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Corporate traveler centered development of a loyalty programme

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Degree Programme in Service
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Laurea University of Applied Sciences **Abstract**
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This thesis is a qualitative case study that examined how the airline corporate sales client company employee (known as business traveler) engagement could be developed by the customer co-creation methods in the loyalty programme perspective. The thesis is using the service marketing theory and the service- and customer-dominant logics as the base in understanding the service development and the customer-centric approach. The business-to-business and the relationship marketing theories are investigated to give the perspective on the corporate sales and the loyalty programmes.

The HPI-Stanford Design Thinking Process Model, service design tools and methods were used in collecting the information on the current processes, creating improvements and new development suggestions. Totally two workshops were arranged with the stakeholders. As a result the current corporate sales process was documented by way of the service blueprinting which helped to understand the service process and by way of the stakeholder value network mapping tool to understand the relations between the stakeholders.

The semi-structured interview methods with face-to-face, open-ended questions were used in interviewing the business travelers and other stakeholders. The objective was to create personas based on the interviews. The personas created depicted the different stakeholders and were called: Platinum member *Matti Pekkala,* Silver member *Sauli Rantala* and Basic member *Silja Luoma***.** The personas were used for accomplishing new insights and perspectives to the brainwriting session arranged during the second workshop.

The key findings from the thesis are to design a corporate loyalty programme aimed for the small and medium size companies. Further examination is needed if such a corporate programme could be developed to meet the needs of the larger companies too. Another finding was the need to co-create more with the corporate sales, the travel agents and the travel managers to support the engagement of the individual loyalty programme business traveler membership. The deeper co-creation with the stakeholders would be started by creating campaigns and training material. In addition the business travelers should be more involved in the overall development process of the loyalty programme.

Keywords: Airline relationship marketing, corporate sales, loyalty programme, service design, traveler centered development

Laurea-ammattikorkeakoulu **Tiivistelmä**
Laurea Leppävaara
Degree Programme in Service Design and Innovation

Mika Keskiväli
Kanta-asiakasohjelman kehittäminen liikematkustajakeskeisesti
Vuosi 2015 Sivumäärä 57

Tämä opinnäytetyö on laadullinen tapaustutkimus, jonka tarkoituksen oli tutkia, miten liikematkustajien sitouttamista lentoyhtiön kanta-asiakasohjelmaan voisi kehittää yhteiskehittelymenetelmien avulla. Asiakaskeskeisen lähestymistavan ymmärtämiseksi teoreettinen viitekehys pohjautuu palvelumarkkinointiin sekä asiakas- ja palvelukeskeisiin logiikkoihin. Yritys- ja asiakasmarkkinointiteorioita on käytetty yritys- ja kanta-asiakasohjelman toiminnan ymmärtämiseksi ja toiminnan kehittämiseksi.

Tiedon keräämiseen nykyisestä palveluprosessista sekä parannusehdotusten ja kehitysideoiden tekemiseen käytettiin HPI-Stanfordin kehittämää luovan ajattelun mallia. Tuloksina järjestetyistä työpajoista saatiin muun muassa kuvattua yritysmyynnin nykyinen palveluprosessi *palvelujärjestelmän visuaalisen service blueprinting-menetelmän avulla*. Lisäksi kokonaiskuvan hahmottamiseksi käytettiin *sidosryhmien kartoittamisen sekä niiden välisten arvojen ymmärtämisen* menetelmää.

Liikematkustajien ja muiden sidosryhmien haastatteluissa käytettiin avointa puolistrukturoitua teemahaastattelumenetelmää. Päämääränä oli analysoida haastattelut ja luoda persoonat niiden perusteella. Persoonat edustivat eri sidosryhmiä ja olivat nimeltään: Platinum-jäsen *Matti Pekkala,* Silver-jäsen *Sauli Rantala* sekä Basic-jäsen *Silja Luoma***.** Jälkimmäisen työpajan konseptien kehittämisessä käytettiin *kiertävät ideat* – menetelmää aiemmin luotujen persoonien näkökulmasta.

Opinnäytetyön tulosten perusteella päädyttiin ehdottamaan pienille ja keskisuurille yrityksille suunnatun yrityskanta-asiakasohjelman suunnittelua. Jatkotutkimusta vaatii, josko vastaava yritysohjelma voitaisiin luoda myös suurten yritysten tarpeisiin. Yhteistyötä sidosryhmien välillä pitäisi lisätä liikematkustajien sitouttamiseksi kanta-asiakasohjelmaan. Sidosryhmien välinen palvelun yhteiskehittäminen tulisi aloittaa järjestämällä jäsenhankintakampanjoita liikematkustajien määrän kasvattamiseksi kanta-asiakasohjelmassa sekä tekemällä kanta-asiakasohjelman konseptista koulutusmateriaalia yritysmyynnille, matkatoimistoille ja matkasihteereille. Tämän lisäksi kanta-asiakasohjelman kehityshankkeissa tulisi suunnittelussa liikematkustajat ottaa nykyistä enemmän huomioon.

Avainsanat: Lentoyhtiön asiakassuhdemarkkinointi, yritysmyynti, kanta-asiakasohjelma, palvelumuotoilu, matkustajakeskeinen kehittäminen

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1 Introduction

During the last decades many airlines have introduced frequent flyer programmes in order to engage their customers to their service. According to Gummesson (2002, 278), the American Airlines pioneered in frequent flyer programmes in 1981. The frequent flyer and the loyalty programmes are usually directed to the business-to-consumer (B2C) segments. The basic value of the loyalty programmes for the customer, who is the member of the loyalty programme, is that the loyalty will be rewarded in a useful and meaningful way. (Meyer-Waarden 2013, 194.)

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Figure 1: Removed (Finnair Plus Bookings database)

The passenger's Finnair Plus membership is determined by whether he/she has a Finnair Plus member number in the reservation. The Finnair Plus member number can be added before travelling to the reservation, during the travel or by retroactive registration maximum 6 months after the flight date.

The thesis concentrates on all the stakeholders related to the Finnair corporate sales. The intention is to get an understanding of the status quo of the current corporate sales process. This is achieved by identifying the current steps and processes and interviewing the stakeholders. The goal is to get new insights and find possible new development opportunities on acquiring and serving better the Finnair Plus members better among the corporate client employees.

1.1 Objectives and limits

This thesis is a case study based on the design thinking process, the service design tools, the qualitative research methods such as indirect observations and semi-structured interviews. In addition secondary source material is used and workshops with some of the main stakeholders have been arranged.

The theoretical framework of the thesis is based on the service marketing, business-to-business sector and the customer relationships. The context is Finnair the national airline of Finland. The main stakeholders include the corporate sales, the loyalty programme and the corporates and its employees. The primary objective of this thesis is to improve the loyalty programme engagement among the corporate sales business travelers. The main research questions in the thesis are:

- What is the service process between the loyalty programme and the corporate sales?
- How could the corporate sales processes could be improved from the point of view of the loyalty programme?
- Why the business traveler is a member of the loyalty programme and what are the reasons for joining the programme in the first place?

Field work part of the study will be executed by using design thinking process, service design tools and methods. The tools will be used to get an understanding of the current situation and to find development suggestions to improve the current process and way of working.

The qualitative research methods such as the semi-structured interview method will be used in the thesis. The semi-structured interview method is recommendable when it is not known exactly what the respondents' perception of the case company's service is. The interview questions are open-ended and they are created based on themes related to the subject. The target is to gain deeper insights and understanding from the customers' point of view on how the service is offered, what works and how it should be improved. (Ojasalo et al. 2009, 41.)

The thesis delimits the leisure traveler members of the loyalty programme who are not travelling for business purposes. Further development of the ideas and concepts generated during the design thinking process is also excluded from the scope.

1.2 Key concepts

The Finnair corporate sales is an organization dedicated to business-to-business commercial agreements between the airline and its client companies. Its main task is to maintain the current corporate client companies buying Finnair flights and to get new companies to make an agreement with Finnair and start using it as a preferred company for their business travel needs. In the thesis the employees of such client companies are called business travelers. Business travelers are people whose responsibilities include partaking in international and domestic meetings and projects where long distance travelling is essential. These people can be anything from the persons who are working in the sales or to the executives whose job involves inspecting company locations around the world. (Welch et al. 2007, 174.)

The theory behind the corporate sales highlights the importance of the personal relationships between the companies in keeping the company level relations successful.
The challenge is first to understand and explain the B2B marketing in the context of the thesis and then develop and enhance the processes between the corporate sales and the loyalty programme. As the name business-to-business marketing suggests the term means selling and the relationship marketing between companies and organizations. The opposite of B2B is business-to-consumer marketing (B2C) where an individual customer is the trading partner. (Gummesson et al. 2009, 337.)

As Nicholas (2004, 236) explains the main difference between B2C and B2B is that usually an organization in the client company makes the decision whether to continue using the service provided by the supplier company or not. The previous B2B definition is challenged by Gummesson et al. (2009, 342), as he notes that there are many small companies which are run by individuals and thus can be thought of consumers. Gummesson continues that instead families, normally categorized as consumers, can be thought of as businesses which make decisions for the other persons within the families too, so the definitions are not so straightforward. In small corporates in which booking is done online, it is up-to the individuals to choose which airline is used for the business trips and thus which loyalty programme is selected.

B2B marketing relationships are maintained by way of the client relationships as Chumpitaz Caceres et al. (2007, 843) explains. These client relationships can be nurtured between the company and the client company by keeping their employees in a constant dialogue, delivering good service and having an efficient organization. Keeping the client company happy increases the loyalty and thus willingness to maintain the relationship and business between the companies. (Chumpitaz Caceres et al. 2007, 844–845.)

A similar conclusion is drawn by Nicholas (2004, 244), who describes in his research how pivotal it is for the service provider to offer the service within or above the agreed level. Nicholas (2004, 244) explains that the client companies usually value outstanding service level very highly and are likely to continue to use that service. This same analogy applies to the corporate sales relationships by way of client managers to travel managers which is explained in the next chapter.

Finnair Plus is the loyalty programme of the case company Finnair. In this thesis the term loyalty programme is used when discussing the case company loyalty programme instead of the term frequent flyer programme. The word loyalty programme better describes better the fact that in the case of a company loyalty programme the loyalty is not rewarded only when being loyal to the travel related partners but through the partners in all areas of life. (Finnair 2015). The traditional frequent flyer programmes concentrate mainly on the airline and the travel related partner rewards and benefits as Dorotic et al. (2012, 229) explains.

The loyalty programme is based on the customer relationships and it is using the customer relationship marketing IT-solutions such as the member database and the CRM software which are used in operating the loyalty programme, following up and rewarding the individual member loyalty. Among other members the business travelers are individuals who are actually flying with the airline. These business travelers can join the Finnair Plus loyalty programme to be able to get on higher tier and get the extra travel benefits the higher tier entitles them. (Finnair 2015).

In the thesis co-creation and customer-dominant and service-dominant logics are used as ground theories in understanding the business traveler centered approach. (Payne et al. 2007, 84; Grönroos and Ravald 2011, 10; Gummesson 2006, 349; Heinonen et al. 2010a, 532.) The service design is used to understand the customer and stakeholder relationships in the current process. On a larger scale the design thinking process is setting the framework when developing service. The design thinking process has different development phases that will guide the development process. In the thesis the HPI-Stanford Design Thinking Process Model is used. The phases in the model include: understand, observe, point of view, ideate, prototype and test. The latter two phases will not be covered in this thesis. (Plattner et al. 2009, 17; Thoring et al. 2011, 493.)

1.3 Structure of the thesis

The first chapter of the thesis will introduce the topic and the key concepts. The reader is presented with the challenge the thesis is investigating. The basic terminology and the context of the case study are explained. In addition, the theory of business-to-business marketing is explained. It will give a fundamental understanding on the subject before familiarizing the reader further on the area the thesis is studying. The chapter highlights the importance of the client managers in maintaining the relationship between companies.

The second chapter will introduce the case company Finnair and the main case study organizations such as the Finnair Plus loyalty programme and the Finnair corporate sales. The theory and the history behind the loyalty and frequent flyer programmes are explained. Finnair Plus loyalty programme rules and functionality are explained. At the end of the chapter the corporate sales key concepts and processes are presented to the reader.

The third chapter will lead the reader to the service marketing history and theory. It will explain for instance that the de-regulation of industries made companies such as the airlines to focus on service marketing and customize their marketing and service to customers. In the middle of the chapter the concept of co-creation is discussed. The thesis studies how it has different meanings in the academic literature from value perceived in co-creation between the customer and the company to developing service by way of co-creation with the company. The theories such as service-dominant and customer-dominant logic are explained and compared to give the reader the background on understanding the customer needs. At the end of the chapter, relationship marketing and its evolution is discussed to give the reader a better perspective on the subject.

The fourth chapter will present the design thinking process model and introduces the service design tools used in the thesis. The thesis will cover the service development process used in the case company and present the key findings to the reader and suggests further development activities and ways of working.

The final chapter will summarize the thesis and give conclusions of what was learned during the process.

2 About the case company Finnair

This chapter introduces the reader to the case company and its loyalty programme, and explains the theory behind the loyalty programmes. Also the company corporate sales and its concept is also described at the end of this chapter.

Finnair is one of the oldest airlines in the world established in 1923 with the name Aero Oy. The airline's key strategy is to connect its passengers, via its Helsinki airport hub, who are travelling between Asia, North America and Europe. Secondly, the aim is to provide good connections from Finland to its destinations around the world, serving business and leisure travelers alike. Finnair operates to over 70 destinations. (Finnair Group 2014).

Finnair's core businesses are the airline business and the travel services. The Finnair group employed in September 2014 approximately 5300 employees. The Finnish government holds 55,8% of Finnair's stocks. Finnair is part of the **one**world airline alliance and has bilateral agreements with other airlines outside the alliance as well. The alliance and its agreements with the other carriers expand the connections and destinations to the Finnair passengers by way of the codeshare agreements as seen in Figure 3. (Finnair Group 2014).

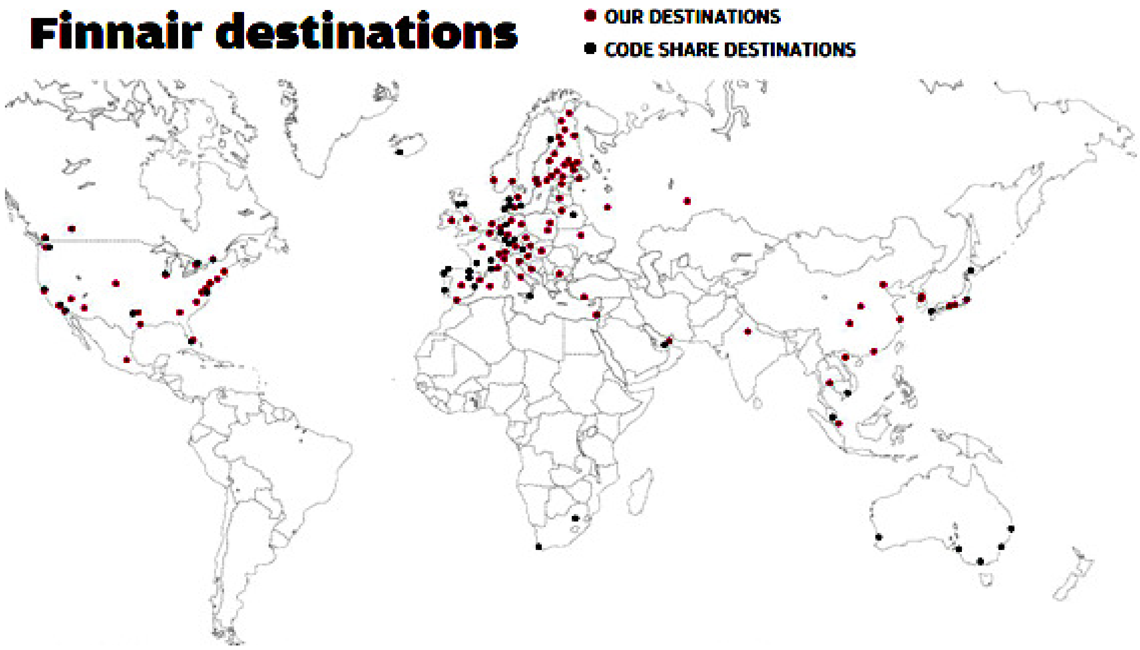

Figure 2: Finnair destinations (Finnair website)

2.1 Loyalty programmes and customer loyalty

The effect of loyalty and frequent flyer programmes to the customer loyalty can, as Uncles et al. (2003, 303) explains, improve the customer engagement with the company, make the member to buy more and pay higher prices. It also makes the member not to choose the possible cheaper offers from other same-industry-companies. It can make the member a brand agent, who encourages other customers to join the same programme and to use the company services which loyalty programme he/she is a member of. The loyalty programme studied in this thesis is created for the same purpose.

The members will usually accrue the loyalty points based on the distance and the booking class multiplier flown. There are two kinds of points or miles that function as a way of measuring the loyalty in order to benefit from the membership. The currency is divided in two: those that cannot be used but are upgrading the member on the higher membership tiers and those that can be used for the award and rewards. These award points can be converted into *free* flight tickets, hotel stays, car rentals and other services and products. All of these benefits are useful and relevant for members. It makes members to intend to use the same airline or alliance as frequently as possible. (Meyer-Waarden, 2013, 183.)

Nowadays the loyalty and the frequent flyer programmes are part of the value proposition of airlines. The airlines' frequent flyer programmes can increase the ratio of a customer's total purchases of a specific service that goes to a specific airline. The travelers can join several programmes, but the real *professionals* concentrate on one or two loyalty programmes. (Terblanche, 2014, 3). Although Uncles et al. (2003, 302) state that these heavy users are normally members of multiple programmes but are loyal to all those programmes and airlines they are members with. Uncles et al. (2003, 302) also adds that the random flyers who fly every once in a while are more likely to be members of only one programme but then, due to less frequency in flying, generate less revenue to the airline too.

The upgrading of members to higher member tier status is one of the best customer relationship strategies. The membership cards can be categorized into different tier level member statuses, for example silver, gold and platinum. The members can get different benefits based on their member tier levels. The higher the tier, the more exclusive benefits the member can get. These benefits usually include extra luggage allowance, access to special airline airport lounges, business class travel class upgrades and priority in waitlist in case the flight is full. (Terblanche, 2014, 3.)

The frequent flyer programmes are widely implemented by many airlines. It is difficult for an airline to compete with others without loyalty programmes. The frequent flyer programmes are strongly supported by customer relationship management (CRM) systems. The airlines process passengers' flight and other partner transactions, store them and reward their loyalty through their CRM systems. By using the CRM system to store passengers' activity, the airlines can receive insights on member behavior but have also a responsibility to protect the data privacy of the passengers. The frequent flyer programs also need the customers' permission to use the member contact information for marketing communications. (Gummesson, 2002, 117.)

By the end of the 20th century many airlines have established or joined airline alliances such as **one**world, Sky Team and Star Alliance. A member of such airline frequent flyer programme can use the benefits of membership on all airlines under the same alliance. Also the case company Finnair is also a member of the oneworld alliance and thus the Finnair Plus members receive the same benefits on the oneworld alliance airlines. The oneworld consist of the following airlines: airberlin, American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, Japan Airlines, LAN, TAM, Malaysia Airlines, Qantas, Qatar Airways, Royal Jordanian, S7 Airlines and SriLankan Airlines. (Finnair, 2015; oneworld, 2015.) The existence of these alliances also helps the customer to have a wider selection of airline routes to fly but still remain loyal to the original programme. (Gummesson, 2002, 119; Uncles et al. 2003, 304.)

According to Gummesson (2002, 120) the loyalty programmes have extended from just flying related benefits, to hotels and car-rentals as they are those are the services that the customers might need while travelling. Staying in certain hotels and renting a car from certain companies will be counted for the points to the customers who are members in the loyalty programmes. Some credit card companies, florists, super market chains and other industries are also partners of the programmes. (Gummesson, 2002, 120; Uncles et al. 2003, 305.)

The frequent flyer membership is a win-win relationship. It requires the service providers to provide benefits to the customers. For example the travel class upgrades to business or first class using the loyalty programme points or the complimentary upgrades on flights due to the higher member level are very attractive to many members. The perceived value of the premium travel class seat to the members is considered high but the airline can give those, otherwise unsold seats, for only minimal internal costs. The members' perception of these benefits received will influence the customer retention effect of the membership. (Meyer-Waarden, 2013, 184.)

Generally speaking the membership is a method and process to help the service provider to gain benefits: it could increase the retention and the revenue share of the customers. By using CRM systems, the companies receive more information on their loyal customers. The vast member base can help service providers to deliver better and more efficient communication with their members and customize their service offerings to suit the member needs. (Meyer-Waarden, 2013, 183.)

2.2 Finnair Plus loyalty programme

Finnair Plus is a business-to-consumer loyalty programme of Finnair. The programme was officially established on 1 May 1992. (www.finnair.fi/plus). It was preceded by the Finnair Club program, established on 16 October 1978. The Finnair Club was an invitation-only programme, mainly targeted to the Finnair VIP passengers. Already at the time the members were able to use the priority check-in (First class) counter and had a lounge access (the Finnair VIP room) at Helsinki Airport in Finland and in John F. Kennedy airport in New York, United States. (Finnair, 1978.)

The customers can join the Finnair Plus programme free of charge via for example www.finnair.com/plus website or by a paper application form that can be found for instance in Finnair's inflight magazine called Bluewings, attained inflight from the cabin crew or received from the business class tray cards. Finnair Plus is aiming to be more a loyalty programme than a frequent flyer programme since it is targeted at all areas of living within Finland, Scandinavia and the Baltics, not just travel related areas. (Finnair, 2015.)

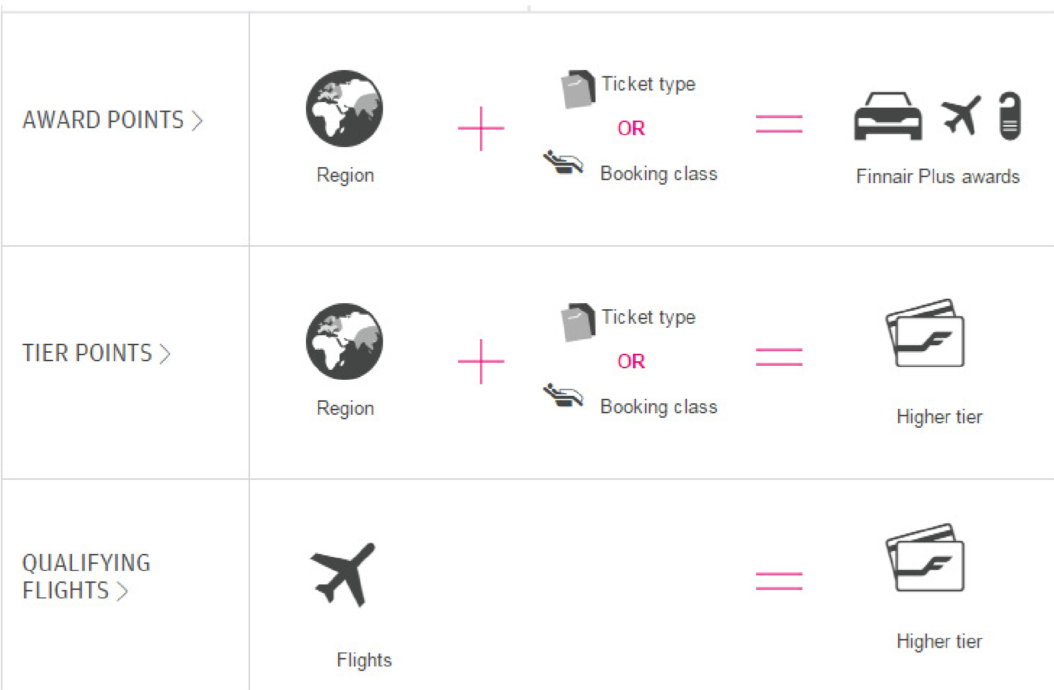

Figure 3: Finnair Plus earning structure (Finnair website)

The Finnair Plus earning structure is presented in Figure 3 above. Out of the Finnair Plus high tier members, (Silver, Gold and Platinum) XX% are men, whereas out of all the members approximately XX% are women and XX% are men (% removed). The Finnair Plus members can accrue tier and award points on flights and in addition award points on the partner services such as credit cards and hotel stays. The tier points accrued from the flights count for the higher tier during the member one year tier tracking period which starts each year from the member's join date to the programme. The award points, which are valid for three years, can be used as a payment method on Finnair and Finnair Plus partner services. (Finnair Plus member database; Finnair 2015.)

Finnair Plus has four different tiers: Basic, Silver, Gold and Platinum, the simplified member process between the tiers is shown in Appendix 1. In addition to those tiers there are Lifetime Gold and Lifetime Platinum tiers. The lifetime tiers are given to the members who have accrued over 3 000 000 (for Lifetime Gold) or over 5 000 000 (for Lifetime Platinum) lifetime tier points. The Lifetime tier points are calculated from the beginning of the membership on flights flown with Finnair and the oneworld airlines. The lifetime tiers do not expire. There is also a tier for members under 18 years called Junior Plus. These different membership cards are presented in Figure 4. (Finnair, 2015)

Members can reach the higher tiers by either accruing tier points based on kilometers or zones flown or getting the qualifying flight segments from Finnair and **one**world alliance airline marketed flights. (Finnair Plus.) The summary of benefits of different Finnair Plus tiers can be seen in Table 1. (Finnair, 2015)

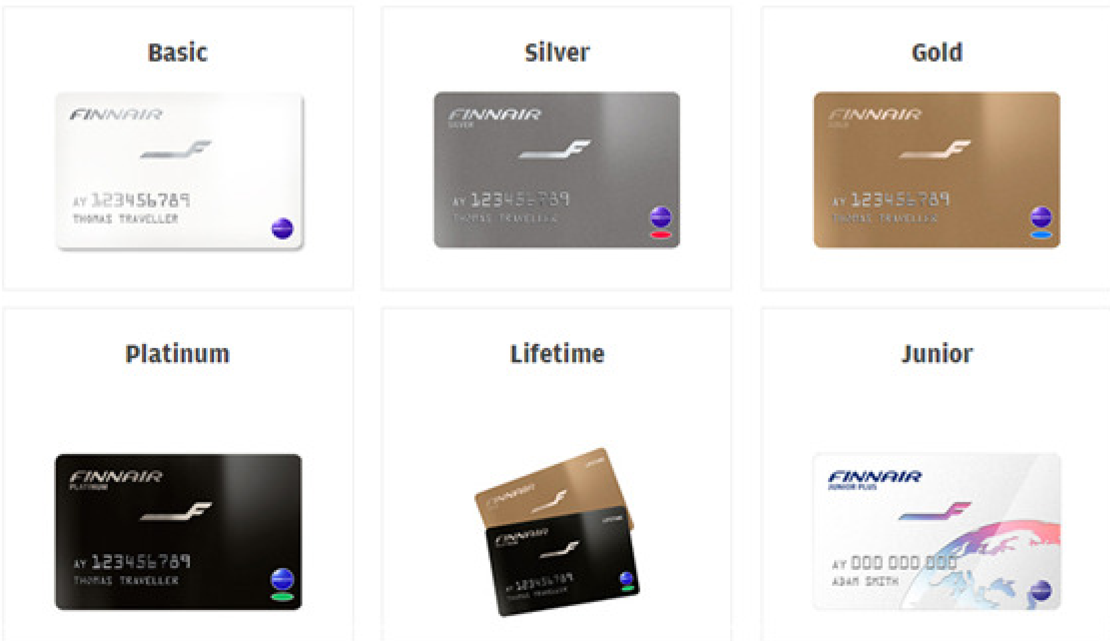

Figure 4: Finnair Plus tiers (Finnair Plus 2015)

Members' qualifying period, in which the accrued tier points or the qualifying flight segments are counted, is 12 months long. The period starts from the day of enrollment to the programme. Once the one-year-qualifying period has finished, members' tier points and qualifying flights will be set to zero and new qualifying period will start. (www.finnair.com/plus)

Finnair Plus tier benefit	Junior	Basic	Silver	Gold (+ Lifetime Gold)	Platinum (+Lifetime Platinum)
Classic award flights	•	•	•	•	•
Any Seat reservations	•	•	•	•	•
Buy Finnair PlusShop products with points	•	•	•	•	•
Check-in by text message, online or at kiosks	•	•	•	•	•
Collect points from partners' services	•	•	•	•	•
Collect points from credit card purchases	•	•	•	•	•
Buy partners' services with points	•	•	•	•	•
Discounts on partners' services	•	•	•	•	•
Additional bag with points	•	•	•	•	•
Waiting list priority according to tier level	•	•	•	•	•
Exchange award points for tier points	•	•	•	•	•
Increased tier point collection	-	-	+10%	+15%	+25%
Discount on Finnair Tax Free purchases	-	-	-10%	-10%	-10%
Business Class check-in	-	-	•	•	•
Priority Lane for security screening at selected airports	-	-	•	•	•
One extra bag (max. 23 kg) at no extra charge	-	-	•	•	•
Use of Finnair lounge on Finnair flights	-	-	•	•	•
Confirmed seat in Business Class 48 h before European flights	-	-	-	•	•
Confirmed seat in Economy Class 48 h before long-haul or European flights	-	-	-	•	•
Travel class upgrade benefits (within Europe)	-	-	-	•	•
Special luggage on Finnair flights at no extra charge	-	-	-	•	•
Own Finnair Plus service number	-	-	-	•	•
oneworld Business Class and Frequent Flyer lounge + 1 guest	-	-	-	•	•
Points do not expire	•	-	-	-	•
Travel class upgrade benefits (long haul)	-	-	-	-	•
oneworld First Class lounge + 1 guest	-	-	-	-	•
One extra bag (max. 20–23 kg) on oneworld flights	-	-	-	-	•

Table 1: Finnair Plus tier benefits (Finnair 2015)

2.3 Finnair Corporate Sales

Finnair corporate sales is dedicated to the business-to-business sales for the companies of all size whose employees require flexible and easily changeable travel dates between Finnair destinations. Corporate sales client managers negotiate the discounts with medium and large size companies. Revenue management and pricing (RM&P) then files the fares to the reservation systems. The employees of the corporate client companies can book their Finnair flights with the negotiated price via travel agents either directly using the online tool, email or via phone.

Finnair corporate sales companies are divided in two: Finnair Corporate Agreement companies (FCA) and Finnair Corporate Programme companies (FCP). The FCAs are designed for larger companies. The FCA companies negotiate the Finnair ticket prices with the Finnair client managers by way of the request for proposal (RFP) offering process. Client managers meet and discuss the latest company changes and report travel behavior and spending to the company travel managers regularly.

The Finnair corporate sales FCP programme has three discount levels which are determined by yearly spend on Finnair tickets. The discount levels vary by country. The FCP programme is aimed mainly for small-sized companies or companies with less spending on travel compared to the FCA companies. The FCP levels' revenue rates and discounts for companies based in Finland are following: Silver (entry level) grants up to 5% discount on certain business and economy class fares. Gold level can be achieved after a 30 000 EUR minimum purchase with up to 10% discount on certain business and economy class fares. Platinum level can be reached after a 50 000 EUR minimum purchase with up to a 15% discount on certain business and economy class fares. The more a company spends on Finnair international flights during the year, the higher the level is reached and the higher discount on Finnair tickets is given. (Finnair, 2015.)

In the Finnair Corporate Sales the client manager negotiates discounted fares with the Finnair Corporate Agreement (FCA) company clients who are usually called the travel managers. When the employees (who are called the corporate travelers in this thesis) of such corporate travel, they usually book their flight tickets from the travel agents with whom their company has an agreement with. The corporate traveler of such company can then join the Finnair Plus programme to be able accrue tier points in order to gain higher tiers and earn award points for award flights and upgrades (please see the Finnair Plus loyalty programme chapter 3.2 for more).

The loyalty programme membership is based on individual relationship (B2C). Joining the loyalty programme and having the membership number in the reservation can help the corporate traveler to have a smoother travel experience. The better experience is gained by offering for example extra luggage allowance, access to priority security and airline lounges. Once the corporate traveler reaches the Finnair Plus loyalty programme top tier for the first time, the new tier welcome letter along with the new card is delivered personally by the company's dedicated client manager. The relationship between the main stakeholders: Corporate sales, the corporates, the corporate travelers, the Finnair Plus and the other stakeholders are visualized in Figure 5.

Figure 5: The main stakeholder relationships (removed)

The corporate travelers of the FCA and the FCP companies can join the Finnair Plus loyalty programme whenever they wish but there are no separate continuous campaigns or agreed models for encouraging the employees to do so.
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3 Service marketing and its evolution

Service marketing has evolved from the goods-dominant logic to the customer-dominant logic through the times from products to services, the age of internet to the social media and the e-commerce. (Fisk and Grove 2010, 644; Gummesson 2007, 3.) In this chapter the thesis will describe the service marketing past and present by going through the academic debate that have been written and proposed around the service marketing. The de-regulation of industries and in this case especially the airline industry, made the companies to try to find new ways to market their service. As a result they started to build the customer relations by way of the loyalty and frequent flyer programmes.

The ground stone of service marketing was laid as Gummesson (2007, 8) points out, already as early as in 18th century by the great pioneers such as Adam Smith and Jean Baptiste who recognized the difference in properties of service to products. They realized that services are consumable and immaterial. During the 1950s the first service marketing articles were written but only a few until in the 1970s (Fisk et al. 1993, 66). As Fisk et al. (2010, 645) explains the first person to write about services having an effect on the gross domestic product was Colin Clark in 1957 . During that period most focus was on the product based marketing and services were not considered valuable. (Fisk et al. 1993, 67.)

The beginning of 1980s was greatly boosted by the liberation, thus toughened competition, of the service industries such as airline, healthcare, telecom and financial sector. (Fisk et al. 1993, 76.) During the same time as the industries were liberated one of the most important writings emerged which promoted the service quality and customer encounter. This made the service marketing to understand the essence of keeping the customers happy and being customer focused. (Parasuraman et al. 1985, 43; Gummesson 2007, 13.) In the middle of 1980s also the Scandinavian research raised its head, when such names as Grönroos and Gummesson opened new horizons in the area of service marketing. (Fisk et al. 1993, 82.)

Especially the service quality and the SERVQUAL, as a way of measuring the service, caused a lot of discussions in the academic circles (Fisk et al. 1993, 80.) According to Gummesson (2007, 14) many researchers got interested particularly in the customer satisfaction surveys for measuring a good service. Gummesson (2007, 14) continues about how the correlation between quality, productivity and profitability and their effect on operations for company and the customer satisfaction were acknowledged.

The concept of service design was also launched during the 1980s. As it was realized that the service was a process of actions, new methods like the service blueprinting were developed. Biggest change compared to the older flowcharts was that the blueprinting showed the service process from the customer’s point of view. The blueprinting allowed pinpointing the steps that the customer takes during the service process. Also technology and its role in the service and the design process were taken into account. (Shostack 1984, 133; Fisk et al. 1993, 81.)

Customer relationship marketing and the urge for the companies wanting to keep the customers coming back and thus increase the company loyalty gained momentum during the 1980s. The main focus was on how to measure the loyal customer value and how to calculate the missed revenue on lost customer (Fisk et al. 1993, 81.) Additionally the concept of internal marketing was introduced. The focus in the internal marketing was that employees within the company should treat each other like customers which would increase the satisfaction internally. The external customer satisfaction would then be reflected positively by the employees by them giving better service. It would then make the company more successful (Fisk et al. 1993, 82.)

From the 1990s to 2010s the service marketing has evolved from service-dominant logic by way of the network theories' many-to-many marketing to the customer-dominant logic. In these theories the customer role has changed from co-creators of value of the service provided by the companies, to considering the customer as a complex independent entity whose feelings and relations to other people affect to the value perceive from the service. (Grönroos and Ravald 2011, 10; Gummesson 2006, 349; Heinonen et al. 2010a, 532.) This thesis will go through the previously mentioned service marketing theories starting from 1990s in the following chapters.

3.1 Customer relationship marketing

The classic customer relationship definition is described as follows: a relationship between the one who is selling product or service and the one who is buying it. It is a two-party relationship between the seller and the external buyer (B2C). This classic customer relationship is the parent relationship of marketing. The relationship marketing maybe also exist between individual businesses B2B (business-to-business), countries and industries. (Gummesson, 2002, 35.) According to Grönroos (2004, 100) the main activities in the customer relationship marketing are to comprehend and control the customer relations. Other activities also include creating networks, improving the customers' knowledge on the company service and experience by way of communication and expanding the member base by way of different marketing actions.

The opposite of for the relationship marketing as Gummesson (2004, 136) explains is the zero relationship marketing where only offering the lowest price for products or service is the key strategy to attract new one-time customers. According to Peppers et al. (2006, 48-50) during the dawn of the relationship marketing or also referred as with the term one-to-one marketing, the store owners would know the customers and their preferences individually in their minds. Knowing these customer preferences would allow the merchant to generate extra value and increase the customer loyalty by offering services or products that the customer is willing to buy. Also in the modern customer relationships it creates a fulfilling relationship between the parties. As Gummesson (2004, 147) explains these loyal customers are also willing to pay more for the service. Keeping the loyal customers satisfied requires constant work and nurturing from the company.

3.1.1 Customer relationship management

In the modern computerized customer relationships all transaction data can be stored and analyzed in a database. This allows the companies to automate and target the marketing efforts based on certain purchase and customer behavior criteria as Peppers et al (2006, 48-49) explains. Also according to Gummesson (2004, 137) the main tasks for relationship marketing is to understand the different customer types and their values. Company should customize the offering based on the data. Then finally it should start interacting with the customers and develop its service based on the feedback received by this process.

Customer relationship management (CRM) is one-to-one relationship marketing that is managed by IT software and systems. The main reason for companies to have CRM is that it allows efficient marketing to a wide customer base. The CRM enables powerful tools in customizing the offerings and managing the customer data. (Gummesson, 2004, 138; Peppers et al. 2006, 50.)

3.1.2 Many-to-many relationship marketing

Instead of the one-to-one relationship marketing, Gummesson (2004, 136) describes that the relationship marketing is marketing that involves collaboration between networks. Gummesson (2007, 21-22) claims that instead of classical one-to-one marketing theory, the relationships have in reality more dimensions where everything affects everything and thus many-to-many marketing should be used for a flexible and balance centric approach. Many-to-many marketing focus and analyze the behavior that is specific to networks.

The loyalty programme discussed here is not only marketing directly to its members but they discuss the programme and its benefits individually, by way of social media and by way of stakeholder network shown in Figure 2 mentioned earlier in the thesis. Also Rowley (1997, 890) explains that the customers and the providers of companies do not live isolated without being in some interaction to each other. They are most likely connected to each other and exchanging their opinions and thus influencing each other.

According to Gummesson (2007, 16) networks consist of nodes, as customers or employees and relationships, as co-operation between the nodes. The networks operate flexibly (instead of straightforward) based on the interaction between the parties and their connections.

Gummesson (2007, 24) concludes that the network based many-to-many marketing keeps all parties happy in long run when conditions are optimized.

3.2 Service-Dominant and Customer-Dominant logic

As discussed by Heinonen et al. (2010, 532) in service-dominant (S-D) or *provider dominant* logic the *old* goods-dominant (G-D) logic thinking is questioned. The G-D logic is based on for example on the McCarthy's product marketing theory, the 4Ps, such as: price, promotion, product and place. (Grefen et al. 2012, 2.) In the S-D logic it is the all parties' (customers', providers' and organizations') perception of value-in-use of services (and products as services) and all the operands, who co-create within the different touch points as Lusch (2006, 285) explains. This can happen before, during and after when interacting with the company (Vargo et al. 2004, 11.) Vargo et al. (2004, 9) also explain that the whole service experience process, not just the end-come, defines the desirability of the services and goods the company is offering.

As a Reference how the terms and impressions have been suggested in the Otago Forum have evolved through times from 19th century G-D logic marketing via 1980s service and relationship marketing to S-D logic can be seen in Table 2. (Lusch, 2006, 286).

Conceptual transitions

Goods-dominant logic concepts	Transitional concepts	Service-dominant logic concepts
Goods	Services	Service
Products	Offerings	Experiences
Feature/attribute	Benefit	Solution
Value-added	Co-production	Co-creation of value
Profit maximization	Financial engineering	Financial feedback/learning
Price	Value delivery	Value proposition
Equilibrium systems	Dynamic systems	Complex adaptive systems
Supply chain	Value-chain	Value-creation network/constellation
Promotion	Integrated marketing communications	Dialogue
To market	Market to	Market with
Product orientation	Market orientation	Service orientation

Table 2: Conceptual transitions (Lusch 2006, 286)

As a contrast to the S-D logic the Customer-dominant logic (C-D) suggests that the S-D logic is still basically thinking service in the point of the company instead of the customers'. In the C-D logic, company should holistically focus on how customers see and feel the interaction and how they experience it. (Heinonen et al. 2010, 8.) These concrete differences in logic of the concepts between the S-D logic (or provider-dominant) and the C-D logic can be seen in Table 3.

	Provider-dominant logic	Customer-dominant logic
Co-creation		
• Involvement	• Customer involved in co-creation	• Company involved in customer activities
• Control	• Company controls co-creation	• Customer controls value creation
Value-in-use		
• Visibility	• Focus on visible interactions	• Also considers invisible and mental actions
Customer experience		
• Scope	• Formed within the service	• Emerges in customers' life
• Character	• Extraordinary and special	• Also mundane and everyday

Table 3: S-D/P-D and C-D logics differences (Heinonen et al. 2010, 15)

3.3 From products to service co-creation

In some S-D logic research the term co-creation is defined as an action that the customer is practicing when using the company service. In the mentioned manner co-creation is described by Heinonen et al. (2010, 9) and Grefen et al. (2012, 20). In this thesis the term co-creation is used as following: co-creation (or in G-D logic called the co-production) is joint service development between different partners such as the customers and the suppliers, it is the key element in order to get the service to provide more value for each party. (Payne et al. 2007, 84; Lusch, 2006, 284.)

In 2001, as presented by Carlborg et al. (2014, 10), there was discussion that the customers and the employees should be involved in the service development process. Many studies were executed in the area. Also Williams et al. (2008, 515) indicated how important it is to have the users, the customers and the employees involved in the service design instead of the developers doing the design alone. A good example where the co-creation had took place during the early 2000 was the thesis case company Finnair that had arranged product development with the customers without realizing that they were actually developing the services using co-creation. (Moritz 2005, 85).

The main challenge is how to establish the co-creation process in the organization and get best out of it. As written by Dörner (2011, 40) in many cases the companies develop things only as in the G-D logic, without asking anything from the customers. Another issue with co-creation is directed by Payne et al. (2007, 85) that it is proved theoretically being the right way to develop concepts and service, but good hands-on instructions how to do the right way are vague and hard to find.

Changing a company's approach to a co-creation minded approach means that the customer is taught to interact with the company in the right way. Also the organization in the company must adapt to the new way of working by focusing on the customer's actions and understanding *customer process*. (Payne et al. 2007, 86-87.) The same article also categorizes customer processes in more personal, preferential and analyzing why the customer makes the decisions to use the service based on the two former ones as seen in Figure 5. Once the customer chooses to use certain service it will effect on the customer's learning whether the same service will be used again. As Payne et al. (2007, 90) explains, paying attention to the interaction with the customer or the *encounter process* and modifying the most important ones according to the customer needs will help the company to succeed in the long run.

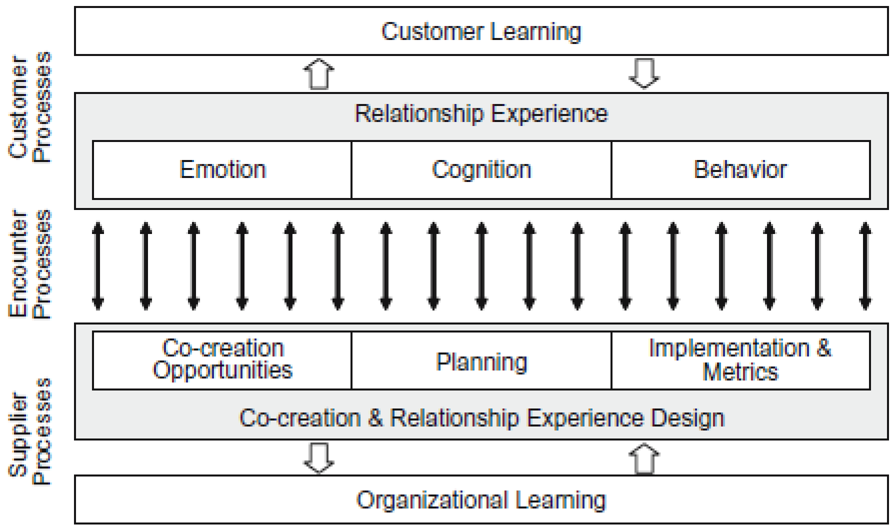

Figure 5: A conceptual framework for value co-creation, Payne et al. (2007, 86)

Asking the customers directly on what new service concepts they would like to have developed will not usually give any results as claimed by Goodwin (2009, 113). Instead the customer needs to be asked more specifically and the results need to moderated and enhanced to suit the concept development needs. Then again Gustafsson et al. (2012, 322) suggest that co-creation should be more used in improving concepts rather than in projects that create something totally new. On the other hand they suggest that customer co-creation can then be used to test and improve the totally new concept.

As explained by Merz et al. (2009, 48–49) companies must think outside the box and start using other than just traditional customer survey methods to establish co-creation with customers and employees. This can be achieved for example by analyzing what skills other than regular customers might need but do not have. Then it should be thought if the company could use that as service offering. Once it is discovered the whole company business logic could be altered to change the service offering for the new customers.

Another way of establishing the co-creation with the customers is testing different concepts with customers and seeing what works the best Payne et al. (2007, 89). The same article suggests that following different metrics and numbers on the customer behavior and altering the offered service regarding the findings will lead to a better customer experience and is considered as customer co-creation.

Communicating with customers by way of the different channels such as the Facebook will help to find new development ideas and concepts and will ease the co-creation with the customer as indicated by Gustafsson et al. (2012, 321). In this thesis co-creation with customers by interviewing and creating personas of the loyalty programme members travelling for business will be used to develop the member engagement.

In order to company to succeed by co-creation Gustafsson et al. (2012, 315) have developed four *hypothesis* that the firm should follow as Figure 2 illustrates: the *frequency,* the *direction,* the *modality and* the *content*. They tested how important each *dimension* was in co-creation. The most important *hypothesis* that was found out was the *frequency*. It is about how often the company interacts with the customer bi-directionally during the given time in a development project. According to the results the increased communication with the customer will make the company development projects more successful regardless if they are developing totally new or improving existing concepts. (Gustafsson et al. 2012, 320.)

Other hypothesis the *direction* is about that company should take modest role in communicating to the customer. The *modality* is about the relevance on how the communication is done, electronically or by physically meeting the customer. The results showed that it really did not matter.

The c*ontent* is about getting to know if the new customer's ideas affected the company success. The findings indicated that it was not so important for creating totally new concepts since customers can only relate to things they have done earlier and thinking out-of-the-box is difficult. (Gustafsson et al. 2012, 320.)

This chapter explained how the service marketing has evolved during the times and especially after the de-regulation of service industries. (Fisk et al. 1993, 76.) Then the relationship marketing was introduced and how it is the way of nurturing the relationship between the provider and the customer and that the relationship may be either B-to-C or B-to-B. (Gummesson, 2002, 35.) The next the reader was introduced to the customer relationship management (CRM) which is the system where customer database and the rules to handle the relations is managed. (Gummesson, 2004, 138; Peppers et al. 2006, 50.) Finally the concept of the many-to-many marketing was introduced which explains how everything is connected everything. In the service marketing the big picture and strategy should be though in the many-to-many marketing point of the view and how to take the full advantage from the networks. (Gummesson 2007, 21-22.)

The service-dominant and customer-dominant logics chapter discussed how the perception to customers has changed from the company centric to customer centered. The chapter also explained how in the customer-dominant logic the customer is seen holistically and the customer feelings should be considered when interacting with the customer. (Heinonen et al. 2010, 8.)

Finally the last sub-chapter discussed the customer co-creation and how important it is to involve the customer in service development. The thesis pointed out that moving to the direction of involving the customers may not be an easy task. (Carlborg et al. 2014, 10.) Also the importance of focusing on the customer’s actions and understanding customer process was highlighted. (Payne et al. 2007, 86–87.) Figure 6 illustrates the theoretical context of the chapter 3.

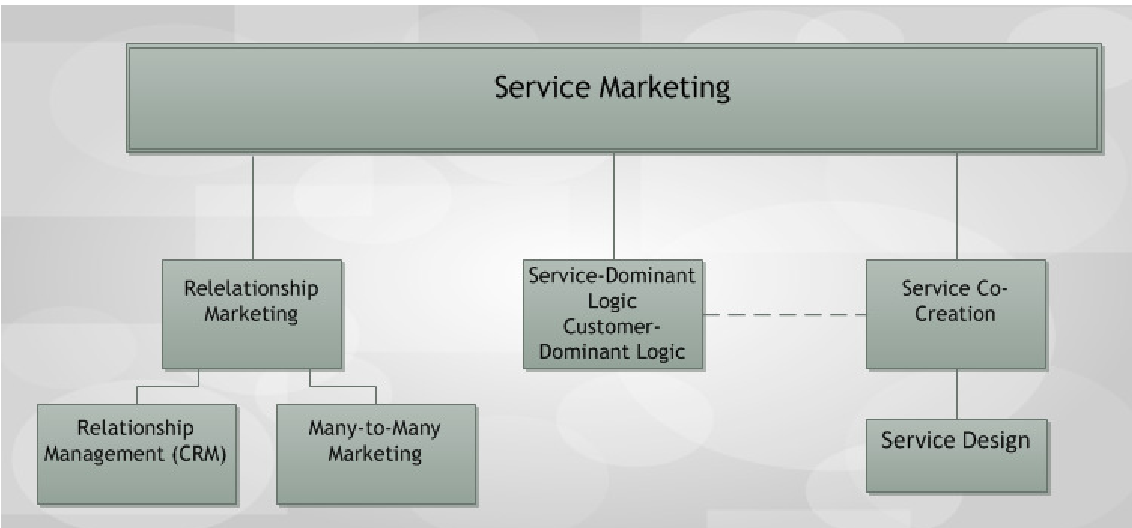

Figure 6: Structure of the Chapter 3

4 Design Thinking Process and Development Findings

This chapter will explain the methods and tools how the empirical research of the thesis will be conducted. Reader is introduced to the design thinking process and the service design tools used in the research. The second half of the chapter will then present the actual empirical study that was performed using the methods and the tools described in the beginning of the chapter.

The development process of the corporate sales and the Finnair Plus programme will consist of four phases: a workshop that will be held to introduce the project scope and to understand the current sales process by way of the service blueprinting and the stakeholder (value) map. The next phase will include the travel manager meetings, possible observation and the stakeholder interviews. In the third phase the collected data will be analyzed and the key findings will be highlighted. In the final fourth phase the findings of the first three phases will be introduced to the primary stakeholders and an ideation brainwriting workshop will be arranged. In the next chapter the thesis will go through the service design tools and methods used during the project's design thinking process.

4.1 Service Design Tools

The design Thinking (DT) process is usually a process used in the Service Design (SD). The process includes different developing stages – usually from three to eight. The stages generally being: understanding the current processes by collecting data by way of the different tools and methods, understanding the current situation by interviews and observation, the developing the old or creating new solutions based on the ideas collected from the previous stages. Next step is to make prototypes and test the new solutions and ideas (iterating as many times as needed). Once the concept is proved to be working and accepted, launching it to the market. (Liedtka et al. 2011; Tschimmel, 2012; Design Council; Wulfen, 2012; Meroni et al. 2011; IDEO, 2011; Thoring et al., 2011; Plattner et al., 2011.)

In this thesis the main idea is to use the design thinking process model created by the Hasso Plattner Institute of Stanford. The HPI-Stanford Design Thinking Process Model consists of six distinctive phases: *understand*, *observe*, *point of view*, *ideate*, *prototype* and *test* phases. The SD tools used in this thesis are shown in Figure 7. Each phase has lines going back to the previous phase in case of re-thinking, iterating or more information is needed. (Plattner et al. 2009, 17; Thoring et al. 2011, 493.)

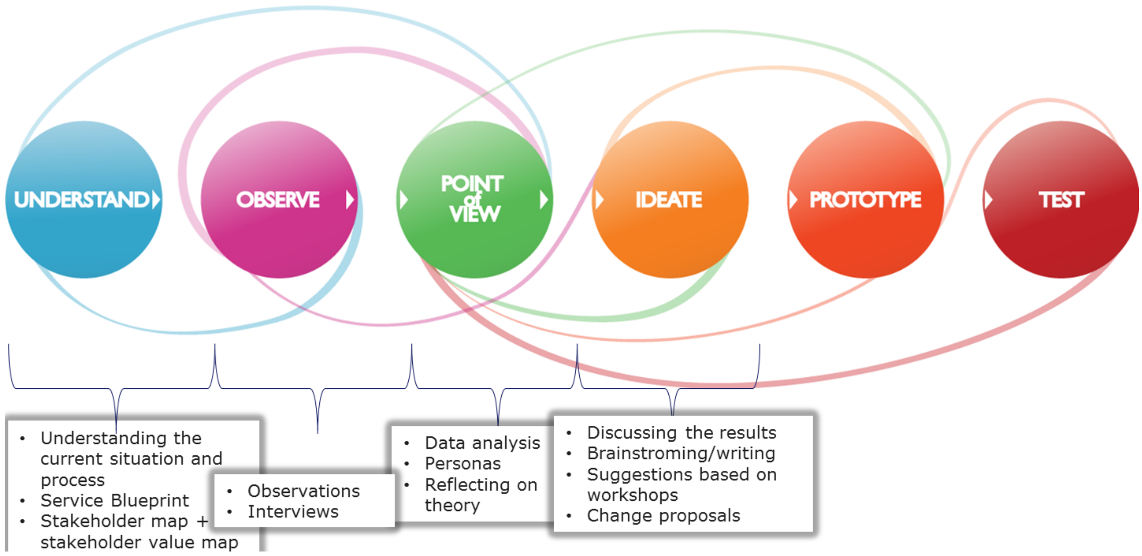

Figure 7: HPI-Stanford Design Thinking Process Model and the service design tools used in the thesis (Plattner et al. 2009)

In the HPI-Stanford Design Thinking Process Model the principal idea is to diverge or expand the understanding of the concept that is being developed. The exploration of the current situation and getting insights of the development needs is done in the *understand* phase. In this thesis the understanding of the current corporate sales process was done by researching secondary source material (such as Finnair corporate sales website and other material available), using the SD tools such as Service Blueprinting and Stakeholder (and value network) mapping. The latter two methods were used in the workshop where the internal stakeholders from the relevant fields were invited.

The next phase in the DT process model is the *observation*. This phase includes the qualitative research methods, such as observing and interviewing of the stakeholders. The *observation* phase was done partly on client managers' visits to the client companies partly by interviewing the other stakeholders such as the travel agent and the loyalty programme members. (Thoring et al. 2011, 494.)

Once the overview of the current service concept was received, it was time to summarize the gathered data by converging and analyzing it in the *point of view* phase. The overview of the current service process by way of the *point of view* stage gives then the possibility to *ideate* and enhance the current service and to add new and missing service elements to it. In the *ideate* stage the plan is to use the data collected from the previous phases and the personas as a stimulants for the brainwriting *ideation* workshop. (Thoring et al. 2011, 494.)

Finally in the *prototype and* the *test* phases the service improvement ideas received from the *ideation* phase are developed further. The new ideas should be tested by verifying the ideas thoroughly, favorably with the external stakeholders such as the loyalty programme members. This thesis will not cover the *prototype* and the *test* phases but leaves the door open for a later development opportunity. (Liedtka et al. 2011; Tschimmel, 2012; Design Council; Kröper et al. 2010, 98; Thoring et al. 2011, 494.)

4.1.1 Service Blueprinting as a tool

As introduced by Shostack (1984, 134), the Service Blueprinting gives a company a holistic view of the service process in the customer point of view and helps to remove unwanted aspects or *failure points* in the service. Service blueprinting focus mainly on customer actions but on another perspective also what happens behind the scenes when service is delivered.

According to Bitner et al. (2008, 72) Service Blueprinting consists of a five different layers of typical described service of the company which are: 1. what customer does 2. onstage/ employee interaction, 3. backstage/ behind-scenes employee actions, 4. support processes and 5. physical evidence. Curedale (2013,97) also adds to previous two additional steps: touch points (between layer 1. and 2.) and customer feelings (after layer 5.).

First two steps are in different swim lanes, as explained by Bitner et al. (2008, 72) with the *line of interaction* and behind the scene actions are separated from the customer by the *line of visibility*, addition the internal actions of the service process are separated by the *line of internal interaction.*

The service blueprinting tool was selected because it was thought to be giving some idea how the corporate sales process could be improved. Perhaps some gaps could be seen the service that will be blueprinted which would provide some insights and development ideas.

4.1.2 Stakeholder map and value network map

The stakeholders are either external or internal actors in the service delivery process. They can be involved directly to the service process (like as a customer or a service representative) or indirectly (like the back office persons, management and stockholders). The true essence of service design is to know and involve these key stakeholders in the service design process, especially those who are working directly or behind the line of visibility towards the customer. (Moritz 2005, 181; Segelstrom 2013, 27; Han, 2009, 1)

In order to gain a fully understanding of the service implications in a service design process, a stakeholder map combined with the stakeholder value map can be used. The creation of the stakeholder map should be started by writing down all the internal and external stakeholders in a list. The next step in the mapping process is to identify how these stakeholders are related to each other by placing them in circles. Ideally the customer is in the center of the stakeholder map and then the most important or the people interacting directly with the customer close to the center. Outer circle will then have the external stakeholders. (Stickdorn et al. 2012, 143-144).

Finally lines between the different stakeholders should be drawn and by using symbols the nature of their relationship should be indicated which is called the value network map. The value network shows how the services and goods are exchanged between the different stakeholders and the value is thus created. Visualizing the relations can also help to identify the issues or problems between the stakeholders which helps the service design process. (Allee, 2008, 8; Allee, 2009, 428; Stickdorn et al. 2012, 144.) In this thesis the stakeholder map is used as a foundation for the value network mapping. The stakeholder map combined with network value can be seen in Figure 7.

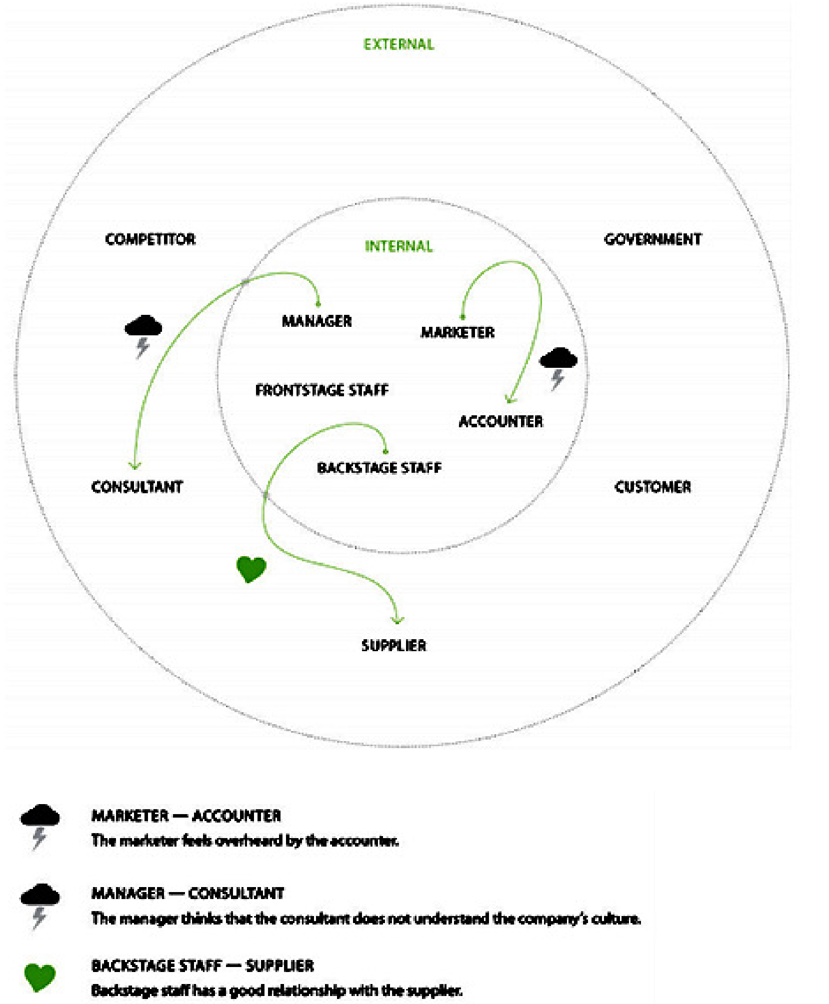

Figure 8: Stakeholder and network value map (Stickdorn et al. 2012, 145)

4.1.3 Observations and Interviews

The indirect observation method was chosen for understanding the client and client manager RFP negotiation process. An indirect observation suits well in this context due to the situation is delicate and the method is applicable for a discreet approach. Areas to be observed are written beforehand and noted down whether and when they appear during the observation situation. The presence of the observer can affect how the observed people behave and it can have an effect on the results. (Curedale 2013, 203.)

For the interview a semi-structured, face-to-face interview method was selected. This method is applicable when the area of the research is not known thoroughly. During the preparation of the interview around six themes were chosen from which the questions were asked. Questions are open-ended and it allows the discussion to become more as conversation than a pure question and answer interview. If some interesting topics come up in the interview they can be later added to the list of themes discussed with the next person to be interviewed. The semi-structured interview can help understand more profoundly how the service is provided by the employees and how the customers and the other related stakeholders feel about it. (Ojasalo et al. 2009, 41.)

4.1.4 Stakeholder personas

Personas are stereotypical but genuine-like customers or users which can be used in a concrete way to think how the service feels or should feel from the customer point of view. Personas can be used to test the new service ideas and concepts. They can be created based on the quantitative or the qualitative and other customer data analysis. The personas can aid in creating, modifying and adjusting the needs for the service design or the development project. In this thesis the qualitative semi-structured interviews will be used as a source for creating the personas. (Koltay et al. 2010, 174; Miaskiewicz et al. 2011, 418; Moritz, 2005, 220; Goodwin Kim, 2009, 300).

4.1.5 Brainstorming and brainwriting

In the ideation phase a method called brainstorming, introduced by Osborn in 1963, the goal is to have development suggestions without any external or internal biases. Usually the theme of innovation is well defined and limited time is given. All the new ideas should be accepted without prejudices. Once enough ideas are collected, the group will decide which suggestions can be developed further. The know issues in brainstorming can be that the introvert or the shy people might not get their ideas through or some people are *freeloading* and thus not paying any effort on the ideation. (Leavy, 2010, 31; Moritz, 2005, 210; Coskun, 2005, 467; Paulus et al. 2000, 77.)

Brainwriting differs from brainstorming, as written by Paulus et al. (2000, 78), in a sense that all ideas are written down in papers individually, rather than spoken out laud. By silent writing the external interference and the dominance of the loudest people can be minimized. Thus everybody in the group will be on the same level. The gathered ideas are then circulated among the group and further developed by each person. In the end the findings are shared, discussed together and developed further.

4.2 Documenting the service process

First the *understand* -phase workshop between the Finnair corporate sales Finland and the Finnair Plus was held in February 2015. The co-creation timetable is shown in Figure 9. The workshop's main purpose was to identity the current corporate sales process and the main stakeholders. The service blueprinting and the stakeholder (value) map service design tools were used. For the service blueprinting it was decided to identify the Request for Proposal (RFP) process. The decision to map the RFP process was made based on the fact that the corporate travel market in Finland so saturated, that only a few new corporate client company contracts are written each year. Unlike the bidding process for the new client companies, the RFP process for the existing client companies is executed more frequently.

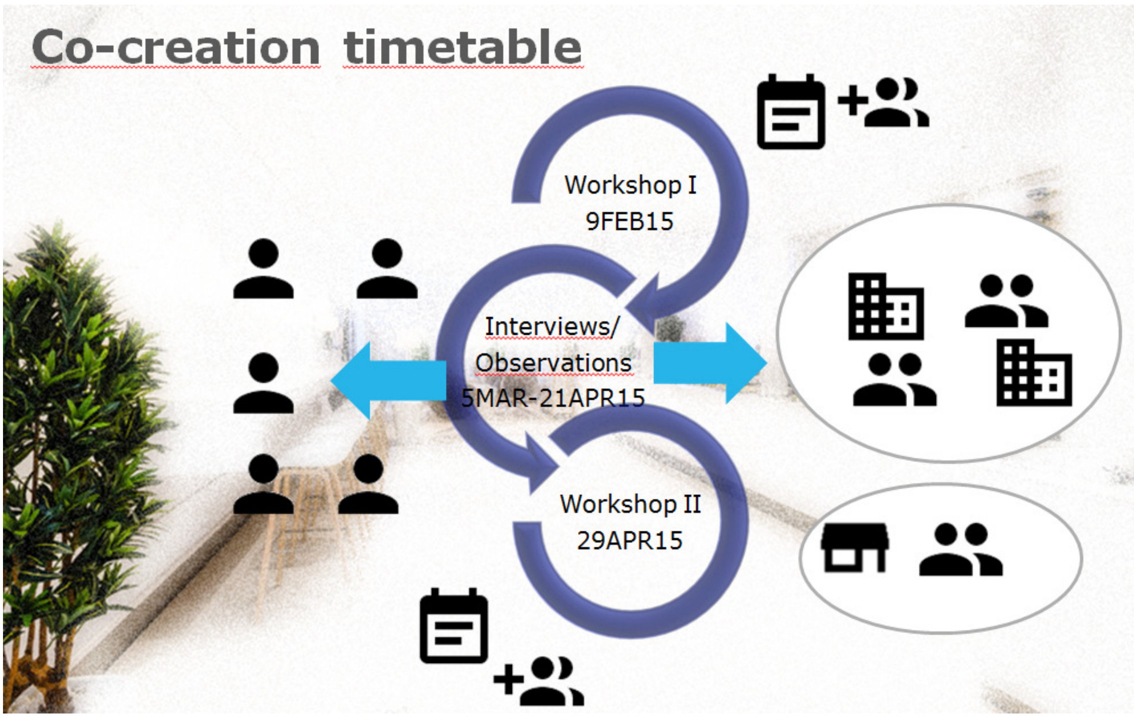

Figure 9: Co-creation timetable

4.2.1 Corporate sales request for proposal process

In the Finnair corporate sales RFP process the client manager receives the RFP request from an existing FCA client company which needs an adjustment for the current travel agreement. Client manager then checks from Finnair flown revenue database the past client travel behavior and value. The new RFP offers are then calculated based on the data available and sent to the client company. Then a meeting is held between the client and client manager to discuss the RFP details. If the RFP is accepted then the new flight ticket fares are filed to the reservation system. Once it is completed the client manager informs travel agent about that the new fares are ready to be used. Travel agent then updates their system. Once the travel agent is ready the client company can start making Finnair flight bookings with the new fares. Part of the service blueprint created during the workshop can be seen in the Picture 3.

Figure 10: Part of the service blueprint created during the first workshop, (Appendix 2) (Blurred)

In addition to the RFP process, the client managers told that every now and then the corporate client companies are informed about new Finnair services and changes. Also some client companies organize travel fares where contract airlines and travel agencies present their services to the client company employees. These processes were also blueprinted. The blueprint can be seen in Appendix 2.

The service blueprinting of the RFP process indicated that the loyalty programme related matters were not part of the RFP process. It should be further used in ideating when developing the business traveler experience between the corporate sales and the loyalty programme. The service blueprint created could also be used when developing the further

RFP process within the corporate sales. Also the loyalty programme strategy for the corporate travel fair days should be analyzed closer, who should participate from the loyalty programme side and what to present in those events in order to get a better business traveler engagement. The travel fair days are the corporates' internal events where the different travel related stakeholders such as airlines and travel agents present their services.

4.2.2 Value network co-creation model

During the stakeholder mapping process the main stakeholders in the corporate sales were identified. For the internal stakeholders were chosen the client managers and the resource management. The latter are responsible for example for the Finnair aircraft schedules. The second stakeholder is the revenue management who do all the fare filing and pricing in the reservation system and finally there are the travel agents who provide the bookings and booking tools for the corporate companies. The stakeholder value mapping created during the workshop can be seen in the Figure 11.

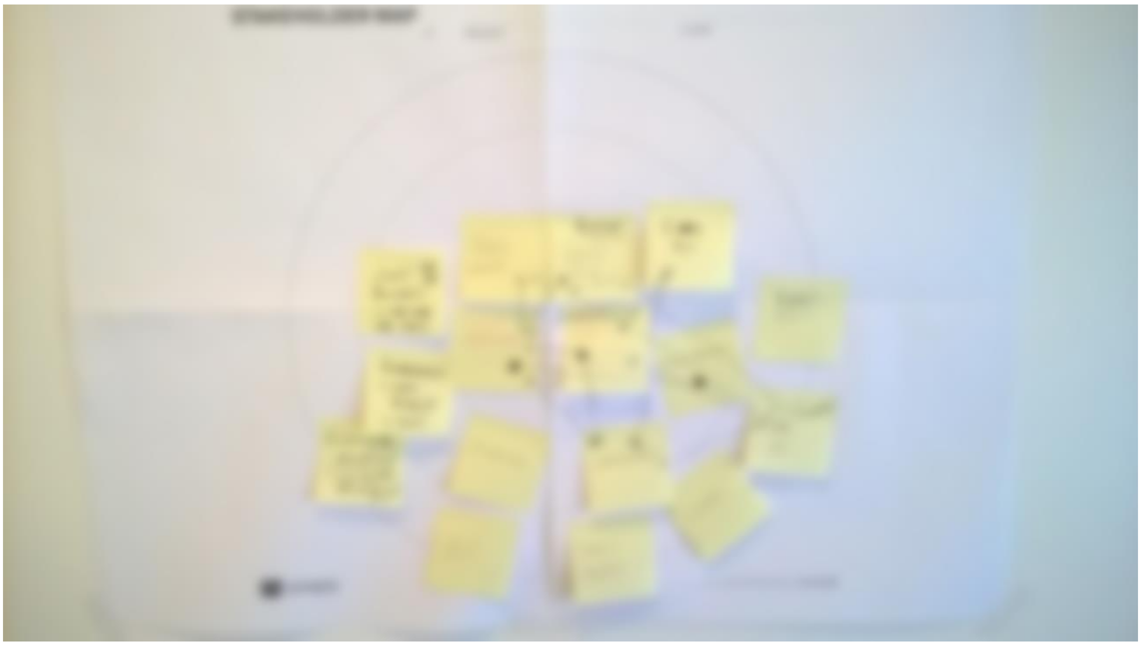

Figure 11: Stakeholder value network map (blurred) (Appendix 3)

The first connected stakeholders were named as the corporate companies, which make the RFPs with the client managers and provide revenue when using the Finnair services. The second named stakeholder was the Finnair management, which follows the performance of the corporate sales and guides them when needed. The third named stakeholder was the Finnair Plus programme which can be used as a sales tool for client managers. Other stakeholders identified were Finavia the airport authority which provides the smooth connections for passengers especially at Helsinki Airport also the joint airline ventures and the **one**world alliance were mentioned. Different associations such as the Entrepreneurs' association of Lapland, the Finnish travel agents' association and the chambers of commerce are constantly having dialogue with the corporate sales in Finland were additionally discussed and added to the map. The stakeholder value map can be seen in Appendix 3.

4.3 Interviews and observations

The interviews were conducted face-to-face with the set of open-ended questions. The interviews were recorded with a sound recorder then transliterated to text for further analysis. In the end there were approximately seven hours of recordings and around 70 pages of transliterated text. Due to the importance of the corporate travel agents, interviewing one of them was also agreed. It was decided that some of the members who for the first time reached Platinum status would be interviewed. The interviewing of the Platinum members was decided because one of the client manager's tasks is to deliver the Finnair Plus Platinum cards to the new Platinum members personally and receive feedback from them. To be able to get a wider understanding on the members' perception of the current process, one Basic and one Silver member were decided to be interviewed as well.

The interview themes for the travel agent, the loyalty programme members and the travel managers were created to get a holistic understanding of the corporate sales process on the stakeholders' perspective. Themes included the general perceptions on the loyalty programmes. Some questions were especially targeted to get understanding on the Finnair Plus programme and its competitors. The roles of the travel agents and the corporate sales were asked to be described. Also the corporate policies on the loyalty programmes were discussed. Finally the external image of Finnair and further development suggestions were asked. The themes of the interviews can be seen in Table 4 and the questions in detail in Appendix 4.

Theme	Travel agent	Member	Travel Manager
I. General perception of the loyalty programmes	Respondent was asked to describe in the travel agent point of view how the customers feel about the loyalty programmes.	Respondents were asked to describe in the member point of view how they feel about the loyalty programmes. Then more specific the perception on the Finnair Plus programme and the competitors.	Respondents were asked to describe in the travel manager/corporate point of view how they feel about the loyalty programmes.
II. The role of the travel agents	Respondent was asked to describe in the travel agent point of view on their role in corporate sales process.	Respondents were asked to describe in the member point of view how they feel about the travel agents in the corporate sales process.	Respondents were asked to describe in the travel manager point of view how they feel about the travel agents in the corporate sales process.
III. Corporate sales	Respondent was asked to describe how the corporate sales process works in their perspective.	N/A	Respondents were asked to describe how the corporate sales process works in the travel managers perspective.
IV. Employee policies	N/A	Respondents were asked to describe in the member point of view how the company policies affect on the use of the loyalty programmes.	Respondents were asked to describe in the travel manager point of view how the company policies affect on the use of the loyalty programmes.
V. Finnair as an airline	Respondent was asked to describe in the travel agent point of view how the customers feel about Finnair as a company	Respondents were asked to describe in the member point of view how they feel about Finnair as an airline.	Respondents were asked to describe in the travel manager/corporate point of view how they feel about Finnair as an airline.
VI. General comments on the process	Respondent was asked to comment in the travel agent point of view the corporate sales and the Finnair Plus in general and how to develop it further.	Respondents were asked to comment in the travel manager point of view the corporate sales, the travel agent and the Finnair Plus process in general and how to develop it further.	Respondents were asked to comment in the member point of view the travel agent and the Finnair Plus process in general and how to develop it further.
VII. Closing	Respondent was asked to say if there was anything else that was not mentioned during the interview.	Respondents were asked to say if there was anything else that was not mentioned during the interview that they would like to add.	Respondents were asked to say if there was anything else that was not mentioned during the interview that they would like to add.

Table 4: Interview themes

The respondents and the interview dates can be seen in Table 5. As most of the loyalty programme members in Finland are Finnish speakers, all the interviews were conducted in Finnish. The first interview was arranged in the beginning of March 2015 with *Travel agent A* which is presenting a major corporate travel agency in Finland. The last interview was done with *Member E,* who was working as a director in a large global company. *Member E* was a Platinum member of Finnair Plus.

Overall it was quite difficult to arrange the interviews and find the respondents. Especially the client managers were very busy during the time. Addition the organizing of the observation of the RFP processes negotiation turned out to be impossible. It resulted in the arrangement of the interviews to be conducted in the way that the client managers accompanied two of the interviews. This led to the *Travel Manager A* and the *Travel Manager B* to be interviewed along with the client managers. The client managers would give freely their comments during the interview, addition to the travel managers' answers. The travel and the client managers' interaction was observed and analyzed. *Travel Manager C* was interviewed simultaneously with *Member B* due to scheduling issues.

Name of respondent	Stakeholder role	Functional Role	Date of Interview
Travel Agent A	Travel Agent	Manager	5.3.2015
Member A	Finnair Plus Basic member	Employee	27.3.2015
Member B	Finnair Plus Platinum member	Director	9.4.2015
Member C	Finnair Plus Silver member	Manager	17.4.2015
Member D	Finnair Plus Platinum member	Director	20.4.2015
Member E	Finnair Plus Platinum member	Director	21.4.2015
Travel Manager A	Travel Manager (large size company)	Manager	1.4.2015
Travel Manager B	Travel Manager (large size company)	Manager	9.4.2015
Travel Manager C	Travel Manager (medium size company)	Manager	9.4.2015

Table 5: Interview respondent list

4.4 Analyzing interviews and creating personas

Once all the interviews were transliterated into a text they were used for creating personas. As Koltay and Tancheva (2010, 174) suggest in their paper that it is often the case that the personas created might not be scientifically adequate which is due to lack of number of people being interviewed. The transliterated interviews can be seen in Figure 12. The ways the personas are examined and used make up the purpose.

In this thesis the number of respondents was not that great. Regardless it was easy to find the patterns between the personas. The similarities were based on the respondents' socioeconomic status and similarity in their thoughts and needs within the persona groups. The coding of the interviews is recommended in order to gain a better picture of the material collected. In this thesis following codes were used to categorize the data and create the personas: experience goals, specific needs, frequency, and development ideas. (Ojasalo et al. 2009, 126; Goodwin Kim 2009, 209).

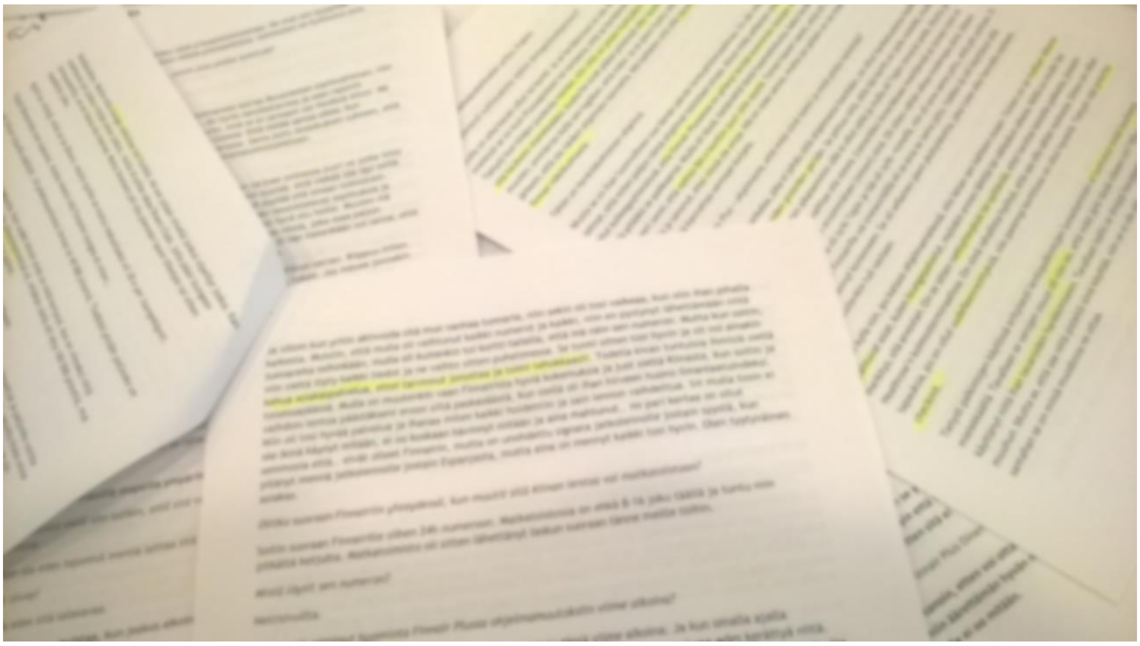

Figure 12: The transliterated interviews

The personas were created by analyzing the interviews and dividing the respondents by their roles as suggested by Goodwin Kim (2009, 244). In this thesis the stakeholder roles were used to identify the possible personas. The similarity in the respondents' answers in the different themes between the Platinum members B, D, E, the Basic Member A, the Silver member C. Also their frequency in travel, demographic similarity such as age and functional role were the key factors in creating the personas. The key points based on the coding and analyzing the interviews were collected.

The *experience goal* of each persona was added in order to make the persona more live and give better understanding how the member perceives the loyalty membership. The goal was written in quotes in the way the persona would express it. (Goodwin Kim 2009, 267.) The created personas are presented in the following pages. The pictures selected for the personas were taken from the Finnair image gallery.

In Figure 13 the heavy-traveler Matti Pekkala is presented, who is a very frequent traveler and thus has reached the highest tier in the loyalty programme. He is very happy on the comfort his Platinum tier grants him such as the priority security and the lounge where he can relax when time between the flights.

Figure 13: Matti Pekkala a Platinum member persona

Figure 14 presents the Silver member Sauli Rantala, who flies only to the short distance destinations but frequently. He thinks that the flight tickets cost a lot compared the short duration they take. He enjoys especially the morning departures when he arrives to airport in the last minute due to the saved because of the priority security.

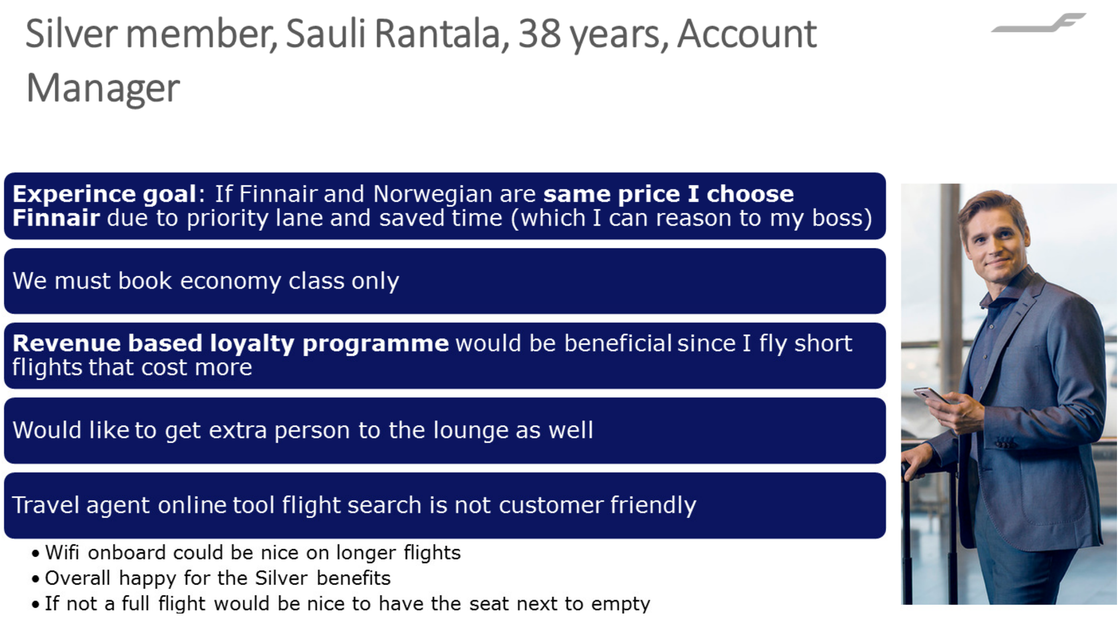

Figure 14: Sauli Rantala a Silver member persona

Figure 15 presents the Basic member Silja Luoma who is a littlebit lost and insecure whether she should accrued the loyalty programme points or not due to the recent tax discussion. She has been accompaining her colleagues to the lounges on business trips and really enjoys the privacy there.

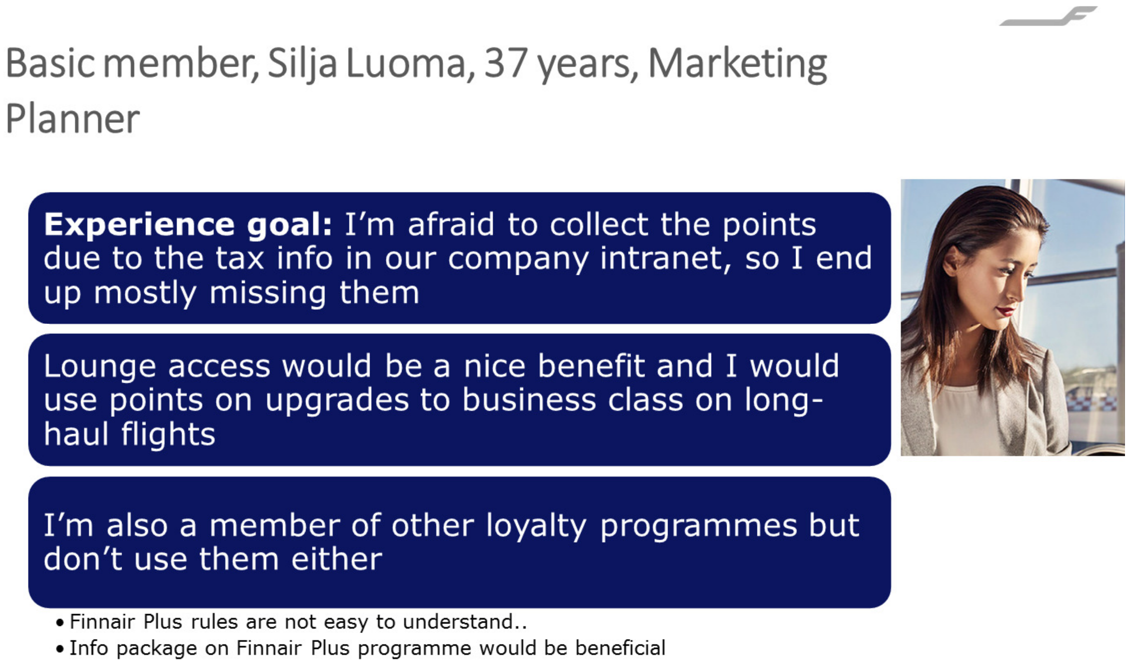

Figure 15: Silja Luoma a Basic member persona

As suggested by Goodwin Kim (2009, 273) also the *organizational archetypes* were created. These archetypes are similar as the personas but they re-present the different kinds of organizations needed to identify the different stakeholders. In this thesis three different kinds of organizations were created: *Travel agent A* to emphasize the travel agent point of view, *Travel Manager A* and *B* to give perspective on major company views and *Travel Manager C* to provide insights on small and medium sized company requirements and needs for the loyalty programme. These profiles are presented below.

Figure 16 presents the company profile of a small and medium size company. In those companies there is usually only one or a handful of travel managers making the travel arrangements for their business travelers. For such companies the corporate points programme would be useful since it would allow the companies to book free flights with the points collected in the programme.

Figure 16: Small and medium size company profile

Figure 17 presents a large-size company where the main task of the travel manager is to keep the travel related costs down. They do not have time to interfere with the individual employee travel arrangements. Everything is done directly via the travel agents by the employees. These companies appreciate the extra comfort the loyalty programmes brings but are strict that the points must be used solely on the business trips.

Figure 17: Large-size company profile

The final company profile in the Figure 18 illustrates the travel agent profile. Almost half of the business trips are booked online using the travel agents tools and some corporates do it even higher rate. Possibility to link the usage of the loyalty programme points for the ancillary services such as the extra luggage or the travel class upgrades would be useful in the travel agent perspective. The travel agent also thinks that the power the loyalty programme in selecting the airline is substantial but it is not said in public.

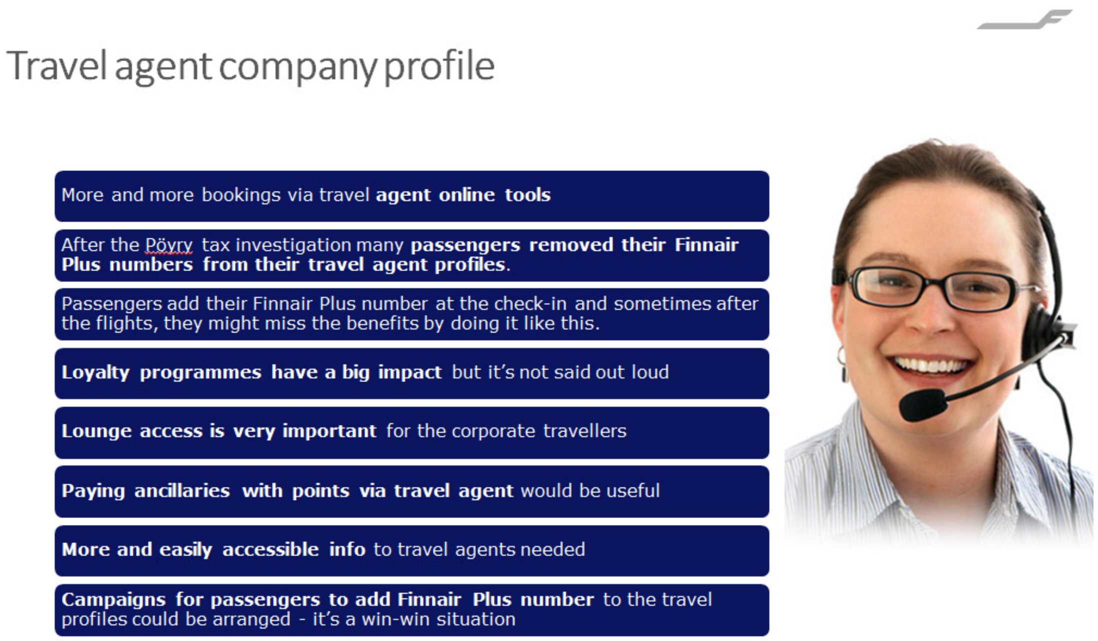

Figure 18: Travel agent company profile

The observation of the interaction between the client managers and the travel managers revealed that the relationship between them can be very personal; they act like friends meeting each other. Also they talk very informally about business related things. As it was not possible to observe the RFP process discussion it cannot be commented if it is any different during those discussions. After the *Travel manager B* interview the client manager had some time to present the latest changes in the airline service concepts. In that presentation there was nothing mentioned about the loyalty programme or its recent concept changes.

4.5 Brainwriting workshop with stakeholders

Brainwriting workshop was arranged in the end of April 2015 with the stakeholders consisting of the client managers and the loyalty programme membership manager. The personas created were introduced to the workshop participants with some open discussion on the features of the personas. Once the personas were familiar to the group, everybody was asked to write their development suggestions on paper (while thinking how the personas would feel about the suggestions). Then pass the paper to the person on their right side and develop the idea received further. The new ideas were put on table and presented to the group. The best ideas were voted and further developed. There was a great deal of bias during the workshop and the participants found it difficult to ideate new things and develop other ideas further. Also the conversation went frequently outside the topic and the facilitator had full hands keeping the workshop in order.

Finally the best ideas were chosen and discussed in the group. The ideas included: arranging the member acquisition campaigns with travel agents, providing the loyalty programme info packages to the client managers which can be then presented to the travel managers and other stakeholder by the client managers, the designing of a corporate loyalty programme for small and medium companies and increase the corporate travel related opportunities for the loyalty point usage. The brainwriting result papers can be seen in the Figure 19.

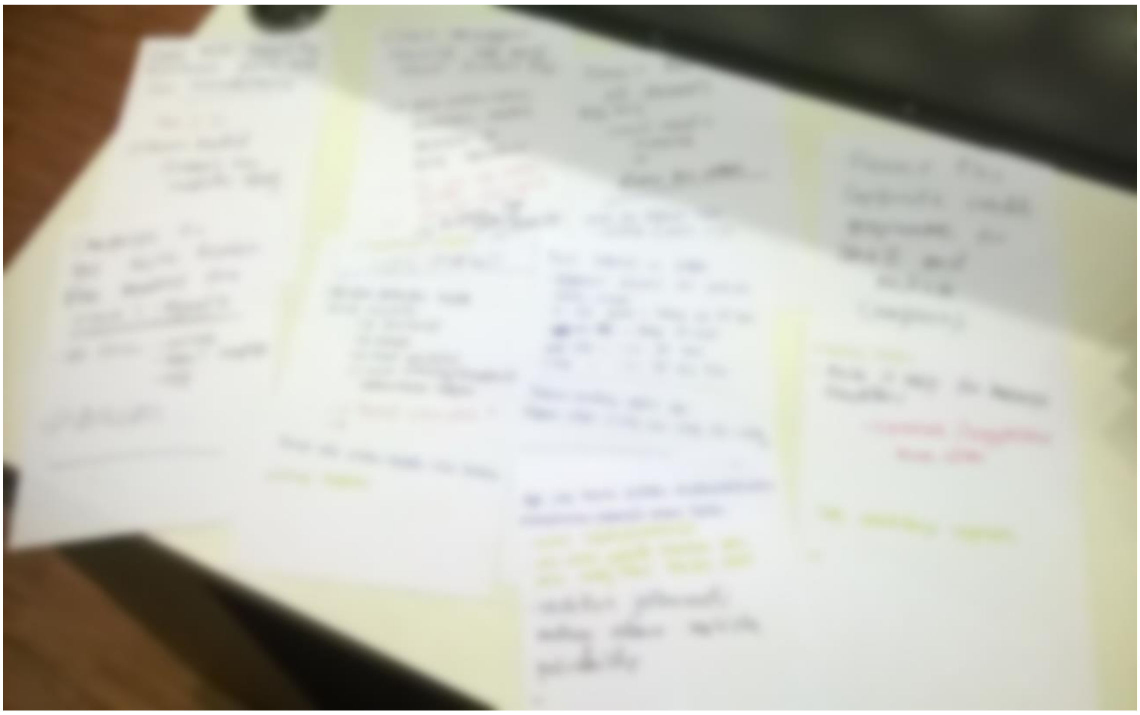

Figure 19: Brainwriting findings gathered (blurred)

The campaign with the travel agents would have a maximal effect on increasing the business traveler member share and the member engagement with the loyalty programme. It would increase the knowledge of the current members and attract non-member business travelers to join the programme. Also the travel agents would get info packages on the loyalty programme benefits and they would be rewarded for attracting the non-members to join the programme.

The second suggestion on providing the client managers with recent, up-to-date material on the loyalty programme rules and new concepts would also help to improve the business traveler member engagement in the long run. The travel managers would be made acquainted with the programme rules and benefits during the client visits. Also during the delivery of the Platinum cards to the members the latest loyalty programme changes could be shared to the new Platinum members.

The third suggestion was to create the corporate programme that would benefit the corporate client companies. In the interviews the travel managers of the large companies told that the companies of that size do not have the resources to use the extra points for free travel. This indicates that corporate programme should then be either created to small and medium size companies, like the competitors have done or design a totally new kind of programme that would be beneficial for both small and large companies alike. The corporate loyalty programme is further discussed the next chapter.

4.6 Suggestions for the future

The biggest further development project would be to design the corporate loyalty programme aimed for the small and medium size companies. It would be also beneficial to examine whether the corporate programme could be designed in such way that the larger companies would be able to use it as well (for example automatic discounts instead of using the corporate points).

Another question is how to bind the corporate sales to support the individual loyalty programme business traveler membership. The linking of the both the corporate sales and the loyalty programmes is something that should be further investigated.

Also the insights received from the service blueprinting should be analyzed deeper in order to develop the RFP process of the corporate sales. Also the corporate travel fair day strategy from the loyalty programme perspective should be considered in order to improve the engagement of the business travelers.

5 Summary and Conclusions

The thesis studied the development of the corporate sales and the loyalty programme in the business traveler centered approach in the service marketing, co-creation, and service-dominant and customer-dominant logics perspective. The HPI-Stanford Design Thinking Process Model was followed in each phase of the study that included *observe*, *understand*, *point of view* and *ideate* phases. The service design tools such as the service blueprinting, the stakeholder value network map, personas and brainwriting were used to understand the current process and ideate the future developments. The same design thinking model used in the thesis could be used in the other loyalty programme development projects as well. Only the service design tools should be selected to fit the purpose of the service or the concept to be developed.

The validity of this case study was assured by using different design thinking tools and methods, addition to the stakeholder interviews to draw the conclusions of the thesis. The qualitative studies in the thesis are done in an ethical and honest manner and by following the design thinking process. As generally in qualitative research the reliability of the thesis cannot be completely verified nevertheless everything reported in the thesis are accurate and truthful. (Eriksson and Kovalainen, 2008, 292.)

As for the research questions the service processes were mapped by using the service blueprinting and the stakeholder value network mapping tools. The results showed that there are some common service processes between the corporate sales and the loyalty programme such as the delivery of the new Platinum members' cards. Also the fact that the loyalty programme membership can be used as a method to engage the business travelers to use the airline more frequently and thus generate more revenue.

A closer co-creation and co-development between the loyalty programme, corporate sales and travel agents is also needed. It is a good start to create campaigns with the travel agents to increase the loyalty programme awareness between the agents and business travelers booking the flights from them. Also the info packages to be created for the client managers and the travel managers are needed so they are themselves more integrated to the loyalty programme and its benefits. In the long run the info packages can help to keep the travel agents, the travel managers and the business travelers up-to-date on the loyalty programme benefits.

The interviews made it clearly evident that the Platinum members are very loyal to the airline of which loyalty programme they are members of. They are also willing to pay a premium to be able fly with that airline. The biggest challenge lies in getting the Basic members or non-members to understand the benefits of the loyalty programme and start using it. For such business travelers having a clear message of the differences between the tier and award points is important. Perhaps a workshop on the issue would give some answers.

The workshops held with the internal stakeholders showed that the goods-dominant logic is still very strong within the minds of the internal stakeholders. The business traveler members should be set as the center of the stakeholder value network map but in this case the corporate sales process and the airline internal stakeholders instead. Also Vargo et al. (2004, 9) suggest that the whole member experience should have been the main focus during the workshops which was not completely the case in during the understand and the ideate phases.

In addition the external stakeholders such as the client company travel managers, the travel agent and the loyalty programme members were interviewed in the semi-structured manner for better understanding the current situation, development needs and for creating the personas needed for the final workshop.

In the interviews, the business travelers indicated that the main benefit from the loyalty programme is the comfort and peace-of-mind the higher tier of the loyalty membership provides. The key benefits listed by the members were the priority security lane and the access to the airline lounges especially when abroad. The fact that the business traveler members of the loyalty programme discuss and compare the benefits of the different loyalty programmes together and even join the loyalty programmes recommended by their colleagues, support the many-to-many marketing theory presented by Gummesson (2007, 21-22).

The main stakeholders involved in the development process were the corporate sales client managers and the loyalty programme membership manager. By co-creating with the corporate client company travel managers and the business travelers and getting them involved to the development process would definitely give better outcome in the future. The deeper co-creating with the stakeholders would keep the airline and the loyalty programme competitive and the business travelers engaged to it.

Also the further ideating where the loyalty programme points could be used before, during and after the business trip should be arranged. Using the business traveler loyalty members in the developing process of the loyalty programme further would also be beneficial. It would help the development team to focus better on the individual member needs and the overall member experience as explained by Heinonen et al. (2010, 8) in about integrating the service-dominant logic as the company strategy.

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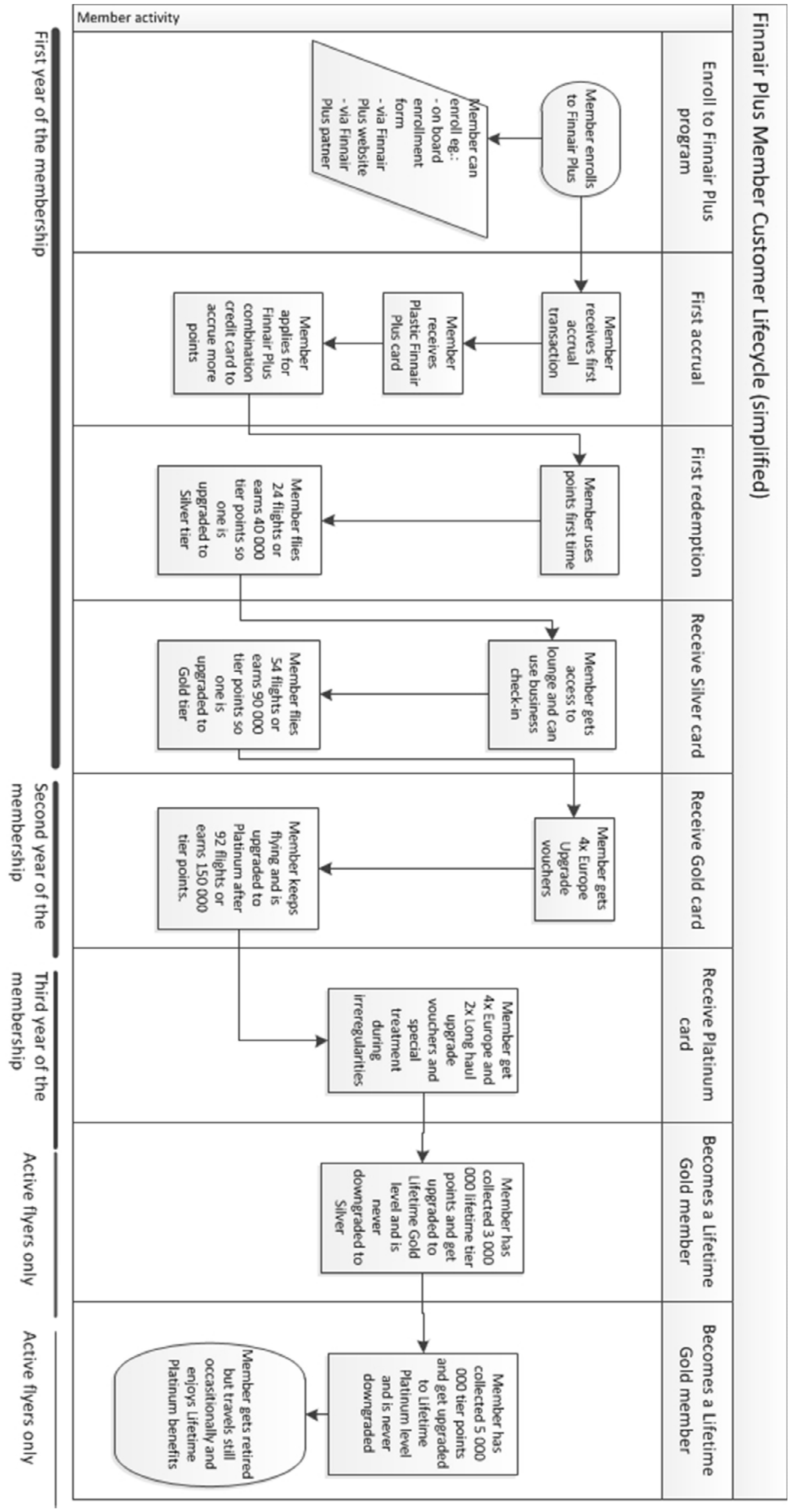
Appendix 1: Finnair Plus Customer Lifecycle (simplified)



Appendix 2: Finnair Corporate Sales Service Blueprint (removed)

Appendix 3: Stakeholder Value Map

(Removed)

Appendix 4: Interview questions

(Removed)