

Saimaa University of Applied Sciences
Faculty of Business Administration, Lappeenranta
Degree Programme in International Business

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Service Productization for a South Karelian Riding School

Thesis 2015

Abstract

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The objective of the study was to productize a new service for a South Karelian riding school. New service ideas which would have the potential to attract new customer groups to local riding stables were innovated and the most potential suggestion was selected.

Three case companies were chosen to represent different types of riding schools in the area. The companies were interviewed to gather data for evaluating the service ideas. The interviews were half-structured and they were carried out in person and via email correspondence.

The outcome of the thesis was a service product for one of the case companies. Further development regarding pricing is needed to launch the product. Based on the study, the riding school entrepreneurs are interested in widening their service offerings.

Keywords: productization, service, horse industry

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1 Introduction

Riding schools are often struggling with profitability and efficiency. A typical equestrian company requires a high amount of capital to operate. Typically riding schools are highly debt-financed. (Piekkari, Ropo, Korhonen & Pussinen 2005.) One way to increase turnover is to widen product range. Services offered by riding stables are relatively similar. Therefore, the key is how to differentiate in order to attract new customer segments.

Riding schools can widen their customer base by specializing. Nevertheless, unique services do not always mean higher prices. The reason for specializing is in many cases the entrepreneur's passion for a certain sport, which often means that the entrepreneur is not able to pay any salary to himself. A riding school is therefore seen more as a hobby than a business. (Lahtinen 2014.)

Lacking cooperation between entrepreneurs causes many problems and challenges in horse industry. As stables are seen as continuums of owners' hobbies, they are often founded without a proper business plan or knowledge about setting up a company. The equestrian entrepreneurs should not be afraid to seek for external help, such as accountancy services or a business advisor. (Työllistävä Hevonen 2010.)

According to the Equestrian Federation of Finland (SRL), the annual cash flows in Finnish horse industry are approximately 830 million euros and it employs 15,000 people full time or part time. According to a study conducted in 2009–2010, there were 63,000 horse riders between ages of 3 and 18, and 81,000 between ages of 19 and 65. The numbers had increased from the previous research. (Suomen Ratsastajainliitto 2014.) These figures prove that equestrianism is a major sport in Finland and therefore can provide many business opportunities.

Horse riding is competed in the Olympics in show jumping, eventing and dressage. Both genders compete as equals. Other horse riding sports are western riding, distance riding and gait riding. Hiking on horseback is also popular. There are approximately one thousand professional riding stables in Finland, from which every second operate as a riding school. Riding stables can apply

for SRL membership, and in 2013 there were a total of 325 member stables. There were a total of 49,970 SRL members in 2013, from which 95 percent were women. In addition there are 75,000 registered horses from which half are riding horses and the rest are trotting horses. (Suomen Ratsastajainliitto 2014, Suomen Ratsastajainliitto 2011.)

SRL is one of the top ten sport federations in Finland, and horse riding is the 10th most popular spectator sport in the country. The Finnish horse industry has grown rapidly throughout the 21st century. The number of horse stables has almost doubled, and old farm buildings are being transformed into horse facilities. According to SRL, horse industry can give new life for the Finnish countryside. (Suomen Ratsastajainliitto 2011.)

1.1 Objectives and delimitations

The objective of this practice-based thesis is to productize a service idea for a South Karelian riding school. New service products are first innovated and then the local entrepreneurs' opinions about these service ideas are investigated. Finally the most potential service innovation is productized for a case company. Pricing the service product is excluded from the thesis, since there was not enough information about the case company's finances and costs. Nevertheless, as pricing is an important element in productization process, it is briefly covered in the theoretical framework.

Operating in South Karelia is a geographical limitation for this study. The research does not include private stables, breeding stables, trotting stables or other where providing horse riding services is not the main focus. All disciplines of horse riding are included, i.e. show jumping, eventing, dressage, Western riding, distance riding, gate riding and trail riding. Only riding schools with a minimum of five horses are included in the study (the number of horses is excluding privately owned boarding horses). The case companies are not required to be member stables of the Equestrian Federation of Finland (SRL).

The data for assessing the service ideas was collected via semi-structured interviews with South Karelian riding school entrepreneurs. Interviews were chosen as the data-collection method as it is an appropriate method when the aim

is to gather information regarding opinions and preferences (Krishnaswami & Satyaprasad 2010, p. 91).

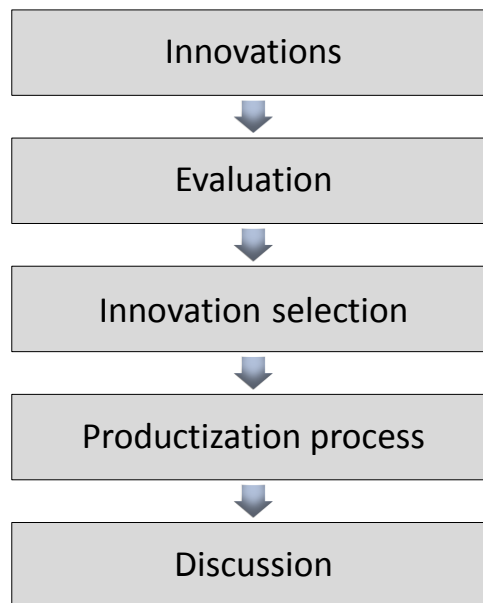


Figure 1. Structure of the empirical part

The first part of the thesis introduces the background for the study and the case companies. The theoretical framework explains the main concepts of the study, which are horse riding as a service and productization process. The empirical part of the thesis is demonstrated in figure 1. First the service innovations are presented. The next step is the evaluation, which is followed by the selection of the innovation to be further productized. The outcome of the productization process is presented and finally there are discussion and suggestions for further studies.

1.2 Case companies

There were certain criteria for selecting the case companies. They are all located in South Karelia and their main business is to provide riding lessons. All of them have a minimum of five horses for riding school purposes. All companies meeting these criteria were divided into four groups according to following conditions:

- Group A: stables with 20 or more horses, main services English style riding lessons and camps

- Group B: stables with 5 to 19 horses, main services English style riding lessons and camps
- Group C: stables specialized in trail rides
- Group D: stables with some other specialization, such as Western style riding lessons.

The aim was to get one representative from each group. Nevertheless, after a certain period of time, only three companies agreed to be part of the study. These case companies are from groups A, B and C, and they are presented below accordingly.

Einolan talli

Einolan talli was founded in 1989 and is owned and managed by Ms. Minna Mättölä. The riding school is located in Imatra. The number of horses differs depending on the season, as there are more horses in the summer than in the winter season. At all times there are more than 20 horses, whereas in the summer time there can be up to 50 horses. The core services that the company offers are English riding lessons and camps.

The weekly number of riding lesson customers is around 130. The customers' ages vary from children and youngsters to up to 60 years old. Women in the age group of 30–40 years are a major customer segment, but the company does not want to specialize in a certain age group. There is only a handful of male customers.

Most of the riding lesson customers are from Imatra, but there are also some customers from Lappeenranta and Ruokolahti. The riding camp customers on the other hand are from all over the country. There are some infrequent foreign, mainly Russian, customers, but the numbers have decreased lately.

Vipelen talli Oy

Vipelen talli is a limited company located in Rauha, Lappeenranta. The company is located close to Holiday Club Saimaa. Vipelen talli was founded in 1996 and currently they have 6 to 10 horses for riding lessons. Their core services are English style riding lessons, renting boarding facilities and offering riding

clinics. Their biggest customer group is women of 30 to 45 years of age. They have approximately 40 customers per week.

Vuonohevostalli Rajavaellus

Vuonohevostalli Rajavaellus (later referred to as “Rajavaellus”) is owned by Ms. Niina Petäjämäki and located in Imatra. Almost all of the horses are Norwegian Fjord Horses. This horse breed is known for its unique appearance and gentle nature. There are ten horses at the moment, and even though it would be possible to increase the number of horses, Ms. Petäjämäki wishes to keep the size of the company manageable for one person.

The company was founded in 2007. The core services are riding lessons, trail rides and services for children with disabilities. There is not a specific main customer group as the customers’ ages vary from two to 70 years old. There are about 60–100 customers per week and the customers are mostly from Imatra and the neighboring towns.

2 Horse riding as a service

A service can be identified as a process, a deed or an act (Gilmore 2003, p. 10). Service products consist of intangible, tangible and electrical parts, labor inputs, knowledge and skills as well as emotions, atmospheres and reputation (Sipilä 2003, pp. 154–155). Services have special features that differentiate them from tangible products. The main features are intangibility, inseparability, perishability and heterogeneity. (Gilmore 2003, p. 10.)

The intangibility of services is demonstrated especially by the fact that services cannot be stored or manufactured in advance. Even so, services may also include tangible aspects. (Gilmore 2003, p. 10.) As an example, in a riding school the customer often purchases a riding lesson, which is the core service. Even though the service itself is intangible, there are tangible aspects, such as the horse, the riding arena, the tack and other gear.

Customers are in most cases present in the service production environment along with the service provider. Consequently the service provider cannot be

separated from the service delivery, which explains the inseparability. (Gilmore 2003, p. 11.) In a riding school the customer has to travel to the service production environment, which in that case is a horse stable or a riding arena. In a riding school other customers are also part of the service delivery, such as other riders on a riding lesson. This is a challenge for the service provider, since it makes quality control and consistency of the service challenging (Gilmore 2003, p. 11).

Services cannot be inventoried, manufactured in advance or reused, because they are always produced and consumed at the same time. This explains the perishability of services. (Gilmore 2003, p. 11.) Correspondingly riding lessons also cannot be stored for later use. If a customer reserves a riding lesson but is not able to attend due to some reason, that specific service act is perished for that customer. The customer may book another riding lesson for another time, but it is not the same exact service any more.

Services are difficult to standardize, and quality control can be challenging. The main reason for this is that people are greatly involved in providing the service, and people rarely are able to be perfectly consistent in the way they behave. Therefore, the same service is rarely homogenous. (Gilmore 2003, p. 11.) Riding lessons are especially hard to standardize, as they involve several unstable elements, i.e. horses, riders and instructors. For instance, horses rarely behave similarly every day.

3 Productization

There are several terms related to developing new or improved service products. Some terms can be divided based on whether the service product is created from the customer's or the company's point of view. (Goldstein, Johnston, Duffy & Rao 2002, p. 122.) Even though the terms have their own specialties, the majority of them include the same key elements. Productization is used as the main term in this thesis. Some service design methods are also used for the final outcome of the thesis.

Because of the special features that services have in comparison to tangible products, their development processes also differ. Traditional development models created for industrial production cannot be used as such in service development. There are plenty of literature and studies available on the subject of new product development, whereas service development has not been studied in the same extent. A major difference between product development and service development is that customers are more involved in services than in products. Therefore it is advisable to have the customers involved also in the service development process. (Alam & Perry 2002, p. 515; Jaakkola, Orava & Varjonen 2009, p. 3.)

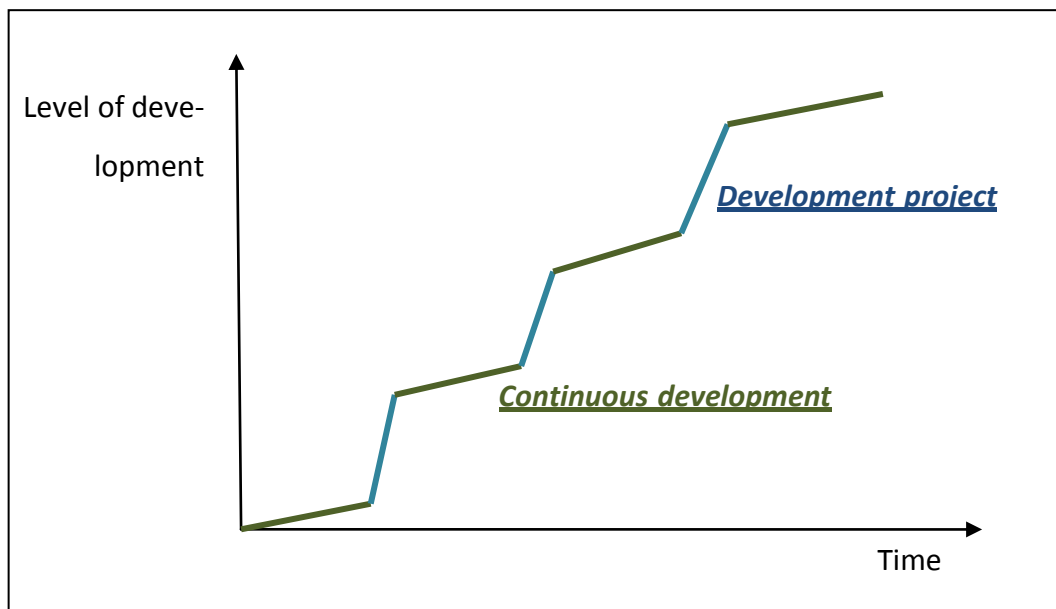


Figure 2. Level of development (Jaakkola et al. 2009, p. 4)

Development process can either be part of everyday work or a separate project. If the target is to generate major reformation in the service product range, a development project is usually necessary since it creates more development in a shorter time than continuous development (see Figure 2, where blue parts of the line refer to development projects and green parts to continuous development). Either way, product and service development are crucial for any company for productivity and competitiveness. (Jaakkola et al. 2009, p. 3–4.)

Reacting to newly arisen customer needs is often not enough. A company should be able to develop a product or a service before customers have realized their need. (Jaakkola et al. 2009, p. 3–4.) According to Steve Jobs, if you

ask customers what they want, they will wish for something else by the time you have the product on the market (Tuulaniemi 2011, p. 74).

Service productization means developing knowledge and expertise into a service product that can be sold, marketed and supplied. When a service product is properly productized it is clear how much it costs, what it includes and who is responsible for it. If these questions are unclear, the productization process has not been successful. (Parantainen 2010, pp. 11, 25.) A well productized service has a clear target group and target market. In addition, it creates gross margin and can be repeated. (Tonder 2013, p. 16.)

When a service is productized, it means that it can be produced repeatedly in the exact same form. Documentation is vital for the productization process because it ensures that the service product can be produced by several individuals. (Parantainen 2010, p. 12.) Even in cases where the goal is not to create a fully standardized service product, productization can still be used as a tool in the development process (Jaakkola et al. 2009, p. 1).

The best example of productization is franchising. In franchising the entire service business model has been productized so that it can be reproduced entirely the same way by someone else. McDonald's is an excellent example of a highly productized service business. (Parantainen 2010, p. 13.)

A productized service solves a problem for the customer or fulfills a need instead of providing a tangible good. The service provider provides his knowledge, time and attention for the customer's benefit. The value that the customer gets is often intangible but clearly benefits the customer. (Tonder 2013, p. 14.)

Productization should be done from the customer's point of view. Therefore, buying should be as easy as possible, which means that the service product should be clear, as concrete as possible and feel risk-free. Pricing and leaflets should support customer's buying intention by being clear. The service product should be somehow different from the competitors; preferably unique and superior package that fulfills the customer's expectations and needs. The number of

loyal customers can be easily created when the customer is positively surprised and feels like he received personal service. (Tonder 2013, p. 15.)

Additional services can be used to differentiate from the competitors. If the core service is very similar, the customer might find the company with the best additional services as the highest quality. (Jaakkola et al. 2009, p. 12.) As a result, in some cases it is not required to develop an entirely new service. Creating a new concept might be enough to upgrade one's status on the markets.

3.1 Further terminology

In addition to productization, there are other terms commonly used in relation to the process of developing a new service product. Some of those terms are presented below.

New service development

New service development (NSD) is according to Johnson, Menor, Roth and Chase, the "*overall process of developing new service offerings*". New service development includes every step from idea generation to launching the service product. (Goldstein et al. 2002, p. 122.) There are several models for NSD, which have expanded over time in the number of stages. The need for overlapping actions has also been considered as the development process is not linear. (Alam & Perry 2002, pp. 516–517.)

Service innovation

Service innovation is a service that is either completely new or significantly renewed. It creates value to its user and can be repeated for several customers. The novelty which creates a service innovation can be related to the benefit for the customer, how the customer is met or how the service is produced. Ideas for new service innovations can be generated from several sources. Personnel, customers, competitors and business partners are the main sources. (Jaakkola et al. 2009, p. 4, 8–9.) Service innovation as a term can include just the idea generation process or all parts of developing a new service (Goldstein et al. 2002, p. 122). Traditionally innovation as a term has only been linked to tangible products (Alam & Perry 2002, p. 515).

Service design

Service design is a systematic way of developing and innovating services analytically and intuitively at the same time. Analytical approach means gaining information from logical reasoning, facts, customer knowledge and data. Whereas intuitive approach refers to the skills and the experience to be able to see what could be possible in the future and what has not been invented yet. Service design is a relatively new term. It was first introduced as in its current form in the early 1990s. (Tuulaniemi 2011, pp. 10–11, 60–61.)

According to Marc Stickdorf, the author of the book “This is Service Design Thinking”, the advantage of service design is that it has not been strictly defined and therefore it covers a wide range of expertise from different areas. In addition, service design can be used as a common language between people from different departments when developing new services. (Tuulaniemi 2011, p. 60.) The general opinion is that service design includes specifying drawings, flowcharts and other tools usually used in designing. The term can be used to cover the whole process of launching a new service product or just parts of the process. (Goldstein et al. 2002, p. 122.)

3.2 Productization process

The steps of productization process are described in the following chapters. There are five steps, but the number of steps can vary case by case.

Idea generation

In order to be successful, a company should be able to recognize the changes and phenomena in the markets as well as in the society and to amend the business according to them. A company needs to find a niche in the markets. It is always better to be ahead of your time than to merely adjust. (Tonder 2013, p. 21.)

Defining customer groups

Customers and markets should be studied to get a clear view of what the customers value in services and why. Only this way the productization process will

create an attractive and superior product. Market researches are normally used to get more understanding about the markets. These studies use scientific methods, such as quantitative studies. These studies produce much numeric information about how appealing the product is, how much the customers are willing to pay and how they value the product. (Tonder 2013, pp. 39–41.)

Nevertheless, a quantitative research is not always the best option. Studies are often outsourced, which means that the company cannot have total control over the study, regarding for instance the questions that are asked and which matters precisely are studied. In addition, there is much of so called “silent” knowledge that the researcher keeps to himself and therefore is not stated in the reports. The researcher does not necessarily keep some information to himself on purpose, but because he does not understand what the customer company values. An outsourced market research is effective on evaluating the overall market situation or trends, but on a single productization process other methods are more advisable. (Tonder 2013, pp. 39–41.)

The best way to gather information is to do it every day systematically, e.g. by examining how customers react on certain aspects. The best information gatherers are those employees who work with customers on a daily basis. It is important that the data is documented in some form, that it is gathered systematically and that it is actually made use of in the business. (Tonder 2013, pp. 39–41, 61.)

Customer promise

Customer promise is an argument that summarizes the value the service can create for the customer and why the customer should choose it. Creating the customer promise is a major step in the productization process. Customer promise is also an important tool in the company’s marketing communications, both internal and external. A customer promise can for example state that the product is cheaper, faster or of higher quality than competitors’. The promise has to be something that can be achieved and the customer has the right to complain if that is not the case. Customer promise is a sales argument that

should be effective and informative but short and realistic. (Tonder 2013, pp. 59–60.)

“Value promise” is a term used in service design. It defines and describes the product, for whom it is, what benefit the customer gains and what makes the product in question unique. (Tuulaniemi 2011, p. 33.) Normally what appeals to people is plenty of value for a relatively low price. Other appealing factors are speed, easiness and flexibility, safeness and reliability and the ability to fulfill a dream (Tonder 2013, p. 63).

Sales pitch is a form of customer promise. It includes the promised value and the content of the service. A good sales pitch introduces the service, argues why the customer should make a purchase and creates interest towards the service and the service provider. Sales pitches can be used on websites, product cards and other material. (Tonder 2013, pp. 68–70.)

A sales pitch should have something to create a first impression. This can be achieved e.g. with a slogan, a picture or a video. After the first impression a sales pitch should define the need of the customer and how it can be fulfilled. Normally this is done in form of a question. Sales pitch also takes into account the possible contradictions by the customers, and the competitors for the service. Therefore, the value should be well defined. However, it is not useful to overstate or use too many superlatives, since it is not effective or believable. A sales pitch should also make the buying process easy for the customer. Therefore the content of the service should be clearly stated in addition to how the service can be purchased. (Tonder 2013, pp. 68–70.)

Building a service concept

The service concept is a group of services and tangible products that create a unified and complete service package. The service concept is supposed to be seen as a whole by the customer, not as a group of services and products. The customer should find the service concept experience effortless and seamless. (Tonder 2013, p. 73.)

In service design, the concept is described as the big picture of a service. It describes the core idea of the service product. Service concept presents the whole story instead of individual ideas. It consists of a service path which shows the contact points with the customer. This gives an understanding of what kind of service product is in question, how it is produced, the benefit for the customer and what is required from the service provider. (Tuulaniemi 2011, p. 189.)

Blueprinting is a way to present all processes that create a service product. It is also referred to as the service path. Normally it is shown as a figure, which easily demonstrates the most important and most critical points of the overall service product. It also demonstrates the order and the length of the processes and how information is passed between the operating parties. (Tonder 2013, pp. 97–98.)

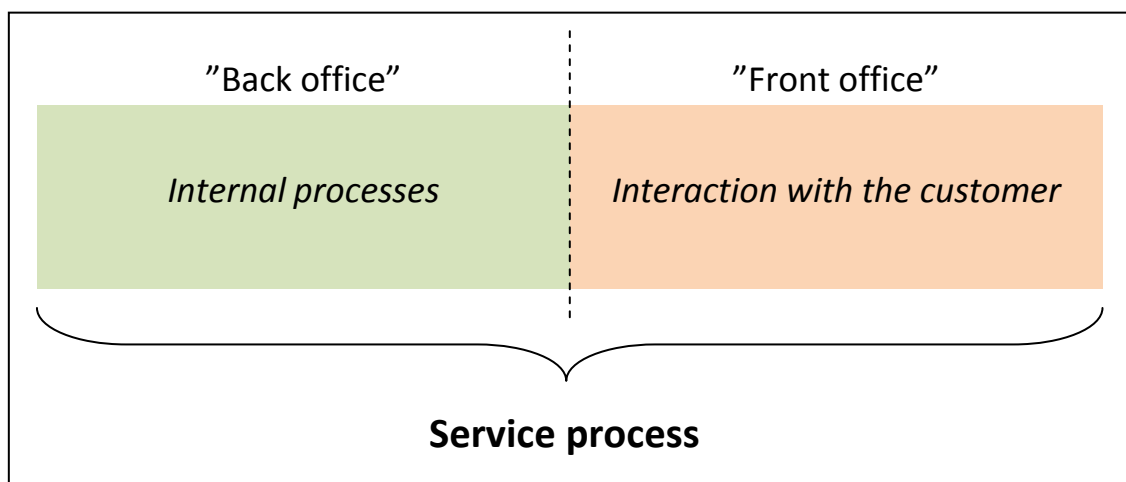


Figure 3. Back office and front office (Jaakkola et al. 2009, p. 15)

The service process can be divided into two parts. There are so called back and front offices (Figure 3). Principally this means that there is the interaction with the customer in addition to the internal processes needed to make that interaction possible. Therefore, some of the processes are not visible to the customer, and blueprinting clearly differentiates them and shows the connection in-between. (Jaakkola et al. 2009, p. 15.) The advance of blueprinting is also that every member of the service process has an overall image of the product and what their input and responsible area is (Tonder 2013, pp. 97–98).

Documentation

Often there is much of so called silent information in companies. Silent information refers to data that is not documented anywhere, yet the company uses it on a regular basis. This creates a risk to service production and to quality management. The contents of service concepts are often written down during the productization process, but there are many aspects that are not documented. If a key person is absent, documentation would be beneficial. Even small, unexpected changes in the service chain can build up to major problems. Requirement specification can prevent these problems. Requirement specification is the documentation of the requirements and courses of action by all parties. (Tonder 2013, 115–116.)

Working instructions are created on the basis of the service product card, blueprint figures and requirement specifications. Each member of the production process should receive his own instructions, so that everyone is clearly aware of their tasks. Nevertheless, it is useful that members read each other's instructions as well in order to have a clear view of the whole process. Proper working instructions ensure that the process is not relying on specific persons, and that the production process can also be done by someone else. Therefore the service product could be in theory produced by someone else in a different location. That is the basis for a franchising business. (Tonder 2013, pp. 115–116.)

The product card is a tool used to document the customer promise of the service product and the content of the concept. Product cards are used for two main reasons. They are internal documents for planning, executing and developing services. In addition, they are used for marketing purposes as external documents. Therefore, different versions of the product card are needed for different parties. (Tonder 2013, pp. 82–83, 85.)

3.3 Pricing service products

The special qualities that services have affect their pricing. Since services are intangible, it is difficult for the customer to comprehend what he is paying for. It is also difficult to compare services. It is challenging to set a price in advance, since service is the interaction between customer and provider. In addition,

quality differences between providers can be noticeable. Since services are intangible, the main bases for pricing are the status of the service and the image of the provider. (Sipilä 2003, pp. 19–20.)

According to Sipilä (2003, p. 52), there is a set of typical problems in service pricing. Often there are not clear strategies for business, marketing or pricing, and there is a lack of knowledge on how the customers and the markets are going to react to price changes. In addition, there are difficulties in setting the right price for a new product. There are several bases for pricing, and combinations of them can be used as well. (Sipilä 2003, pp. 52–56.)

Cost-based pricing

Cost-based pricing uses the production costs as a base. The selling price is generated by adding costs to either target gross margin or target profit. The advantages of cost-based pricing are that it is clear and justified. This is important especially when there are several parties involved in the production. On the other hand, cost-based pricing can lead to setting the prices too high or too low when the market situation and competitor factors are not taken into account. (Sipilä 2003, pp. 57–59; Tonder 2013, p. 89.)

Market-based pricing

Market-based pricing means setting the price at the current market price, which is generated by the combined effect of demand and supply. The government can also affect the market price. In most cases the production costs of the service set the minimum market price and supply and demand set the maximum price. (Sipilä 2003, pp. 57–59.) Market-based pricing is problematic and requires expertise. In some cases it is advisable to set the price below the production costs if that is for the long term benefit and required by the strategy. In order for the market-based pricing to be successful, one needs to be fully aware of the current market situation. (Tonder 2013, p. 90.)

Customer-based pricing

Customer-based pricing means setting the price according to a customer or a customer group. Practical examples are personal discounts and loyalty pro-

grams. The basic rule is that it is less expensive to retain a customer than to create a new customer-relationship. In addition, it is a marketing benefit to have loyal customers. (Tonder 2013, p. 90.)

Target-based pricing

Target-based pricing has its basis in the product development strategy and the marketing strategy. For example a new product could be launched with a lower price in order to get customers interested. A so called pro-bono pricing model means providing a service for common benefits without a charge. Even though it does not generate profit, it creates free publicity. (Sipilä 2003, pp. 57–59; Tonder 2013, pp. 90, 93.) For example a riding school could provide pony rides in a public event without a charge as a promotional tool.

4 Empirical part

The data for the evaluation process was gathered by interviewing representatives of the three case companies. The interviews were semi-structured and they were carried out in Finnish. Since the studied area was very limited, it was possible to carry out personal interviews. Nevertheless, due to scheduling issues, one of the interviews was carried out via email correspondence.

The interviews consisted of two parts. The first part consisted of background questions, which included the following topics:

- year of foundation
- number of horses
- main services
- main customer segment
- number of customers.

In the second part the service innovations were discussed. Only those innovations which were in the author's opinion suitable for the case company in question were introduced. The main questions were:

- What kind of challenges could each service idea face?

- Could the innovations be profitable?
- Which idea would have the most potential and why?

The Finnish version of the form used in the interviews is presented in Appendix 2.

4.1 Service innovations

The service ideas were created from a product-oriented perspective. The key was to find services that have the potential to attract new customer groups to riding stables. Some of the service innovations are already adapted by other stables, and therefore they may not be as innovative. Nevertheless, as a part of this study it was examined why certain case companies had chosen not to offer them even if they could bring new customers. Some of the ideas may seem more utopian, and the meaning of them was to widen the traditional view on what riding schools in Finland offer.

Workplace Health Promotion

Workplace health promotion (WHP) is statutory in Finland. The term is wide as it includes not just physical competence and skills, but also for example the working environment, management and leadership, motivation, standards and the opportunity to influence. Workplace health promotion activities are one way to promote a good workplace. These activities can be for example developing the workplace, professional training, work supervision and promoting physical activities. (Kuntoutussäätiö 2014.)

A typical WHP activity is a day out in an external location. There are already some riding schools providing WHP services. Nevertheless, these services have not been properly productized and they are often different for each customer. Typically a WHP service at a riding school consists of a theoretical and practical lecture about horses and some sort of riding lesson depending on the participants' competence.

The interviews provided inconsistent opinions about the demand for this kind of service offering. All case companies had provided WHP days. Vipelen talli organized them earlier, but decided to stop offering them since there was not

enough demand. They also used resources to market the service. Einolan talli is not marketing or specifically offering their WHP days, instead companies occasionally contact them. The customers are usually local companies. Both of these case companies do not find this service very profitable since it requires a lot of manpower and the pricing is difficult. In addition, as mentioned before, there is not enough demand. On the other hand, at Rajavaellus WHP days has been one of their most popular services. They have a fixed price depending on the number of participants and on the type of service package they require.

Guest ranch/dude ranch

Guest ranch or a dude ranch is a ranch that offers the real Western experience for the whole family by offering horse riding, fishing and other outdoor activities. Trail rides in the wilderness are an essential part of a dude ranch holiday, where food is often prepared over a fire. There are dude ranches all over North America. Many dude ranches were originally cattle farms which were converted as the business model for offering room, board and activities proved successful. Originally a vacation at a dude ranch was quite rural, which was also a part of the thrill. Nowadays, dude ranches can also provide spa treatments and other more luxurious services. (Magill 2010.)

In Finland it is difficult to organize cattle drives and such that are traditionally part of a dude ranch service concept, but there are many elements that can be executed. The main issue is spending time outdoors doing practical things, such as learning to rope, having trail rides in the nature and enjoying an open fire. There are different activities for different people, e.g. fishing for the father, nature walks for the mother, roping for the son and horse riding for the daughter.

This idea was considered promising and plausible by one of the case companies. The case company in question already had some potential business partners considering accommodation and the activities. The biggest challenge would be marketing and creating demand.

Trail rides

There are riding stables which are specialized in organizing trail rides. A typical trail ride lasts around three hours, but there is much variety in durations, varying from one hour to even several days. Longer trail rides normally include a break with a little snack. Riding schools also provide trail rides. In many cases there are enough horses that are safe to ride in the nature and suitable trails nearby. This could attract people who do not appreciate normal riding lessons in an arena, but would prefer the outdoors and relaxed riding.

One of the case companies' main service offerings is trail rides, therefore this service idea was presented only to Einolan talli and Vipelen talli. Both of these companies had provided this service in some extent in the past, but it proved to be highly laborious and costly. There are also greater risks involved than in regular riding school activities. The demand was not very high, and the service requires special kind of horses which are safe and reliable. Both stables are still organizing shorter trail rides upon request.

Cooperation with hotels

The majority of tourists visiting South Karelia are Finns. The biggest foreign tourist groups are from Sweden, Central Europe and Russia. (Etelä-Karjalan liitto 2015.) Russian tourists stayed over 350.000 nights in South Karelian hotels in 2013 which was an all-time high. South Karelia is the second most popular region after Uusimaa among Russian tourists. (Etelä-Karjalan liitto 2014.)

A new kind of service package could be a riding school cooperating with a local hotel. The service package would include transport to the stable, all necessary gear and a short trail ride in the nature. It would be easier to offer this service with a hotel, since guests often request hotels for activities and day trips. In addition, it would be easier to find a big enough group for a profitable service product.

Einolan talli has had advertisements in hotel folders in the past, but they have not offered a particular service package. They have also tried a service where they pick up customers from the hotels. Einolan talli would consider promoting

themselves again in the hotel folders, but it would require some effort to contact the hotels. Vipelen talli has tried to promote themselves in cooperation with hotels but they found that there was no demand for it. Nevertheless, they find that there might be potential in this kind of service package, but it would require customers travelling in groups. Rajavaellus has not been marketing themselves in cooperation with hotels. Nevertheless, they find that there might be potential in this service.

Cooperation with foreign stables

This service idea would mean a South Karelian riding school partnering-up with a foreign stable for example in Central Europe or even on another continent. There could be excursions to the partner stable, which could include e.g. training and excursions. Vice versa, pupils from the partnering school would come to South Karelia to visit their partner stable. There would be accommodation provided and the length of the visit would be e.g. for a weekend or for a week. There would be a fee for entering the program for each participant.

All case companies agree that finding a suitable partner stable would be the biggest challenge, although the service idea as such seems fresh and interesting. Such service would require a partner company to provide accommodation (solely Einolan talli has the necessary facilities) in addition to an English speaking instructor.

Pony clubs

Some riding schools already provide pony clubs for little children. The main purpose of these clubs is to provide little children a safe environment to practice their horsemanship and to learn the basics of how to behave in a riding school. Usually these clubs are held once a week over a certain period of time, for example for half a year.

Einolan talli provides a pony club a few times a year, lasting approximately ten weeks, once a week. According to Ms. Mättölä, pony clubs require a lot of manpower. It is not profitable, but it may generate new customers when the children continue their hobby on actual riding lessons. Normally the children are 6–7

years old. The price is four euros per one time. There is none or just a little bit of riding included in the fee.

Vipelen talli has also offered pony clubs, but they find that customers are not either willing to pay enough or to engage for a longer time. Rajavaellus offers a pony club usually in the summer time. One course lasts a few days where one day session lasts circa three hours. They also find that it is difficult to make profit from this service, since it requires a lot of labor input.

Confirmation school

Confirmation school and horse riding have been combined in form of camps by some stables in past. Principally a riding school organizes a riding camp, where the local church participates by organizing the program necessary for a confirmation camp. This kind of service is not available in South Karelia, even though it might bring new customer groups. Nevertheless, according to the interviews with the case companies, the demand has dropped during the last years, and therefore this service was not seen worth investing in.

Camp school

Traditionally camp schools are organized by elementary schools. South Karelian riding schools could offer a one day excursion for a group of pupils including a riding lesson, petting animals, games, and other outdoor activities in addition to lunch.

None of the case companies have offered this kind of service in the past. It would be challenging to find out what the proper age would be for the pupils to be interested in this sort of camp school. The case companies had not heard about this kind of opportunity and found it challenging to find out if there was any demand.

4.2 Requirements and suitability

There are certain requirements for each of the service ideas presented in the previous chapter. Since the case companies differ from each other regarding for example facilities and service offerings, some services are suitable only for cer-

tain companies. The following table illustrates which service innovations were considered suitable for which case companies (Table 1).

Service/Case company	Einolan talli	Vipelen talli	Rajavaellus
WHP	x	x	x
Dude ranch		x	
Trail rides	x	x	
Cooperation with hotels	x	x	x
Cooperation with foreign stables	x	x	x
Pony clubs	x	x	x
Confirmation school	x	x	
Camp school	x	x	x

Table 1. Suitability of service innovations

The workplace health promotion (WHP) service would be suitable for each case company, since it can be easily adjusted depending on what the company can organize. The main requirement would be to have enough suitable horses for inexperienced riders, which is something that all three of the case companies can offer. The dude ranch service on the other hand has more requirements. It would require partner companies regarding activities and accommodation in case the riding school does not have boarding facilities. Therefore, this service would be only suitable for one company.

Since trail rides were presented to attract new customers, it was not suitable as a new idea for Rajavaellus since that is their main service. Cooperating with a local hotel would be possible for each case company, as it can be widely adjusted. The same case concerns also the service of partnering-up with a foreign stable.

Pony clubs mainly require gentle horses and enough skilled staff to assist the children. Therefore, it could be suitable for each of the three case companies. The confirmation school on the other hand would require accommodation facilities, and therefore it is not suitable for Rajavaellus. The camp school, much like the WHP service, is very adjustable and as a result it could be possible for each case company.

The main driver of each service idea was the ability to attract new customers to the stables. There were five customer groups to be considered: tourists, families, business-to-business, experienced horse riders and inexperienced horse riders. The following table illustrates which service innovations were considered to attract certain customer groups (Table 2).

Service/Customer group	Tourists	Families	B-to-B	Experienced riders	Inexperienced riders
WHP			x		x
Dude ranch	x	x			x
Trail rides	x			x	
Cooperation with hotels	x				
Cooperation with foreign stables	x			x	
Pony clubs					x
Confirmation school				x	
Camp school			x		

Table 2. Target groups.

The work place health promotion service would be a business-to-business (B-to-B) service and also targeted to people who are not necessary familiar with horse riding. The dude ranch service would attract several customer groups: tourists, families and experienced riders in addition to inexperienced riders since there are a variety of activities offered. Trail rides would attract tourists and riders with or without previous experience. The main customer group targeted with the cooperation with local hotels would be tourists, and pony clubs would attract unexperienced horse riders. The confirmation school would be targeted for experienced riders looking for an alternative for a normal riding camp. The camp school would be regarded as a business-to-business service in this case.

4.3 Productization process

The service innovation and the case company for further development were chosen based on the author's observations and data gained in the interviews.

Observations of the companies were collected while visiting the companies and by looking for information online, for example on the companies' web sites.

The most promising service innovation based on the interviews proved out to be the cooperation package with local hotels. It was seen as a way to widen the customer base and to introduce a new customer segment. The entrepreneurs showed interest in entering the travel and tourism business in cooperation with hotels, since that way contacting the potential customers is easier and more efficient.

Rajavaellus was chosen to be the case company for the productization process, since their brand creates an opportunity for a unique and appealing service. Their image relies especially on their horses. All of their horses are Norwegian Fjord Horses, whose unique appearance and gentle nature is emphasized in their promotion. In addition, Rajavaellus's current service offerings offer a great opportunity to launch this kind of service, since there are no investments required as it resembles in many ways the services they already offer.

GoSaimaa, a marketing portal for South Karelian travelling and tourism companies, has listed 14 hotels on their website. These hotels are:

- Holiday Club Saimaa
- Hotel Rantasipi Imatran Valtionhotelli
- Imatran Kylpylä Spa
- Center Hotel Imatra
- Cumulus Lappeenranta
- Hostel Huhtiniemi
- Olkkolan hovi
- Original Sokos Hotel Lappee
- Hotel Rento
- Rantalinna
- Kotimaailma Apartments Lappeenranta
- Lappeenranta Spa
- Scandic Patria
- Summer Hotel Karelia-Park (GoSaimaa 2015).

The hotels were not contacted as part of this thesis, and each of their suitability for the service product was not evaluated.

4.3.1 Concept

The name of the service product is “A day with the Fjord Horses”. The service is created from already existing elements but targeted to a new customer group. The main elements of the service product are:

- transportation to Rajavaellus’s premises
- trail ride
- meal in a barbeque hut.

The service product is a travel service since the target customer group are tourists. It is targeted to visitors staying in hotels in South Karelia who wish to have an active day outdoors and to experience the Finnish countryside. The target customers are interested in nature, outdoors, animals and are adventurous and active people.

The customer will require a Finnish or English speaking guide, assistance with the horses depending on the level of competence, and a hard hat and a reflective vest for safety reasons. The service will promise an unforgettable experience of the South Karelian countryside on gentle Fjord Horses.

The cornerstones of the service are the unique breed of horses, the South Karelian landscapes and the unique experience they create together. The service takes place in Rajavaellus’s premises and in the surrounding lands. The service requires the following equipment and materials:

- horses, gear
- hard hats, reflective vests
- food and beverages
- barbeque hut
- advertisement
- vehicle for transportation.

The main themes of the service are the breed of horses and the countryside plus the hut experience. They are brought out in the advertisement as main elements. Appendix 1 shows an example of an advertisement for a hotel folder, where the picture of the horses is used to draw attention and to get the reader intrigued to know more.

The blueprint for the service product is presented in Appendix 3. The example used in that blueprint is a trail ride for two hours for eight participants. The blueprint shows an example of the variable costs related to the service. The costs are affected by the number of participants and the duration of the trail ride. The cost for horse riding is based on current Rajavaellus's prices, therefore they already include gross margin. The price for a horse ride also includes the instructor's salary and therefore it is not mentioned separately. The salaries for the staff are not mentioned, because the entrepreneur does not work on hourly wages.

The blueprint clarifies how there are front office and back office operations needed for providing this service. The front office operations are visible to the customers, whereas the back office operations are internal and visible only to the service provider. In the front office operations there is interaction between the customers and the provider. Some operations might also need support functions.

The first step of the service is when a customer sees an advertisement and makes a decision to participate. The customer contacts Rajavaellus, where the responsible person receives the order. The advertisement is seen as a support function in this part. In the back office, the service provider checks the availability and books the day for the customer in question. Preparations are also needed to book the minibus for the transportation and organizing the needed supplies.

The next step of the service is when the customers are picked up from the hotel. In the back office the service provider has to first pick up the minibus from the rental company. The interaction happens when the provider drives the customers from the hotel to Rajavaellus's premises. The costs related to this step

consist of the minibus rental fee, which is divided in the blueprint into two parts. For this part the cost is 45 euros (calculated based on the average minibus rental fees in May 2015).

When the customers arrive to the premises, they will be given safety instructions and the necessary gear will be handed out by the provider. The service provider will also collect the payments from the customers. In the back office it will be ensured that there is fitting gear for everyone.

After that, the customers will tack up the horses depending on their level of competence. Nevertheless, there is always an instructor helping out and being responsible for that every horse is tacked up correctly. In the back office the horses are divided among the customers to ensure that everyone has an appropriate mount.

When the horses and the riders are ready, the instructor will assist the customers as they mount their horses. In the back office, the trail guide tacks up and mounts her horse. After that the main part of the service will take place, as the horses and the riders go for a trail ride in the nature. The guide will instruct the customers during the ride and also discuss matters that seem appropriate for each group, e.g. facts about the South Karelian nature and countryside. The route is planned as part of the back office operations. The cost for this step is 400 euros, which is equivalent to what Rajavaellus charges for a two hour trail ride for eight people (in May 2015).

After the trail ride the customers are assisted as they dismount their horses. The customers undress their riding clothes and gear and help untacking the horses. The instructor will help with the horses, and as a back office operation the horses are taken care off as the customers move on to the next phase. The barbeque hut is also prepared and meal cooked. The cost for supplies is estimated at 15 euros.

The customers will then enjoy a meal in the barbeque hut. The service provider will serve the meal, and in the back office the food and drinks are prepared. The food and beverage costs are estimated at 85 euros. Afterwards the customers are transported back to their hotel. Lastly, the service provider will return the

minibus to the rental company. The other half of the minibus rental is appointed to this step, which is 45 euros. The total costs for the service are 590 euros.

4.3.2 Benchmarking competitors

Traditionally companies collect information about their competitors in the same area of business especially for the purpose of setting prices. Information is collected about what the competitors' offer, what their services include and at what price. Nevertheless, it should be considered, that the potential customers do not normally compare businesses simply within the same exact area of business. Instead, they consider how they would like to spend their time. (Tonder 2013, p. 69.) Therefore, the competitors for Rajavaellus regarding this service would be:

- riding stables
- nature resorts
- spas
- stores and shops
- cinemas
- pubs and restaurants
- hiking paths, skating rinks, adventure parks and other sports locations.

In the end the main competitors in this case are not necessarily other riding schools. The main competitors are a variety of companies that can offer the tourists some form of an activity at day time.

4.3.3 Sales pitch

The Fjord Horse is a gentle breed that can offer either speed or tranquility depending on the rider's competence. They are suitable for everyone, whether you are a beginner or an advanced rider, big or small, young or old. There are several routes for a ride which vary in length and level of challenge. Rajavaellus is located in the idyllic, Finnish countryside with varying landscapes. There are trail rides available around the year. A traditional Finnish barbecue hut is located in the premises where the participants can enjoy refreshing food and beverages after horse riding.

The service includes the following for each participant:

- transport
- hard hat, reflective vest
- liability insurance (personal accident insurance required)
- horse ride on a Fjord Horse
- instructions in Finnish or in English
- guide, instructor
- beverages and snacks in a barbecue hut.

A caption for product cards

A trail ride on a Norwegian Fjord Horse is an amazing way to spend the day exploring the South Karelian countryside. These gentle horses will carry even the unexperienced riders safely and reliably, although they can also offer the excitement of speedy canter for those more confident on horseback. A cozy barbecue hut will provide a traditional Finnish experience where snacks are served after the ride. The participants can decide if they want a trail ride lasting one, two or three hours.

Longer caption for more information

A trail ride on a Norwegian Fjord Horse is an amazing way to spend the day exploring the South Karelian countryside. These gentle horses will carry even the inexperienced riders safely and reliably, although they can also offer the excitement of speedy canter for those more confident on horseback. A cozy barbecue hut will provide a traditional Finnish experience where snacks are served after the ride. The minimum amount of participants is four and the maximum is eight. All necessary gear and equipment is provided and no previous experience is required, since there are a variety of routes with different levels of competence required. Transport from and to hotel is included in the price. The participants can decide if they want a trail ride lasting one, two or three hours. The skilled instructors are able to guide the participants in English and in Finnish.

Customer promise in questions and answers

Would you like to experience the South Karelian countryside in a unique way? Horseback riding will bring you closer to the nature and create an unforgettable experience.

Always wanted to try horse riding but never had the chance? The Norwegian Fjord Horses are gentle and carry even an unexperienced rider safely.

Interested in spending a relaxing day outdoors? Horse riding in a safe environment is truly relaxing and almost a meditating experience suitable for nearly everyone.

4.3.4 Safety issues

The Consumer Safety Act (920/2011) must be complied with horse riding services where applicable. The provider of the service must ensure that the risks for the participants and their property are kept at minimum level. In addition, the provider is responsible for the safety of everything and everyone involved in the service throughout its whole duration, including spectators and other who are not directly involved in the production or consumption of the service product. A safety document must be provided about each service product. (Tukes 2015.)

The safety document should contain the following issues:

- service provider and services in question
- person or people responsible for the safety matters
- predictable risks
- risk control and prevention
- action plan for dangerous situations
- requirements for people involved in the service production, such as instructors
- list of all equipment, gear, facilities and animals involved in the service production and the requirements regarding them
- restrictions regarding weather and other such conditions
- maximum number of participants
- safety control regarding others than customers

- guidelines for documenting risk situations and how this data is used
- procedures in the case of notification responsibility
- system of communicating the contents of the safety document to the people involved (Tukes 2011).

5 Summary and discussion

The objective of the thesis was to productize a service for a South Karelian riding school. The author innovated new service ideas which were evaluated based on the data collected by interviewing three case companies. The most potential service innovation was a service in cooperation with local hotels, which was productized for Vuonohevostalli Rajavaellus under the title "A day with the Fjord Horses". The outcome could be rather realistically launched after a testing period. Nevertheless, it would require more in depth cost structure analysis and pricing calculations.

As the local hotels were not contacted or evaluated as a part of this thesis, it could be done in a further study. It could also be studied, if a partner hotel could offer some services that could be included in the service product in order to make it more versatile. Such service could be for example a sauna evening after the day at the stables.

The interviews confirmed the author's perception that horse industry is not seen as real business in Finland. The author wanted to test and elicit that by including service ideas that are unlikely to be successful in South Karelia. As expected, the entrepreneurs showed skepticism towards some of the service ideas. There were also signs of desperation and negative feelings about the future for horse stables in South Karelia, partly because of the current economic situation in the area.

Nowadays there is a growing demand for products and services enhancing mental and physical well-being. This could also provide an opportunity for horse stable entrepreneurs if they manage to create something unique to offer. These offerings could be seen as an alternative to the traditional services in that seg-

ment, which are mainly traditional sports, like yoga and Pilates, or services for mental well-being, such as meditation.

Future study suggestion on the basis of this thesis is to create new types of services for riding schools from a customer-oriented perspective. In fact, one of the case companies showed interest towards widening the service offerings to include wellbeing services. Wellbeing services could possibly provide something new to the current image of horse riding stables in Finland.

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A day with the Fjord Horses

- *Would you like to experience the South Karelian countryside in a unique way?*
- *Always wanted to try horse riding but never had the chance?*
- *Interested in spending a relaxing day outdoors?*

.....

A trail ride on a Norwegian Fjord Horse is an amazing way to spend the day exploring the South Karelian countryside. These gentle horses will carry even the unexperienced riders safely and reliably, although they can also offer the excitement of speedy canter for those more confident on horseback. A cozy barbeque hut will provide a traditional Finnish experience where snacks are served after the ride. Available for 4 – 8 participants.

Prices per person:

1h ride – x €

2h ride – x €

3h ride – x €



Vuonohevostalli Rajavaellus

www.rajavaellus.com

tel. +358 50 123 1234

Appendix 2: The interview form (in Finnish)

Yritys: _____

Yhteyshenkilö: _____

Paikka ja aika: _____

Taustatiedot

Perustamisvuosi: _____

Opetushevosten lukumäärä: 5 – 10 11 – 20 20 <

Pääasialliset palvelut: _____

Suurin asiakasryhmä: _____

Asiakasmäärä: _____

Nimettömänä: Kyllä Ei

Palvelut (ympyröi sopivat)

1. Tyky-päivä
2. Dude ranch
3. Vaellusratsastus
4. Yhteistyö hotellien kanssa
5. Ulkomaalainen yhteistyökumppani
6. Ponikerho
7. Rippileiri
8. Leirikoulu

Appendix 3: Blueprint

FRONT OFFICE	Customer	Customers see an ad and want to participate. They sign up.	Transport from hotel to the stables.	Arrival to the stables, safety instructions, receiving the gear. Payment.	Tacking up the horses.	Customers mount their horses.	Trail ride in the nature.	Dismounting and untacking the horses. Undressing the riding clothes.	Customers go to the barbecue hut. They enjoy beverages and snacks.	Transport back to the hotel.
	↕ Interaction ↕									
	Contact/provider	Receives the order.	Picks up the customers and drives them to the stables.	Employer welcomes the guests and collects the payments. Gives instructions, hand out gear.	Assigning horses and assisting customers.	Assisting customers.	Giving guidance, discussing with the customers.	Assisting.	Serving the meal.	Driving the customers back to the hotel.
Support function	Advertisements at the hotel and online									
<i>Visible to customers</i>										
<i>Invisible to customers</i>										
BACK OFFICE	Service production	Checks availability, books the day. Preparations: -minibus rental -supplies	Picking up the rental minibus.	Organizing fitting gear for every customer.	Assigning suitable mounts for every customer.	Guide mounts his/hers horse.	Planning and preparing the route.	Preparation of the hut and the meal. Taking care of the horses.	Cooking and preparing the meal.	Returning the rental minibus.
COSTS			Minibus 45 €				Riding 400 €	Supplies 15 €	Food 70 € Drinks 15 €	Minibus 45 €