009.)

Each company has different backgrounds for assessing their resources, capability and strategy, so the value chain differs between companies. This will lead to an issue, which usually is forgotten, when value creating is the fundamental topic: Companies should not search for answers like, how to act or what is it essential in the value chain. The value creating issue needs to be solved by looking deep enough into the company's structure and capabilities. The answer lies in the company's own value chain.

The modern version of value creation was introduced by Porter and Kramer (2006). The center in CSV (Creating Shared Value) is company's competitiveness and the health of the communities around it. According to the definition, companies can create shared-value opportunities in three ways:

- Reconceiving products and markets – Companies can meet social needs while better serving existing markets, accessing new ones, or lowering costs through innovation
- Redefining productivity in the value chain – Companies can improve the quality, quantity, cost and reliability of inputs and distribution, while they simultaneously act as a steward for essential natural resources and drive economic and social development

- Enabling local cluster development – Companies do not operate in isolation from their surroundings. To compete and thrive, for example, they need reliable local suppliers, a functioning infrastructure of roads and telecommunications, access to talent, and an effective and predictable legal system (Porter et al. 2011.)

2.8 Brand positioning

The positioning concept was first introduced by Trout (1969), and then popularized by McGraw-Hill (1981). The target market and consumers always have some kind of perception about a particular company. They are trying to compare competitors to each other in the same industry category. The product or service might be the same or similar between competitors, but consumers' perceptions of service providers can be positively influenced by the brand positioning. (Wikipedia 2013.)

The definition of brand positioning can be visualized as: identifying your company's SWOT (strengths, weaknesses, opportunities and threats) and trying to squeeze it into the market as a brand, product or service utilizing traditional marketing e.g. 4P-strategy (product, place, price, promotion). Positioning can also be seen as a process, which is what a marketer attempts when creating an impression in the customer's mind. (Brooksbank 1994). According to Grönroos (2000), the service brand can be based by the customer's involvement in the development process (Grönroos 2000, 377).

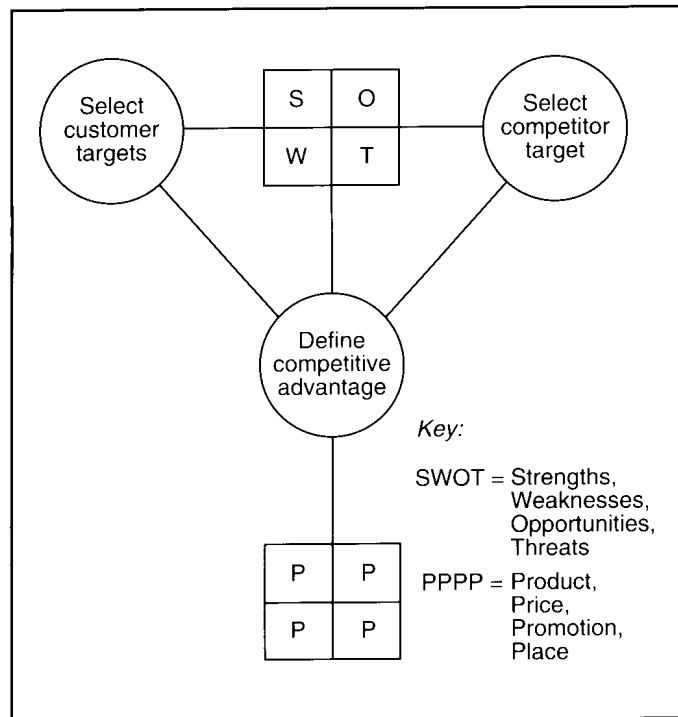


Figure 2-3: Positioning by Brooksbank (1994)

Effective brand positioning process is built by identifying a company's and a brand's uniqueness, differentiation and verifiable value. After the company has identified those features, then the customer communication needs to be managed. If and when, a company really has unique features, it should focus on those and share them with their customers; even if the features look and sound too simple. This is very important for new customers and companies, who are new in the market. The figure 2-3 shows how a company starts from SWOT, selecting horizontal customers and competitors from the market. Then, a company defines its' competitive advantage features and clothes them in a form of 4P. This is a simple but effective way to visualize the brand positioning process.

2.8.1 SWOT analysis

SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) developed by Humphrey (1960-1970's), it is used when drawing up a business strategy, as well as problem learning or problem identification, assessment and development. It is a useful and simple tool for the company's operations, projects and project planning. SWOT analysis may be applied or assessed to any of the company's

operations: for example, a competitiveness of a product or a service, or a competitor's operations and competitiveness. In SWOT analysis, internal strengths, internal weaknesses, external opportunities and external threats are listed.

SWOT analysis is described by two dimensions in a four-field chart (figure 2-4). The left half of the chart describes the positive and the right side describes the negative factors. The lower half of the chart describes the organization's external issues and the internal issues are described at the middle half.

Definitions of SWOTs

	Helpful to achieving the objective	Harmful to achieving the objective
Internal (attributes of the organization)	Strengths	Weaknesses
External (attributes of the environment)	Opportunities	Threats

Figure 2-4: SWOT chart by Knowledge Sharing Toolkit (2013)

2.8.2 Competitor analysis

As figure 2-3 pointed out, a company needs to select its competitors. The competitor analysis is a strategic management tool to assess competitors' SWOT. The main reason to analyze competitors is to develop a better understanding of their resources and capabilities. Porter (1980) has defined a competitor analysis framework that focused on four key aspects: competitor's objectives, competitor's

assumptions, competitor's strategy, and competitor's resources and capabilities. (Porter 1980) These aspects are of critical knowledge for existing and new competitors.

Porter's framework focuses on two aspects: drivers and competitors capabilities. Both are also divided in two parts: objectives and assumptions drivers and strategies and resources capabilities. By analyzing the selected competitors, a company can built its future knowledge and allow making strategic decisions and action plans against the competitors.

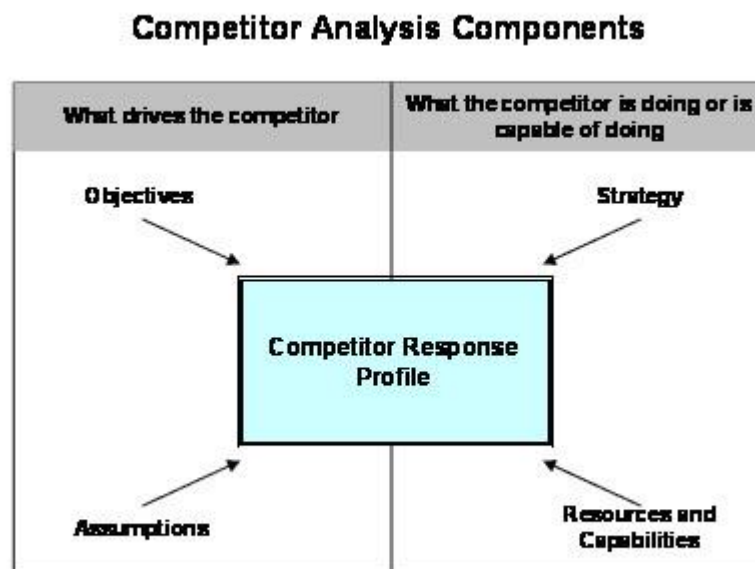


Figure 2-5: Competitor analyze model of Porter (1980)

2.8.3 Customer segmentation

While, a company is selecting competitors and analyzing them, the same needs to be achieved in relation to customers. This is called customer segmentation; a marketing strategy is divided to target a market subgroup of consumers according

to their needs, as well as the company's need to be implement strategies in order to meet up with those needs.

New products and service processes can be developed by segmentation. The offering can be designed according to pricing and customer service levels (Storbacka et al. 1999, 39.)

There are many ways to segment customers. It can be achieved by following different criterias, such as: gender, sex, geography, buying behavior, season, etc. (Wikipedia 2013). The segmentation needs to match up with the company's targets, objectives, resources, strategies and capabilities. The main question that can be poured in this equation is: to whom is a company is selling services and what are the services? These are very important question for new companies entering the market. The well-formed SWOT-analysis should direct a company to choose the right possible customers, as it should also help to choose obvious competitors.

Customer segmentation can also save the company unnecessary expenses later on when a new product or service is launched. By making mistakes in the customer segmentation, a company may produce a relatively inefficient marketing strategy by focusing on the wrong or too large customer segments. This will create poor marketing campaign results and failing in market launches.

2.8.4 Competitive advantage

Competitive strategy model, according to Porter (1980), provides a rich framework that reveals significant differences between companies. It also explains how companies can find their own particular position, competitive advantage and successful operating strategy. (Porter 1985.)

A company's position within its industry determines the company's profitability in a term of and average industry. In other words, a company can reach a sustainable competitive advantage, if it can create more profit than the average part of the industry's competitors in the long run. According to Porter (1980), the competitive advantage can be divided into two basic types: low cost or differentiation strategies. Combining two basic types of competitive advantages,

leads to the third strategy; focus. Thus, the three generic strategies, introduced by Porter, are cost leadership, differentiation and focus. Finally, the focus strategy can be divided into two parts: cost focus and differentiation focus, leading the model to one extra strategy possibility. Porter's four generic strategies will be shortly explained below. (Porter 1985.)

In cost leadership, a company has decided to be or to become the low cost producer in its industry. The cost advantage is shaped and varies in different operation factors e.g. scale economies, unique technology, more efficient use of raw material and other factors. A company can achieve cost leadership by exploiting all sources, which can affect the end price of a product or service.

In a differentiation strategy, a company tries to create a unique customer valued offer. This type of approach needs knowledge about the customers' needs and requirements. This strategy can reward a company with premium customer price. Customers are willing to pay premium prices, if the offer includes important values to them.

In the cost focus strategy, a company tries to find cost advantage in the selected customer segment. The cost focus strategy rests inside the differences between the customer segment behaviors. A cost focus company shapes its' offering solutions to a narrow customer segment with a highly competitive price level.

In the differentiation focus, a company's target segments may have unusual needs or special requirements than most of the customers in the industry. Also, the company's production or delivery process of products or services can differ from the competitors in the business sector line.

		Competitive Advantage	
		Lower Cost	Differentiation
Competitive Scope	Broad Target	1. Cost Leadership	2. Differentiation
	Narrow Target	3a. Cost Focus	3b. Differentiation Focus

Figure 2-5. Competitive advantage strategies by Porter (1980).

2.9 Value chain

The chosen strategy model from competitive advantage scenarios needs to be assessed against the company's value chain. The link between the competitive advantage model and the value chain is one of the main critical success factors when it comes to estimating new requirements and resources inside business development. New organizations can be developed during this evaluation process for future requirements.

Porter develops the value chain model in 1985. In this model, primary activities and support activities are separated in their own groups. Primary activities are formed by the actual material flow of a company, while support activities are integrated in a primary activities flow. Those activities are separated as functional borderlines, which are visualized in a figure 2-6.

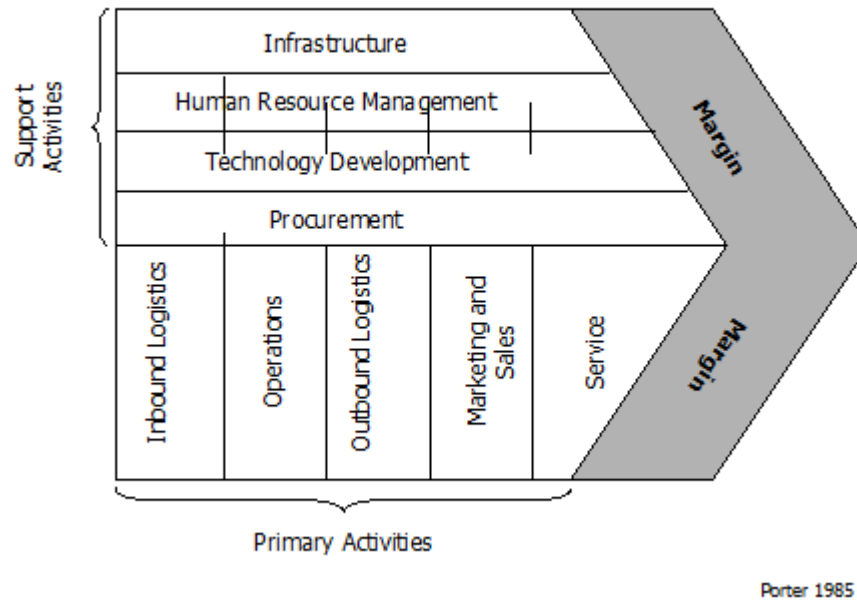


Figure 2-6: Porter's value chain model (Porter 1985)

The aim of the value chain is to be as simple as possible. Every activity that is creating unnecessary costs should be removed or at least minimized from the model. All unnecessary steps can be seen as creating non-value activities to the customer. The value chain can be used to improve the efficiency of the company's processes or cut the costs to maximize profits. As known, coordination and communication between those company's internal activities can create extra costs, which can be defined as non-value steps to the customer.

2.10 Porter's Five Forces

Porter's five forces analysis determines the intensity of competition and attraction of a selected market or business area. Attractiveness is an important issue, when a company searches new business opportunities and markets to enter with new products or services. These five forces include three forces from external sources: the threat of substitute products or services, the threat of established rivals and the threat of new entrants. Moreover, there are two forces from internal sources: the bargaining power of suppliers and the bargaining power of customers. (Porter 2008.)

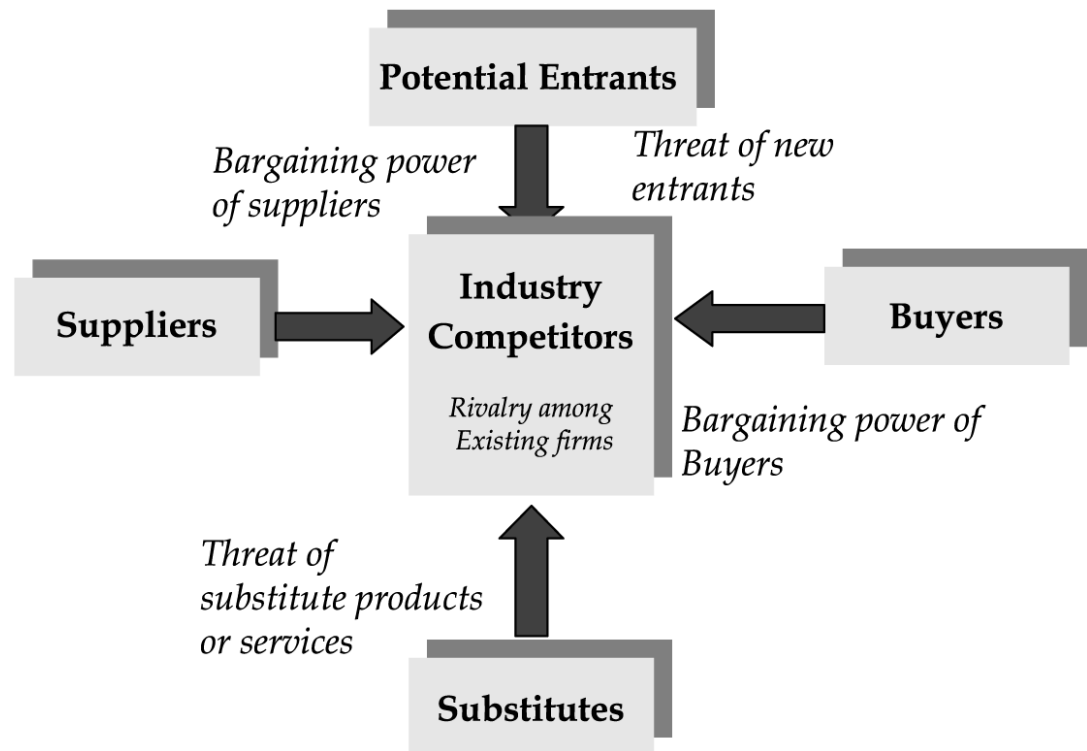


Figure 2-7: Porter's Five Forces visualized by Karagiannopoulos (2005)

According to Porter (2008), those forces are affecting a company's ability to make a profit while serving their customers. A change in any of the forces might give an opportunity or make the competition even harder to a company. Companies should apply their core competencies to protect themselves against at any change in business environment. The main focus with these five forces is security; the company is able to compete against competitors with profitable business operations. By applying unique business models, a company can manage to secure their profit above the Industry average level. Those five forces are discussed below.

The threat of new entrants creates problems when industry markets are profitable and form attraction to new companies. Simultaneously, new entrants contribute to the industry profitable margins. New service or product manufacturers will compete for the same customers, which will lead eventually to lower profitability. New entrants should be blocked with e.g. immaterial product rights (IPR), patents and other agreements with subcontractors. This is only possible in the product

manufacturing industry. In services, the situation is more complex since e.g. product rights are not valid in services. Trademarks and disclosure agreements with employees can be used to prevent the unwanted flow of information to other companies or competitors.

The threat of substitute products or services can be considered as a customer's behavior against company's offer vs. other companies in the market. Here, competitors can't be seen as a problem, because competitors are offering similar products or services in the same industry. A customer can choose from different industry products or services.

The bargaining power of customers is the customer's ability to choose from different offers. If customers are price-oriented, they can put a company under pressure by requiring the same price that competitors are offering. One solution for a company is to create loyalty programs or different discount programs to keep up with the customers and reducing the customers' bargaining power.

In the bargaining power of suppliers; the supplier has got a better offer from a competitor and refuses to work or deliver resources with any additional prices. To prevent this from happening, a company should focus on agreements and delivery terms to ensure cooperation with the suppliers.

The intensity of competitive rivalry has a major effect on the industry's competitiveness. This force can allow companies' profits to go below the industry's average in a short period of time. Companies should be aware of new rivals and constantly follow their own turnover or profitability to react as soon as possible to a competitive rivalry. Due to this, a company should focus on balancing all those five forces while any of those is changing.

2.11 Summary of literature

The literature review was designed to support research questions. The first sub-research question was "What is the renovation potential for single-houses? As findings from the market analysis literature showed, it is important to determine the market size, structure and future trends. The market analysis should cover history, existing and future demand for selected business potentials and customer

segments. Also, it is important that the market analysis includes accurate and objective conclusions and those are also applied to the business environment. After the market analysis, the company should focus on their customer segments, market potentials and accurate target for business proposition.

The second sub-research question: How should companies act with their customers? The findings from the demand and services definitions explain that when a business is becoming more complex and globalized, knowledge-intensive business services (KIBS) are becoming increasingly important for business operations. The customer intimacy can be seen as a relationship with customers to make them feel like they are in a partnership with a supplier. Companies that are focusing on customer intimacy want to reach their customers as individuals, rather than a generic user base. Service design is often a built-in feature in the corporate culture. The design process work is worthwhile because, it allows creating a superior competitive advantage relative to competitors in a way that is very difficult or even impossible to copy. By connecting a customer-oriented service deep in a development process, the result of an innovation can be lifted to the next level. In today's marketing development, the innovative service concepts requires consumer activation because, the customers can be a great source of new ideas. As, the service innovation was defined as a “new value proposition”; it also challenges the existing company organization and management to rethink about their services. After the decision for new or better services is taken, then the company needs to start thinking... “How can it be achieved?”

The third sub-research question was: How can services be developed in the future? At first a company should analyze their service profit chain and try to simplify it as much as possible. The new service concept can be developed with the help of new technologies. The customer service concept should be designed in a user-friendly way, where the service meets the user needs and the service provider's business objectives. By doing so, value proposition can be appealing from the customers' and companys' viewpoint; this will create the center of CSV. The brand positioning is an essential management decision. This decision creates a basis for a development process and what is its desirable result. The brand positioning process can be visualized by SWOT, competitor analysis, customer segmentation and competitive advantage ending up 4Ps. After the internal

development process, the internal value chain can be reconstructed to meet up with the desired outcome. Finally, the result of the process can be reflected to Porter's Five Forces model.

The literature review is very significant for understanding the main research question: How can customer intimacy help to develop the renovation service business? The literature review was organized as a process-flow model from start to end. As mentioned before, it can be seen as a circle, which rotates and creates a continuous business development process. According to the studied theories and models, the main difference between service and product development processes was the customer involvement during the development project. In service development, the customer needs to be seen as a key player, who needs to be linked in the center of the development process. This phenomenon also helped to design the research towards a consumer survey instead of renovation interviews of companies or academic people.

3 RESEARCH CONTEXT AND METHODS

The research context and methods chapter includes the evaluation of different research approaches, the explanation of data gathering methods and the empirical research design and structure. This empirical research is designed in accordance with the sub-research questions and objectives.

3.1 Evaluations of different approaches

In this chapter, the quantitative and qualitative research methods are shortly explained in order to support the selected approach. The research approach is focused on the main research question: How can customer intimacy help to develop the renovation service business? Also, the sub-research questions and objectives are linked to research methods.

Although, a good qualitative study can help us to understand essential issues from a research area, this wasn't seen as a suitable method for this study. In this study, the qualitative method would have had a good additional aspect to the research validation. The method was not chosen because of the lack of suitable or sufficient professionals in the single-house renovation industry. As mentioned before, the single-house renovation industry is fragmented and the market is covered with a large amount of companies. The market shares of small enterprises divide the industry's turnover. The unique feature and lack of studies forced the researcher to make a decision to not use the qualitative method for the study. Possible respondents or different professionals could not give any new insight or perspective without a good and wide quantitative customer survey, which was impossible to find.

For this study, the quantitative methodology was chosen. The web-questionnaire was pointed out to consumers to support a market analysis of single-house renovation. The quantitative method was chosen to establish statistical reliability for the study. The process of quantitative methodology utilizes detailed questions for selected market while it is distributed to large amount of people. The questionnaire collects many data, which can be sorted in groups and compared between different questions and answers.

By using the quantitative method, the result of the research is forming an overall picture of customers' experiences, expectations, and needs; as well as the development areas of single-house renovation service business. This amount of knowledge would not be possible to gather by using the discussion between the researcher and the consumers in a reasonable timetable.

A quantitative research method refers to a research, where a precise and calculated statistical method is used. The term is generally used for the human sciences, such as social sciences and education context, but it can also mean the natural scientific research. In a quantitative study, the researcher aims to collect material for an empirical observation. The target would be to create universal generalizations from collected observational data. The quantitative study of observation data collection methods may include an interview or letter request. The collection method in this study was a web-questionnaire. The quantitative research method is suitable for large groups of exploratory studies. The system does not provide comprehensive information on individual cases. As the qualitative research develops hypotheses according to few individual cases, these hypotheses are proven correct or incorrect by quantitative research methods. (Wikipedia 2013.) In this study, hypotheses were not used. Also, the quantitative research is often used in statistical models, which is not the case in the study.

3.2 Methods for gathering data

Data collection for this study is divided into two parts: primary and secondary data. The primary data is gathered from the selected market segment. In this case, the segment was single-house owners in Finland. In detail, they were members of Lahden Seudun omakotiyhdistys ry, which has almost 300 members in their union. The web-questionnaire was sent to those members who had an email address in the union databank by their umbrella union Suomen Omakotiliitto. The members had six days to answer to 12 multiple choice and optional questions. The questionnaire was done anonymously by request from Suomen Omakotiliitto.

The web-questionnaire was prepared and created in accordance with the research objectives. The questionnaire was divided in three parts:

- Additional survey for renovation business potential
- Survey of consumers' experiences and expectations of renovation service companies
- Development survey for future service concepts

This structure of the questionnaire is also following the service design process model of Tuulaniemi (2011). The consumer study is listed as the second process step in his universal model of service design process, which was listed in 2.4 service design and process.

3.3 The empirical research design and structure

The empirical research was done by web-questionnaire among the members of Lahden Seudun omakotiyhdistys. The survey's Internet link was sent to 163 members and they had less than a week to answer the survey. 44 people answered the survey, creating a total result of 27%. Furthermore, this consumer survey should be seen as a pilot study for the chosen research objectives.

The survey was designed to follow the structure of sub-research questions and to create an understanding for the main research question. The answers of the survey were reflected in the sub-research questions and objectives. The survey questions were structured according to the sub-research questions as follows: questions 1-5 estimated answer for the renovation market situation, questions 6-10 estimated answers for consumers' experiences and expectations of service renovation providers, questions 11-12 (optional questions) estimated new development areas in renovation services.

4 EMPIRICAL RESEARCH

The empirical research chapter includes answers and analyses of the web-questionnaire (see appendix 2). The consumer survey answers were grouped mainly to simplify the analyzing and reporting. The questionnaire is followed through in the same way as the questions were presented. The first ten questions were mandatory and last two questions were optional. The first five questions were analyzed according to the market potential of renovation segments; the next five questions were analyzed according to the consumer's expectations and experiences with service providers and the last two with the respondents' development proposals for new service concepts. Finally, the results, findings and recommendations are presented in the analysis.

4.1 Analyzing and grouping the respondents

At first, the respondents (44 pcs) were grouped according to the decades when their houses were built. The figure shows the respondents deviation between different decades and amount of houses.

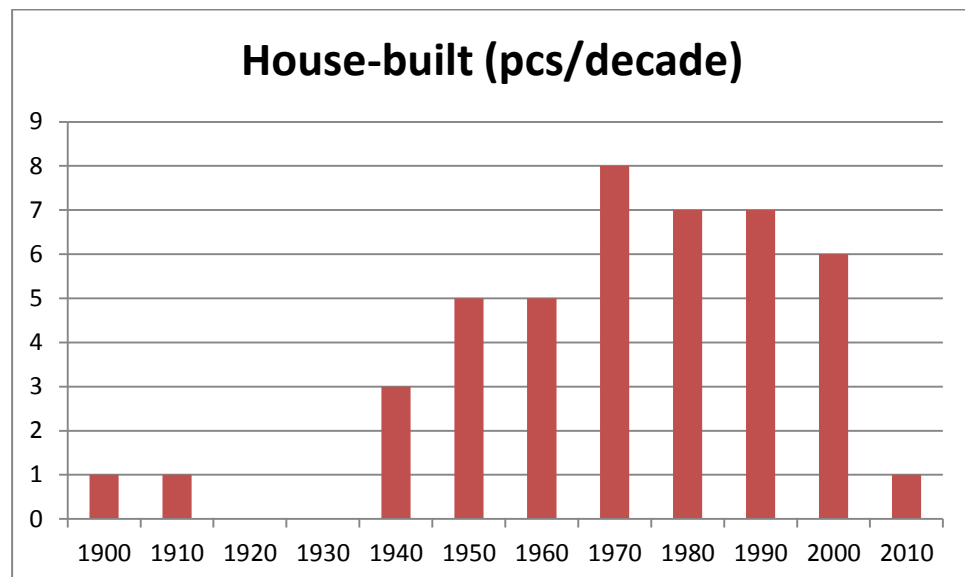


Figure 4-1: Number of respondents according to the decades when their houses were built.

Typical maintenance or repairing periods can be estimated according to an average life time cycle of mechanical construction parts or machines. According to the table 4-2, a house age between 20 - 60 years should have been renovated. The limitation factors were as follows: The houses that have been built between 1900-1939, (2 pcs), are most probably built in a different way than the newer houses. Usually very old houses have unique and traditional renovation methods, which are not similar or parallel with the new ones. Also, rather new houses don't have any needs for renovation as the answers pointed out in this survey. The houses that were built between 1992-2012 (9 pcs) should not have any significant renovation needs. Without taking those two groups into account, the analysis and results of the survey create more valid data.

Table 4-2: Typical maintenance or repairing periods for mechanical systems (Taloyhtio.net 2013).

Construction part/machine	Maintenance/repair (years)
Heat canals outside	20
Heat pipes inside building	30-50
Cast iron radiator	> 50
Surface radiators	30
Heat circulation pump	15
Heat expansion tank	30
Control system of heating	15
Line control valves	< 25
Radiator thermostat	10
District heating system	< 20
Plumbing pipes	30
Drainage pipes	30-50
Faucet mixer	10
Toilet seat	20
Other water and drainage faucet	30
Supply air unit	< 30
Exhaust air unit	15
Electricity system	30

According to the table 4-2, the respondents were limited only for questions 2-5. When the limitation is added on the whole group of 44 respondents, the number of adequate respondents will decrease to 33 (75%) of respondents. This action made the research more simply to follow. Otherwise, if grouping would have been made according to the decades, analyzes would have been fragmented into very small groups. By grouping the respondents inside this limited group, the study can be

carried through in a reasonable time schedule and be clear for the readers. This limited group of respondents own houses that are built between 1940-1991.

This limited group formed the basic group of the research and it was cross-evaluated for executed and planned renovation projects. The number of figures was minimized to four: Each of the four renovation areas was analyzed according to executed and planned renovation projects. The survey was divided in two main renovation areas: external and internal renovations. The external renovation areas were the foundation and façade renovations, where internal renovations were the heating, ventilation, air condition (HVAC) and interior renovations.

4.2 Market potential

The first objective was to estimate different renovation market potentials.

Objectives that needed to be studied were:

- History and the future demands in the selected construction areas
- What product or service areas can be seen as the most attractive in renovation?
- Which customer segments are the most important now and in the near future?

Questions 1-5 in the survey were estimating the answers to the sub-research questions. The questions were:

1. When was your house built?
2. What foundation renovations have been made or are planned?
3. What facade renovations have been made or are planned?
4. What HVAC renovations have been made or are planned?
5. What interior renovations have been made or are planned?

The answers were grouped, as figure 4-4 shows, for executed and planned renovation projects. As an analysis, the most executed foundation renovations were drainage and/or storm water system and base concrete surface.

This can be understood depending on those two renovations. Usually, when ground moisture has created some problems for house base or foundations, those two mentioned renovation types are executed as a repair. *Radon* system is usually installed after the measuring of the indoor radon-gas air level. This radon problem is mainly in Finland. The Lahti region is one of the worst areas for radon existence, because the ground gravel consists of a lot of radon gas. The knowledge of radon gas problems and harms has slowly increased the renovation level for protecting those disadvantages. The ground concrete lift or repair is caused more or less by construction mistakes, moisture problems, indoor air microbes and microorganisms. These renovations show quite low volumes in the next figure.

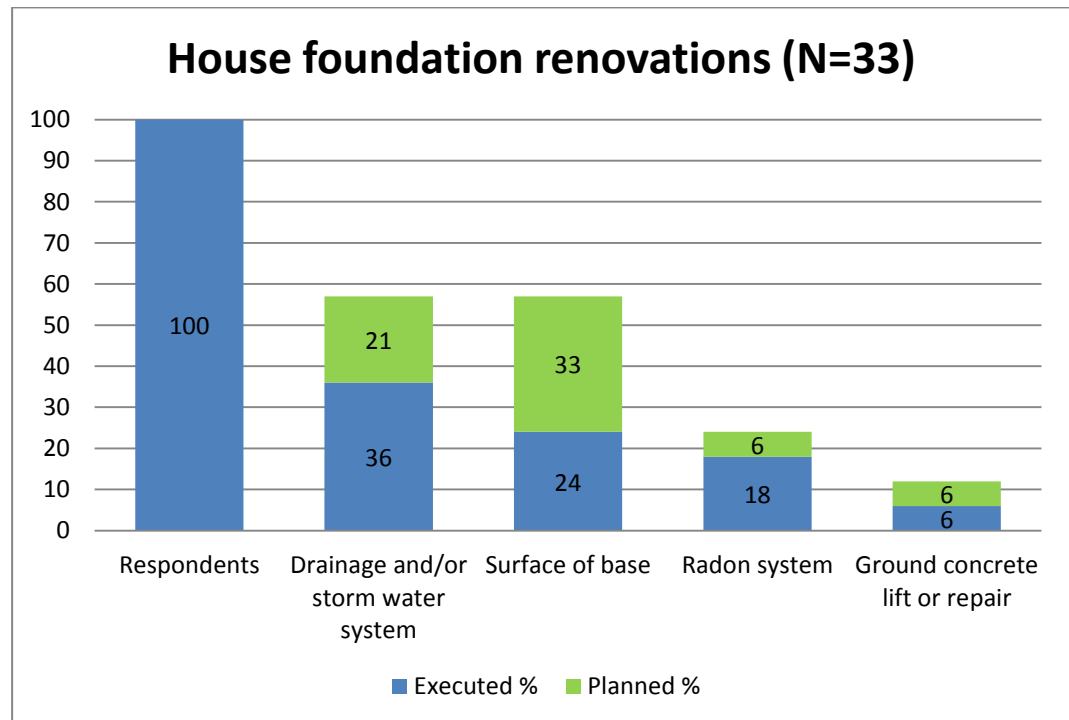


Figure 4-4: House foundation renovations

The house façade renovations can be seen to be slightly more appealing to consumers mind compared to foundation renovations (figure 4-5). This phenomenon can be explained partly because external surfaces of houses have to face lot of different and extreme weather conditions in Finland. Also, the total energy costs have been increased after the energy industry has raised their taxes and pricing according to political decisions.

The most executed façade renovations were the roof and window and/or door renewals. These parts of the houses have to stand through the most extreme weather conditions. According to the figure, the most commonly planned were those renovations, but also, the external wall insulation could also be a good choice according to the mentioned energy and cost saving targets in the future.

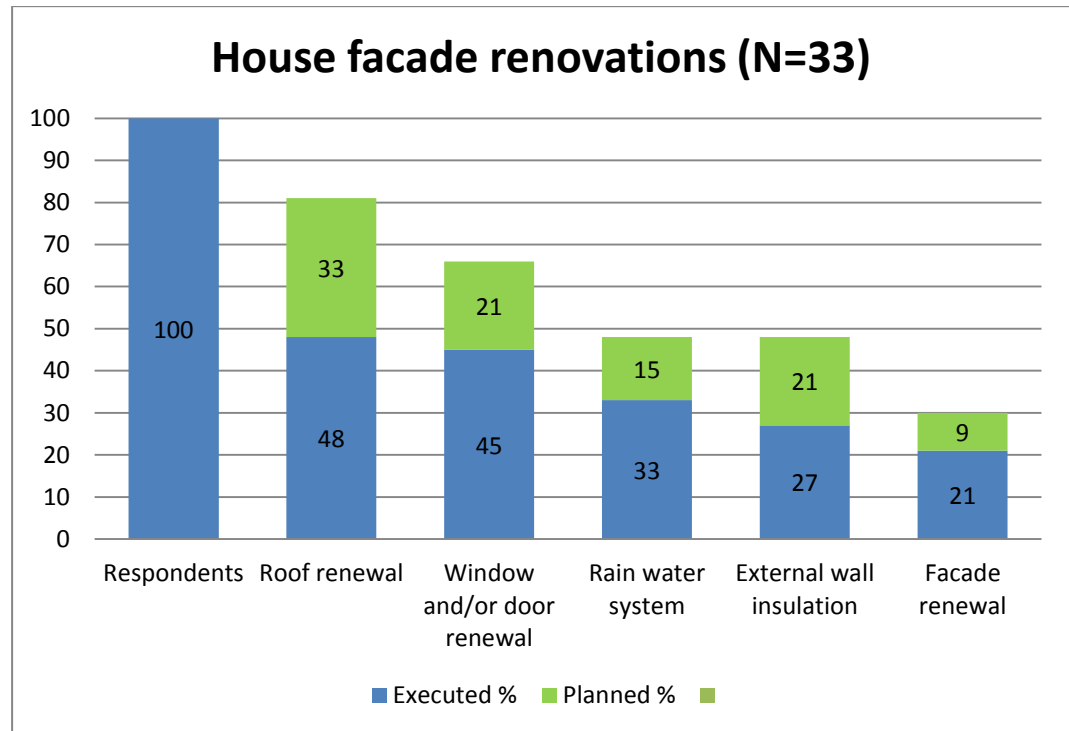


Figure 4-5: House façade renovations

The first internal renovation area, the HVAC renovations, has been attractive from the business perspective during the last several years (figure 4-6). Though, this renovation segment is listed as the most attractive business potential in media's public discussion and topics, the planned activities seem to have a low percentage level. Even most companies have developed a new technology for replacing old and inefficient systems and promising energy or cost savings for their customers.

The most executed renovations in this segment were hot/cold water pipes and heat source renewals. The hot/cold water pipe renewal can be partly explained according to the change of compensation methods from insurance companies. The companies have changed their attitude, regulations and compensation levels for water and moisture damages. One reason for high execution would most probably be the insurance fees, which will rise if a house has old pipes and high risk is

reunited to water damages (Yle uutiset 2013). The heat source renovation, especially ground heat pump renovation, has grown dramatically in Finland because of political decisions. The political decision was to economically support the consumers for changing their old oil burners and electricity systems to new energy efficient systems as the ground heat pumps. The ventilation and sewer renovation seems to be planned more than any other HVAC renovations. The public knowledge of moisture problems in indoor air might have raised consumers' interest. The sewer renovation interest is probably increasing due to the common knowledge of the limited time expectation for those systems and the new technology achievements of sewer pipes's coating inner surfaces. A special phenomenon can be seen from the figure: there are no planned renovations for heating pipes and radiators. Although those systems have long time expectancy, consumers should have renovation plans, taking into consideration the age of the respondents' houses.

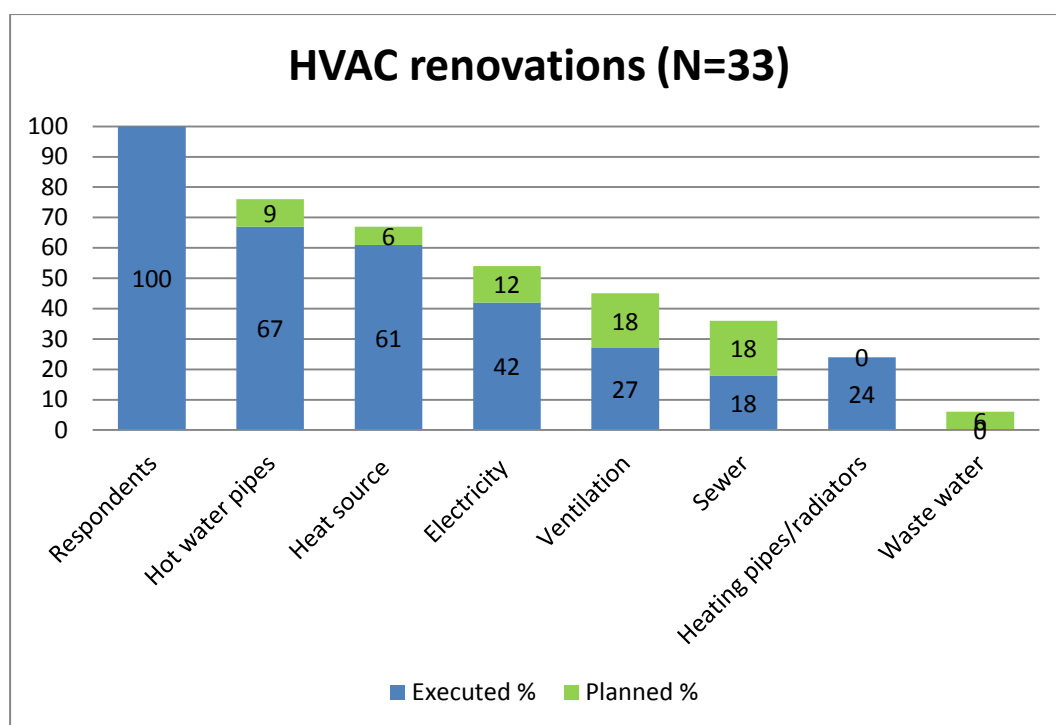


Figure 4-6: HVAC renovations

The second internal renovation area was interior renovations. This area can be seen as the most executed renovation area (figure 4-7). Usually, the bathroom and kitchen renovations are the most expensive internal renovations. Despite this

feature, the mentioned renovations were executed in 73% of respondents' houses. Reason for the phenomenon might be a life cycle expectancy of kitchen furniture and trends in interior design. Even painting and decorating renovations have been executed; the questionnaire did not take into consideration the extent of the renovations. Flooring renewal does have some correlation for furniture and kitchen renovations, but had a surprisingly high Executed-percentage level.

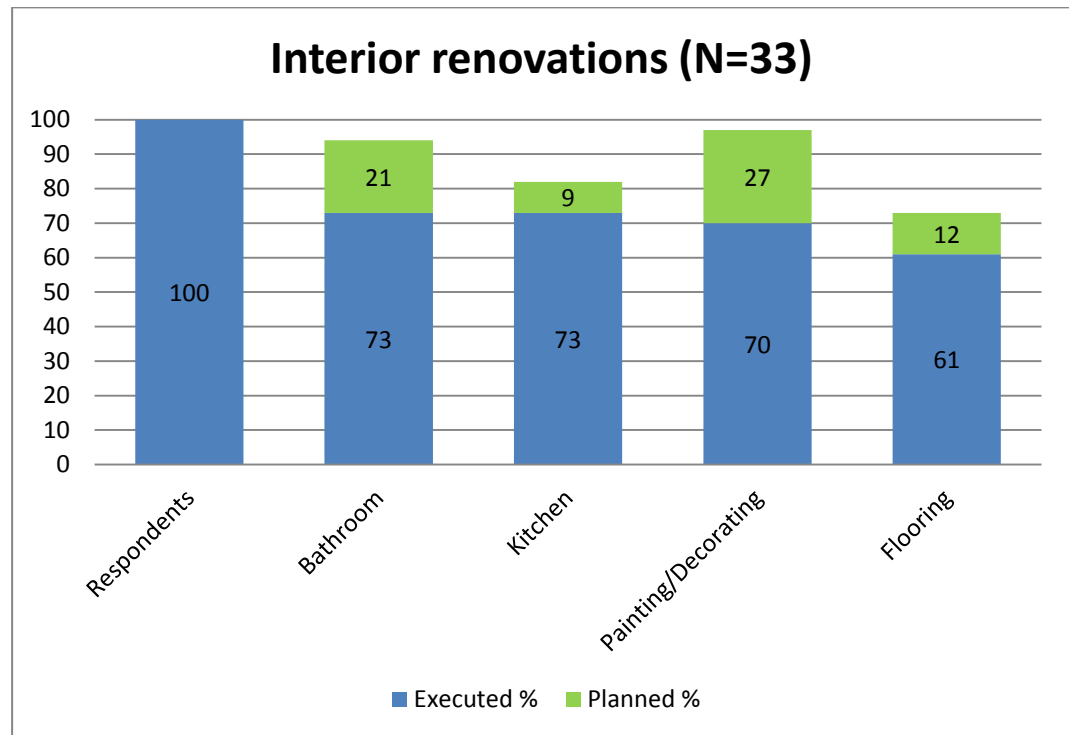


Figure 4-7: Interior renovations

As a summary of market potentials: the planned renovations have a higher percentage level, if the renovation area is simple, easily designed and executed by consumers. These are usually interior and some façade renovation segments. For example, looking at HVAC renovations, the planned renovations had a lower percentage level. This occurrence can be explained through technical oriented issues, which might be too difficult for an ordinary house-owner.

4.3 Consumers' expectations and experiences

The second objective was to evaluate consumers' expectations, wishes, needs and planning experiences; as well as completed and executed renovation projects. For this part of the survey, all 44 respondents' answers were included for the analysis.

The objectives that needed to be studied were:

- What house owners wish from their renovation project and service companies.
- What issues house owners appreciate in service situations.
- What problems house owners have faced with service companies.
- What kind of service concepts customers want.

Questions 6-10 in the survey were estimating the answers to the above sub-research question. The questions 6-8 had a five-point Likert scale options for answers:

6. What do you hope from a service company while planning, purchasing and executing your renovation project?

- A risk free payment schedule
- A fast service
- A home survey
- Comprehensive solutions
- An easy sales offer
- Clear information from the website
- Nice customer service
- The accuracy of time tables
- The quality of work
- The accuracy of cost estimation

7. What are the biggest problems during planning, purchasing and executing your renovation project?

- Information research from the internet
- Arrange for a home survey
- The quality of websites
- The quality of customer service
- Getting offers from companies
- The quality of execution

- The structure of pricing
- The comparison between offers
- The accuracy of time tables
- Ambiguity in offers
- The accuracy of cost estimations

8. How would you prioritize the following factors, when choosing a renovation service company?

- Finding a company with e.g. Google-search
- The payment terms
- The quality of company's website
- Wide range of solutions
- The fast offer treatment
- The nationality of a company
- The price level
- The recommendations
- The quality of customer service
- The quality of products and guarantee
- The accuracy of price estimation
- The professionalism of personnel

9. What information channels do you use for comparing service providers?

- Magazines
- Other, (social media)
- Construction fairs
- Free-post advertising
- Internet discussions
- Hardware store services
- Local newspaper
- Professional Magazines
- Internet search
- Recommendations from other customers

10. Which communication channels would you prefer for acquiring sales offer and contact from a service provider?

- Other (Social media)
- With a letter
- By phone
- By a customer meeting
- By email

Question 6. What do you hope from a service company while planning, purchasing and executing your renovation project? According to the result (figure 4-8), the top three important issues were: the quality of work 4.73, the accuracy of the cost estimation 4.73 and the accuracy of timetables 4.61. All of those had been prioritized with numbers of fours and fives only. The next three were: nice customer service 4.30 and easy sales offer 4.20, following, clear information from the service provider's website 4.20. Those had been prioritized with numbers from three to five. The rest four features were: comprehensive solutions 4.09, a home-survey 4.07, a fast service 4.05, and a risk free payment schedule 3.80. The results can be seen in figure 4-8.

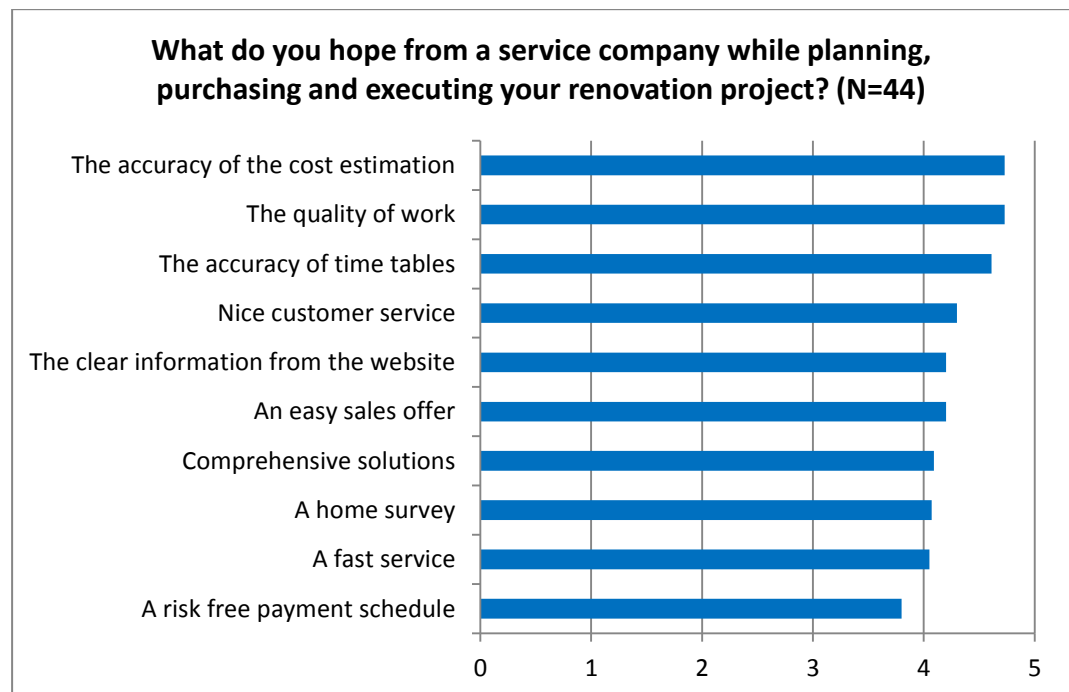


Figure 4-8: Prioritized list of consumers wishes of renovation projects.

As a summary, consumers wish most the quality of renovation and the accuracy of price estimation, accuracy of time estimations and pleasant customer services. The variation of average answer results was low. The result can be explained by typical customer requirements. Customers tend to pursuit and require a perfect service if the costs of the service is not a comparison feature, as it is in this case.

Question 7. What are the biggest problems during planning, purchasing and executing your renovation project?

The experienced problems during the renovation projects were discovered. Consumers have used or have heard that someone has used services that have been delivered without problems. Those problems were listed and prioritized as follows (figure 4-9): The first four were: Accuracy of cost estimations 3.73, Ambiguity in offers 3.68, Accuracy of the renovation time tables 3.66, and Comparison between offers 3.66. The next four were: Structure of pricing 3.57, Quality of execution 3.52, Getting offers 3.52, Quality of customer service 3.43. The final three were: Quality of websites 3.09, Arrange for a home-survey 2.86, and Information from the Internet 2.77. The results can be found in figure 4-9.

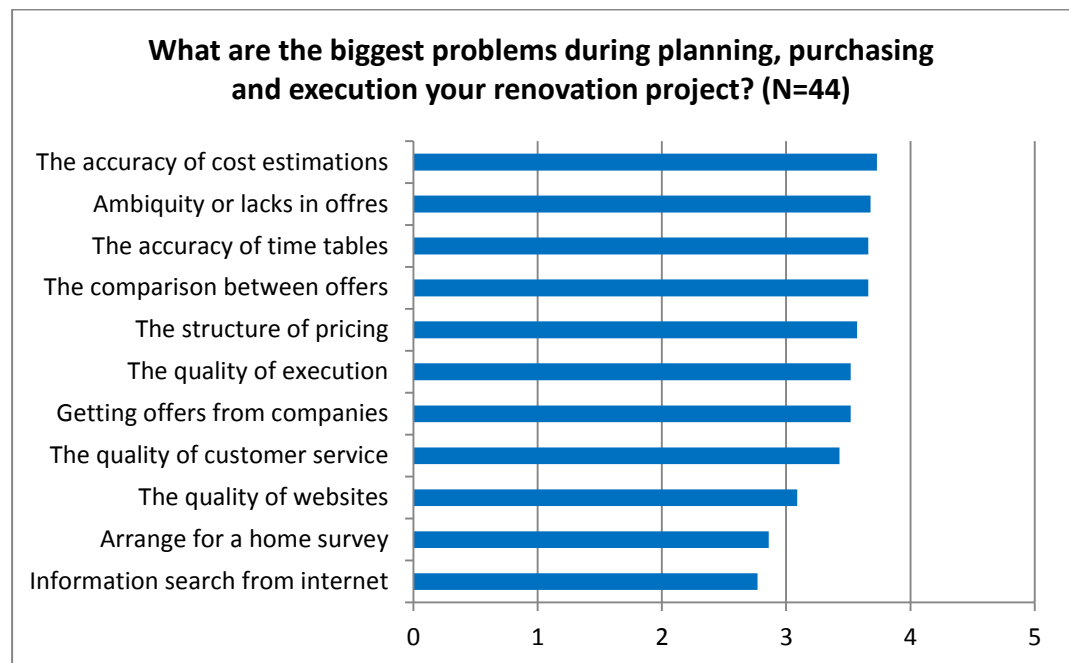


Figure 4-9: Prioritized list of problems faced during renovation projects.

As a summary, the first six problems that are mentioned are linked to the customer's economy-risk management. Overall, the average results of the answers were below four. The explanation to this remains unclear.

Question 8. How would you prioritize the following factors, when choosing a renovation service company? The answers were prioritized as follows (figure 4-10): Personnel's professionalism 4.82, Price accuracy 4.73, Quality of products and guarantee 4.57, Quality of customer service 4.32, Recommendations 4.25, Price level of service 4.20, Company's nationality 3.98, Fast offer 3.82, Wide range of solutions 3.80, Quality of company's website 3.64, Payment terms 3.55, Finding a company by Google search 3.41.

The results can be found in figure 4-10.

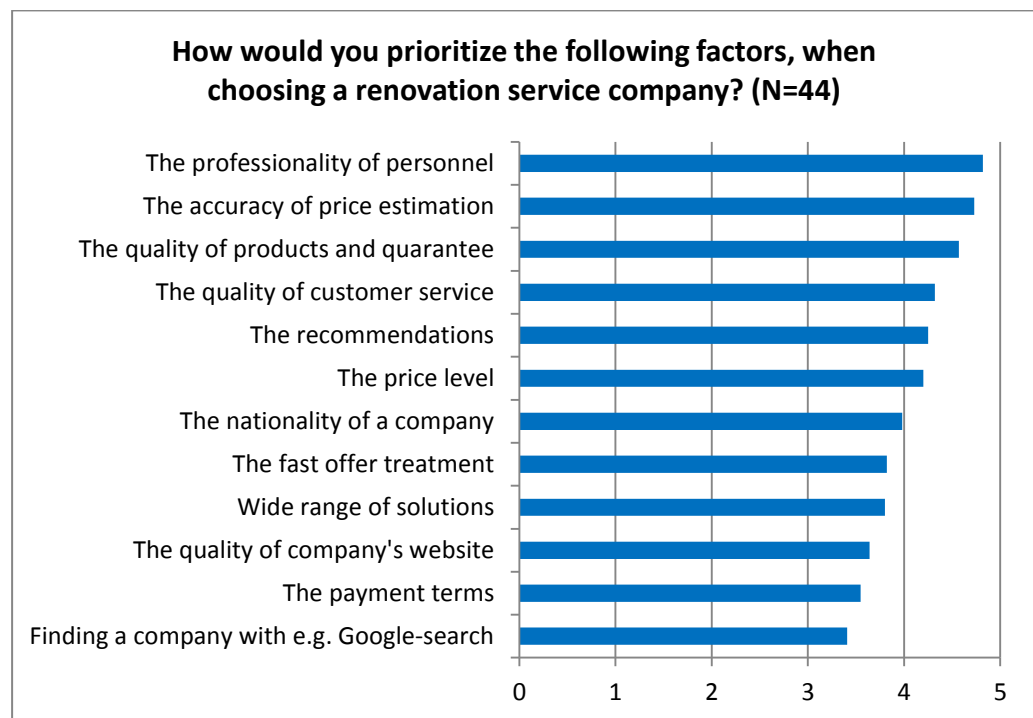


Figure 4-10: Prioritized list of factors for choosing a service company.

Findings from the results: the first four factors are linked to quality of service and products; as well as financial or warranty risks that consumers might face when choosing the service provider. These factors need to be assessed in terms of paying for financial inputs and obtaining experienced outputs. Usually, a consumer tries to get some recommendations from another customer's experience with the particular company.

Question 9. What information channels do you use for comparing service providers? For this question, the respondents were able to choose multiple answers. The answers were prioritized as follows (figure 4-11): Recommendations from others 86%, Internet-search 73%, Professional Construction magazines 50%, Local newspaper 45%, Hardware-stores' services 45%, Internet discussions 34%, Free-post advertising 30%, Construction fairs 30%, Other 11% and Magazines 7%. The results are presented in figure 4-11.

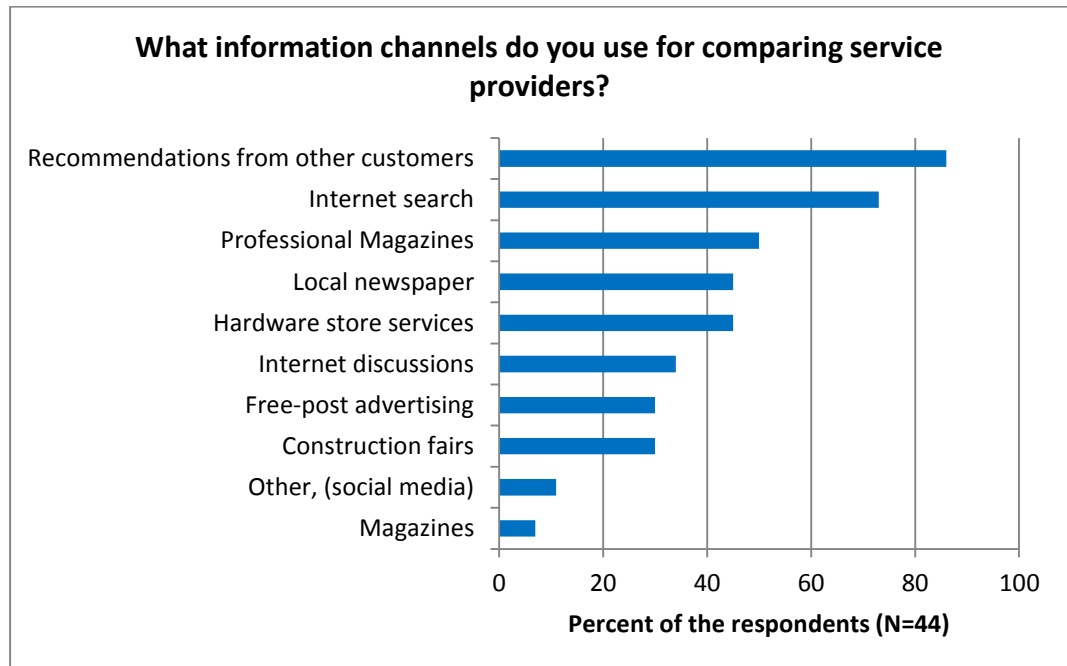


Figure 4-11: The most important information channels according the respondents.

As already seen, the recommendations are the most important information channel while comparing the service providers. Internet, as a quite new information channel, was already prioritized as the second important channel. For example, the traditional marketing channels, like printed advertising and magazines, were not as popular as e-commerce through Internet.

Question 10. Which communication channels would you prefer for acquiring sales offer and contact from a service provider? The respondents prefer communication by emails 89%, by customer meeting 57%, by phone 39%, by letter 11% and other (social media) 2%. The results are presented in figure 4-12.

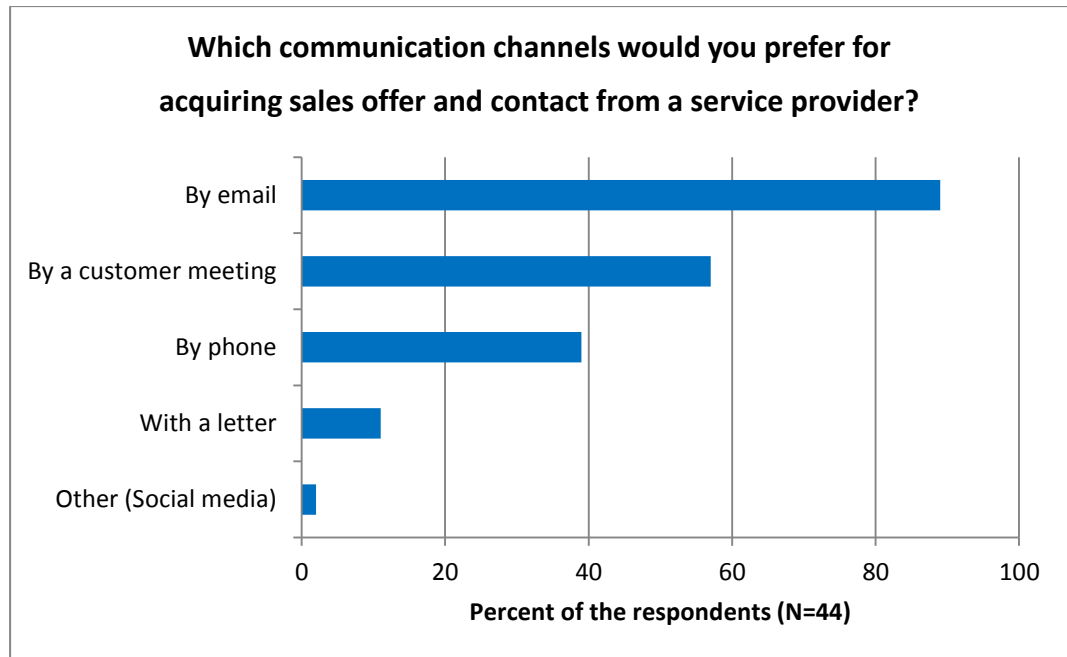


Figure 4-12: The most important channels for communication according to the respondents.

Finnish people are usually rather distant; the respondents strengthen this view even more. They like to be contacted distantly with emails for the mentioned reason, but also when it comes to getting a written document from a company.

4.4 The respondents' development proposals

The third sub-research question was: How can services be developed in the future? Objectives that need to be studied were:

- What kind of service concept would be suitable for most of them?
- Are there any new tools to create new extra value for customers and companies?

Questions 11 and 12 in the survey were estimating the answers in regards to the above sub-research question. The questions were designed to serve the researcher for developing of a new service model or concept.

11. Choose the most comfortable service path for your own renovation design.

- A customer meeting
- An estimation of price-offer
- A preliminary survey
- A sales offer
- A sales agreement

12. How would you describe an ideal renovation service? (This was an open-ended question)

Question 11. Choose the most comfortable service path for your own renovation design. The question was optional and the answer rate was 98%. Only one person did not answer the question. The answer has multiple choices and all choices weren't mandatory. The prioritized list was: Customer meeting 2.27, Preliminary price-offer 2.59, Preliminary survey 2.82, Sales offer 3.17 and Sales agreement 3.83.

The results are presented in figure 4-13.

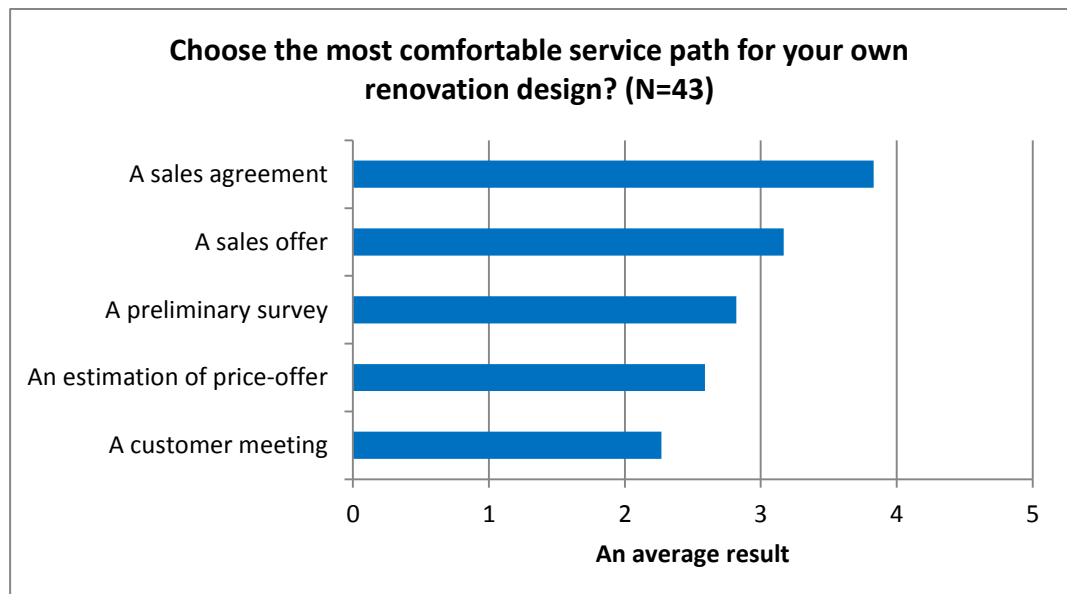


Figure 4-13: The most pleasant service path for service process according to the respondents.

This is rather a traditional path for service processes in business renovation. The respondents didn't see any new ways to develop service process by prioritizing defined service touch points.

Question 12. How would you describe an ideal renovation service? The question was open and optional for the respondents. The number of respondents were 23, which was 52% of the total. Findings from the answers were: the descriptions were in line with the previous answers. The same expectations, hopes, wishes, problems, information and connecting channels, service paths were listed in those answers.

4.5 Summary of results, findings and recommendations

The consumer survey was designed and analyzed in accordance with the sub-research questions. The first objective was to define and analyze market potential for single-house renovation businesses. According to the first five questions, both internal and external renovations have interesting market potentials.

The second objective was to define and analyze the consumers' expectations, experiences, needs, wants and problems to plan, compete and execute renovation projects. As a summary, consumers wish quality and the accuracy of services and timetables. Also, the highest prioritized problems are linked to economic risks, time management and comparing different renovation service offers. When choosing a service provider, the findings concentrated to the quality of service, products, financial and warranty risks. Those were the most important factors when comparing different companies. The recommendation for the service provider; the recommendations from other customers were the most important information channel while comparing the service providers. Internet, as a quite new information channel, was already prioritized as the second most important channel. In communication, the respondents liked to be contacted distantly with emails, but they also liked to get a written document from a company.

The third objective was to develop a new service development process model concept for service providers. The answers for those questions did not give any new development ideas, but this was also as an expected result. According to the

literature review and the consumer research, a new service development process model can be roughly created.

Recommendations for service development are: companies need to list their customers and design their service concepts in order to meet up to the customer's requirements. The value proposition should benefit both customers and the company. The service process flow should be analyzed and simplified as much as possible. Extra service touch points will not increase the customer value. The new service offers should explain all the value aspects to the customers; even if they seem to be too obvious. The customers want to hear and see the obvious services that companies have to offer. Finally, the companies should design new service concepts to fulfill the unmet customer demands. New service concepts should reflect new customer behavior such as e.g. Internet and social media.

5 CONCLUSIONS

As conclusion, the study objectives were achieved. At first, the market potential of single-house renovation businesses was defined. According to the research, there are and there will be attractive renovation market segments in Finland in the near future. Hence, companies should analyze constantly what their market segments are and make customer surveys. Companies should follow their existing market volumes or profits and compare those to new future megatrends in the renovation industry. New housing technology development or political decisions may support consumer activities for renovations. For example, national energy saving targets might start a new rising business segment. The need for service development should be evaluated and assessed if market analyses give any signals of change. The customer intimacy processes or customer oriented service models will help to shorten this reaction time assisting in the development-need evaluation.

The second objective; the lists of private single-house owners' wishes, challenges and problems to plan and complete; as well as executing renovation projects were prioritized according to respondents. According to the research, the consumers want quality in services and risk free trading. They also use Internet and recommendations for comparing the service providers. The service design process might influence the company's existing internal value chain to more customers. This needs to be accepted if companies want to change their customer service strategy for a more customer oriented model.

The third objective; the service development possibilities were pointed out. According to the research, the customers have experienced poor service or at least know what kind of problems can be expected during renovation projects. This result should be reflected by the need for service development. When the need for a service development project is recognized, the company management should show their commitment to the service development work and link the work to the company strategy. This creates a bond between service and business targets among company's employees. As stated, in service development, the customer value creation is the key factor. Hence, the result of the service development process should create a shared value to both customers and companies. This

usually might need some sort of simplification of internal value chain inside the company organizations.

The fourth objective was to create a framework for process development by taking service and business development into account. Often in corporate management decisions, especially in big companies, service development projects may remain as an unclear situation compared to business development targets overall. For example, the managerial decision is to picture a SWOT of the company and segment their customers. Thus, the organization will follow the request and present their vision of the situation; the rest of the development process or linkage to the overall business targets can maybe leave without revealing from a management or a board. Hence, the commitment from an employee could remain in unsatisfaction towards the management. Even if, the target was to create a new service model or a concept, the irrelevant process development parts cannot create the big picture in the employees mind. Being just a member of the service development project group, might do not add employees' commitment for the development project. The desired service development targets and link to business targets would be a critical issue to go through with employees that need to take their part of a service development project.

As the main research question was designed: the target of the study was to create an understanding on how customer intimacy can help to develop renovation services and businesses. As the question states, the customer's intimacy needs to be bonded to the service and business development. When looking back to this study, the literature review created the framework for a process flow of customer intimacy, service and business development. Even, the list of theoretical issues can be seen as a rough version; the connection between those two development areas can be connected to customer intimacy.

The final result of the study can be drawn and simplified as follows: the three questions... what to sell, whom to sell, how to sell; can be placed as main titles of a development process. Under those titles, the literature review issues can be divided accordingly to the question. This will create three main titles with study objectives for service and business development. The result of executing those objectives should form a business plan to be evaluated.

As a summary of conclusion, the customer intimacy in service operations will automatically lead companies to seek out for new and more efficient or profitable business models. For example, new more efficient or profitable service concepts can be developed by new technologies, like the Internet.

The evaluation of reliability is a key part of the scientific research. The research is subject to certain norms and values to which it should aspire. The reliability of the key concepts has traditionally been the reliability and validity in assessing the reliability of the measurement of quantitative research.

Reliability perceptions and validity concepts in the qualitative research's suitability may vary. Some researchers apply the traditional concepts of the qualitative research; some of the terms that have been developed are better suitable for qualitative research and content while others have abandoned their old concepts and created entirely new terms of tools to assist in the evaluation (Eskola & Beck 2000). In any case, it is clear that qualitative research validity and reliability can't be assessed in the same way as quantitative (Mäkelä, 1990; Eskola & Beck 2000).

There might be a good idea to point out some critical issues concerning the questionnaire design. The questionnaire didn't separate any time measures for executed and planned renovations. If the time measure would have been included on the questions, the results and analyses would have been more detailed and perhaps ratios between executed and planned would have been differed. For example, if the questions would have an option: how long time ago did you renovate... or when you are planning to renovate... the results would have been more informative. According to the answers, the respondents weren't so eager to plan their future renovations for a long-time period. As a validity summary, the study could be repeated with the same kind of results.

For future researches, the time-measured analysis would give more detailed level information and ratios between executed and planned renovations. Also, the renovation segments would be good to limit and choose only internal or external renovations. This would narrow the research and give more useful information of selected renovation business segments. Furthermore, new market entry-launch

technics for new service concepts would be good to be analyzed. There are many new possibilities and technologies inside the Internet about e.g. retargeting and personalized marketing.

According to the service design model of Tuulaniemi (2011), the planning of service concepts or prototypes, the producing of pilot service concepts and launches, the controlling and systematic improving of services can also be seen as attractive for further research. Those issues are a natural continuation to this study. Also, the presented rough model of combining service and business development in the process model would be good to be evaluated and designed in a more sophisticated and simplified version.

REFERENCES

Written references

Ahonen, T., Ojanen, V. & Reunanen, M. 2010. Customer value driven service business development. Outcomes from the Fleet Asset Management Project. VTT publications 749.

Arantola, H. & Simonen, K. 2009. Palvelemisestä palveluliiketoimintaan: Asiakasymmärrys palveluliiketoiminnan perustana. Tekesin katsaus 256/2009. Helsinki. Available in:
http://www.tekes.fi/document/43080/palvelemisesta_palveluliiketoimintaa_pdf

Brooksbank, R. 1994. The Anatomy of Marketing Positioning Strategy. Emerald

Chesbrough, H., Vanhaverbeke, W. & West, J. 2006. Open Innovation: Researching a New Paradigm. Oxford University Press.

Frei, F. X., The Four Things a Service Business Must Get Right. 2008. Harvard Business School Publishing.

Goldstein, S. M., Johnston, R & Duffy, J. & Raod, J. 2002. The service concept: the missing link in service design research? Journal of Operations Management. [referenced 18 October 2013]. Available in:
http://faculty.babson.edu/jayrao/published_articles/service_concept-JOMArticle.pdf

Grönroos, C. 2000. Palveluiden johtaminen ja markkinointi. Service Management and Marketing. A Customer Relationship Management Approach. Porvoo: WS Bookwell Oy.

Hämäläinen, K., Nyman, J., Björk, P. & Lammi, M. 2009. Desire-projektin loppuraportti. Markkinalähtöinen palvelumuotoilu innovaatiotoiminnassa. Taideteollinen korkeakoulu.

Jaakkola, E., Orava, M & Varjonen, V. 2009. Palvelujen tuotteistamisesta kilpailuetua. Opas yrityksille. Tekes. Helsinki. Available in:
http://www.tekes.fi/document/43010/palvelujen_tuotteistamisesta_kilpailuetua_pdf

Korhonen, H., Valjakka, T. & Apilo, T. 2011. Asiakasymmärrys teollisuuden palveluliiketoiminnassa. Tavoitteena ostava asiakas. VTT Research Notes 2598.

Martikainen, M. 2008. Painoarvoa palvelujen kehittämiseksi. Elinkeinoelämän keskusliitto EK.

Meristö, T., Molarius, R., Leppimäki, S., Laitinen, J. & Tuohimaa, H. 2007. Laadukas SWOT. Työkalu pk-yrityksen innovaatiövetoisen tulevaisuuden menestyksen turvaamiseksi. Åbo Akademi. Turku: Corporate Foresight Group.

Miettinen, S, Raulo, M and Ruuska, J. 2010. Palvelumuotoilu- uusia menetelmiä käyttäjätiedon hankintaan ja hyödyntämiseen. TEM.

Miles. 2008. Patterns of innovation in service industries. IBM Systems Journal, Vvol 47, no 1, 2008. International Business Machines Corporation.

Morelli, N. 2002. Designing Product/Service Systems. A Methodological Exploration. Massachusetts Institute of Technology Design Issues: Volume 18, Number 3.

Päällysaho, S. & Kuusisto, J. 2006. Osaamisen suojaaminen palveluja kehittävässä yrityksissä. Tekes. Helsinki 2006. Libris Oy. Available in:
http://www.tekes.fi/document/43061/osaamisen_suojaaminen_pdf

Paiho, S., Heimonen, I., Kouhia, I., Nykänen, E., Nykänen, V., Riihimäki, M. & Vainio, T. 2009. Putkiremonttien uudet hankinta- ja palvelumallit. VTT Research notes 2483.

Pulakka, S., Heimonen, I., Junnonen, J-M. & Vuolle, M. 2007. Talotekniikan elinkaarikustannukset. Espoo: VTT Research Notes 2409.

Storbacka, K., Blomqvist R., Dahl, J. & Haeger, T. 1999. Asiakkuuden arvon lähteillä. Juva: WSOY

Suomen virallinen tilasto: Asunnot ja asuinolot [verkkójulkaisu]. ISSN=1798-6745. Yleiskatsaus 2011, 1. Asuntokanta 2011 . Helsinki: Tilastokeskus [viitattu: 3.9.2013]. Saantitapa:
http://tilastokeskus.fi/til/asas/2011/01/asas_2011_01_2012-10-24_kat_001_fi.html

Vuokko, P. 1997. Avaimena asiakaslähtöisyys. Helsinki: Oy Edita Ab.

Electronic Sources

Aalto University. 2013. Palvelumuotoilu - innovoi, suunnittele ja kehitä palvelusi uudelle tasolle. [referenced 16 October 2013]. Available in:
https://aalto.pro.aalto.fi/fi/koulutus/avoin_koulutus/koulutushaku/course/palvelumuotoilu/

Cross, V. 2013. Customer Orientation Examples. Demand Media. [referenced 21 October 2013]. Available in: <http://smallbusiness.chron.com/customer-orientation-examples-10201.html>

Finlands Bank. 2008. Research report. [referenced 8 October 2013]. Available in:
http://www.suomenpankki.fi/fi/tutkimus/tutkimustiedote_online/2008_1/pages/1_2008_1.aspx, accessed 7.10.2013.

Handelsbanken Capital Markets. 2011. Talousennuste. [referenced 8 October]. Available in:
[http://www.handelsbanken.fi/shb/inet/icentfi.nsf/vlookuppics/x_tietoa_handelsbankenista_20110512_talousennuste_tiedotteeseen/\\$file/20110512_talousennuste_toukokuu_2011.pdf](http://www.handelsbanken.fi/shb/inet/icentfi.nsf/vlookuppics/x_tietoa_handelsbankenista_20110512_talousennuste_tiedotteeseen/$file/20110512_talousennuste_toukokuu_2011.pdf)

Heskett, J. L., Sasser, W. E. & Schlesinger, L. A. 1997. Service Profit Chain. The free press. [referenced 19 October 2013]. Available in: http://www.google.fi/books?hl=fi&lr=&id=i_JXqsrbZ6IC&oi=fnd&pg=PR15&dq=The+Service+Profit+Chain+heskett&ots=qOqQa38gW-&sig=FmeFfrsizt008W40fmy_JblmrtA&redir_esc=y#v=onepage&q=The%20Service%20Profit%20Chain%20heskett&f=false

Järvinen, J. 2013 Talouselämä. Digitaalisuus – ainako hyvä asia? [referenced 17 October 2013]. Available in: <http://www.talouselama.fi/kumppaniblogit/accenture/digitaalisuus++ainako+hyva+asia/a2206607>

Karagiannopoulos, G.D., Georgopoulos, N. & Nikolopoulos, K. 2005. Fathoming Porter's five forces model in the internet era. Emerald Group Publishing. vol. 7 no. 6 2005, pp. 66-76. [referenced 20 October 2013]. Available in: http://www2.ju.edu/jo/sites/Academic/a.abuelsamen/Material/Marketing%20Management-MBA/Articles/Fathoming_Porter's.pdf

Kauppalehti. 2011. Report. [referenced 10 October 2013]. Available in Kauppalehti: <http://www.kauppalehti.fi/5/i/porssi/omaraha/uutiset.jsp?oid=20110368131>

Knowledge Sharing Toolkit. 2013. SWOT Analysis. [referenced 19 October 2013]. Available in: <http://www.kstoolkit.org/SWOT+Analysis>

Laitinen, P. 2007. Korjausrakentamisesta tulee pian rakentamisen valtavirta. Asuinrakennusten korjauksiin herätellään kansanliikettä. Helsingin Sanomat. [referenced 9 October 2013]. Available in: <http://www.hs.fi/talous/artikkeli/Korjausrakentamisesta+tulee++pian+rakentaminen+valtavirta/HS20070704SI2TA01ov3>

Lehtinen, E., Nippala, E., Jaakkonen, L. & Nuuttila, H. 2005. Asuinrakennukset vuoteen 2025. Uudistuotannon ja perusparantamisen tarve. VTT Rakennus- ja yhdyskuntateknikka [referenced 11 October 2013]. Available in: http://www.vtt.fi/inf/julkaisut/muut/2005/asuinrakennukset_vuoteen_2025.pdf

Lopez-Ona, J. 2011. Service Design vs. Product Design – 5 Key Differences. [referenced 22 October 2013]. Available in: <http://blog.ssqi.com/2011/12/19/service-design-vs-product-design-difference/>

McMahon, M. 2013. WiseGEEK. What Is Customer Intimacy? [referenced 21 October 2013]. Available in: <http://www.wisegeek.com/what-is-customer-intimacy.htm>

Melkas, H. 2013. Palveluinnovaatiot: mitä ihmettä ne ovat? Lappeenranta University of Technology. [referenced 17 October 2013]. Available in: <http://www.lut.fi/service-innovations>

Ministry of Employment and the Economy (TEM). 2013. Kokonaistuotannon rakenne. [referenced 24 October 2013]. Available in: http://www.ek.fi/ek/fi/suhdanteet_ym/perustietoja_suomen_taloudesta/kokonaistuotannonrakenne.php

Ministry of Employment and the Economy (TEM). 2013. Palveluinnovaatiot. [referenced 16 October 2013]. Available in: <http://www.tem.fi/innovaatiot/palveluinnovaatiot>

Ministry of Employment and the Economy. 2013. Palvelujen rakenne. [referenced 24 October 2013]. Available in: http://www.ek.fi/ek/fi/suhdanteet_ym/perustietoja_suomen_taloudesta/palvelujen_rakenne.php

Määttänen, N. & Valkonen, T. 2010. Varallisuus ja eläkkeelle siirtyminen. [referenced 7 October 2013]. Available in: <http://www.etla.fi/wp-content/uploads/2012/09/B243.pdf>.

NetMBA. 2013. [referenced 12 October 2013]. Available in: <http://www.netmba.com/marketing/market/analysis/>

Pajakkala, P. 2010. Asuntojen rakentamis- ja korjaustarve - rakennetaanko ja korjataanko Suomessa asuntoja riittävästi. [referenced 9 October 2013]. Available in: <http://www.vtt.fi/files/news/2010/AsuntojenjakorjaamistarveOPPajakkala.pdf>

Porter, M. E. & Kramer, M. R. 2011. Creating Shared Value: How to reinvent capitalism and unleash a wave of innovation and growth. Harvard Business Review. [referenced 15 October 2013]. Available in: http://www.hks.harvard.edu/m-rcbg/fellows/N_Lovegrove_Study_Group/Session_1/Michael_Porter_Creating_Shared_Value.pdf

Porter, M. E., 1985. Competitive Advantage. Ch. 1, pp 11-15. New York. The Free Press. [referenced 6 October 2013]. Available in: <http://www2.ifm.eng.cam.ac.uk/dstools/paradigm/genstrat.html>

Porter, M. E., 2008. The Five Competitive Forces That Shape Strategy. Harvard business review. [referenced 7 October 2013]. Available in: http://iegsites.s3.amazonaws.com/sites/4e8476903723a8512b000181/contents/content_instance/4f15bab63723a81f24000182/files/HBR_on_Strategy.pdf#page=25

Reijula, K., Ahonen, G., Alenius, H. & Holopainen, R. 2012. Rakennusten kosteus- ja homeongelmat. Eduskunnan tarkastusvaliokunnan julkaisu. [referenced 19 October 2013]. Available in: <http://web.eduskunta.fi/dman/Document.phx?documentId=er28612160849612&cmd=download>

Roti. 2013. Report. [referenced 9 October 2013]. Available in:
http://www.roti.fi/document.php?DOC_ID=224&SEC=321c8a2a021f24ce3715ba9100fa30ba&SID=1, cited 9.10.2013

Ruohio, V. 2013. Laiminlyöty putkiremontti on kansantaloudellista haaskausta. Uponor Suomi Oy. [referenced 11 October 2013]. Available in:
http://www.uponor.fi/fi-FI/Ajankohtaista/Tiedotteet/Laiminlyoty_putkiremontti.aspx

Suomalais-ruotsalainen kauppakamari (Finsve). Markkina-analyysi – miksi ja miten? [referenced 12 October 2013]. Available in:
<http://www.finsve.com/index.php/fi/markkina-avalmistelu/markkina-analyysi>

Suomen virallinen tilasto (SVT): Asunnot ja asuinolot. ISSN=1798-6745. Yleiskatsaus 2012, 1. Asuntokanta 2012 . Helsinki: Tilastokeskus [referenced 10 October 2013]. Available in:
http://tilastokeskus.fi/til/asas/2012/01/asas_2012_01_2013-10-18_kat_001_fi.html

Säylä, M. 2008. Asunto omaksi työllä, velalla ja perimällä. Finland Statistic. [referenced 7 October 2013]. Available in:
https://www.stat.fi/artikkelit/2008/art_2008-03-12_001.html.

Talouselämä. 2013. Suomen teollisuus romahtaa - "yksi suurimmista pudotuksista" [referenced 6 October 2013]. Available on Talouselämä websites:
<http://www.talouselama.fi/uutiset/suomen+teollisuus+romahtaa++yksi+suurimmista+pudotuksista/a2206598>.

Taloyhtio.net. 2013. Vesi- ja viemärijärjestelmien elinkaaret ja kunnossapitojaksot. [referenced 19 October 2013]. Available in:
<http://www.taloyhtio.net/talotekniikka/vevi/elinkaaret/>

Wikipedia 2013. Kvantitatiivinen tutkimus. [referenced 15 November 2013]. Available in: http://fi.wikipedia.org/wiki/Kvantitatiivinen_tutkimus

Wikipedia. 2013. Brand Positioning. [referenced 16 October 2013]. Available in: [http://en.wikipedia.org/wiki/Positioning_\(marketing\)](http://en.wikipedia.org/wiki/Positioning_(marketing))

Wikipedia. 2013. Market Segmentation. [referenced 16 October 2013]. Available in: http://en.wikipedia.org/wiki/Market_segmentation

Wikipedia. 2013. Palvelumuotoilu. [referenced 15 October 2013]. Available in: <http://fi.wikipedia.org/wiki/Palvelumuotoilu>

Wikipedia. 2013. Service (economics). [referenced 13 October 2013]. Available in: [http://en.wikipedia.org/wiki/Service_\(economics\)](http://en.wikipedia.org/wiki/Service_(economics))

Videos

Creating Shared Value, Michael E. Porter,
<https://www.youtube.com/watch?v=z2oS3zk8VA4>

Design the New Business, <http://www.designthenewbusiness.com/> linked from
<http://palvelumuotoilu.fi/>

Reima Rönholm, Service Design agency Palmu Inc. "From Expertise to Experimentation – Because No Service Concept Survives Its First Contact with a Customer" <http://palvelumuotoilu.fi/>, Service design breakfast.

APPENDICES

APPENDIX 1

1. Milloin talonne on rakennettu?
2. Mitä perustusremontteja taloonne on tehty tai on suunnitteilla?
3. Mitä julkisivuremontteja taloonne on tehty tai on suunnitteilla?
4. Mitä LVIS-remontteja taloonne on tehty tai on suunnitteilla?
5. Mitä sisustusremontteja taloonne on tehty tai on suunnitteilla?
6. Mitä toivot kotisi remonttien suunnittelun, hankinnan ja toteutuksen osalta?
7. Mitkä ovat mielestäsi suurimmat ongelmat remonttien suunnittelun, hankinnan ja toteutuksen osalta?
8. Kuinka tärkeänä pidätte seuraavia tekijöitä valitessanne remonttia myyvää yritystä?
9. Mitä tiedonhankintakanavia käytätte palveluja vertaillessa?
10. Mitä seuraavista kanavista suositte tarjouksen saannissa ja yhteydenpidossa?
11. Valitse omasta mielestäsi miellyttävin palvelupolku remontin suunnitteluun.
12. Kuinka kuvailisit täydellisen remonttipalvelun?

APPENDIX 2

1. When your house was built?
2. What house foundation renovations have been made or are planned?
3. What house facade renovations have been made or are planned?
4. What HVAC renovations have been made or are planned?
5. What interior renovations have been made or are planned?
6. What do you hope from a service company while planning, purchasing and execution your renovation project?
7. What are the biggest problems during planning, purchasing and execution your renovation project?

8. How would you prioritize the following factors, when choosing a renovation service company?
9. What information channels do you use for comparing service providers?
10. Which communication channels would you prefer for acquiring sales offer and contact from a service provider?
11. Choose the most comfortable service path for your own renovation design.
12. How would you describe an ideal renovation service?