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Proposal for starting operational business in the Finnish market

Customer value proposition in the field of IT business

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Preface

This program is a huge fountain of information. In the beginning, I hoped this would be an experience, that challenges and feeds the interpersonal understanding. It has given a headful of modern, practice-proofed knowledge and shown the demands for implementing the knowledge in practice. Therefore, I would like to thank Metropolia University of Applied Sciences and all instructors of the Industrial Management Master's Program. Especially, the Program Director D.Sc. Satu Teerikangas from the Pan-European touch of each matter. Great passion.

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I am pleased to be part of the Case Company. I came for a while, had the first meetings near coffee roastery in Svetsarvägen and now years has passed us. Thank You, Janko, Gösta, Magnus, Johan, Torbjörn, Michael, Peter, Alexandra, Staffan, Niina, Anni, Ari, Hannu, Tuomo and all other brilliant colleagues equally, for companionship and guidance in this process.

The only mattering frame for my career, studies, and life itself is my family. I am grateful for my family members and want to remember the Late ones. You are always with us.

Thank you, Asta, for your Love, support and arrangings during this time. Thank You Iris for your love, hugs and support. You have done so many inspiring sketches to my perfect bounded notebooks, that most probably those are the meaningful notes to take care. I love You Girls.

Petri Virtanen

Along by Mrs. Sea at Arabianranta, Helsinki 6th may 2016

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<p>This Master's Thesis is to propose a total competitive offering for the case company to expand a selected offering from one geographical area to another in a Northern European context. The thesis is targeting to create general, knowledge-based proposal for the case company to be able to use the same approach in other fields as well in the future.</p> <p>The outcome in this thesis is a competitive proposal of the selected offering to fulfill the needs of one spearhead prospect to start effective business operations. The thesis explores customer perceived value as well as how it can be created and approved by the customer.</p> <p>The outcome of the Thesis is a Conceptual Framework for the case company to address the current state, and to build proposals for the different projects. A secondary outcome is to findings to develop further an industrialized way of maintaining and expressing value perceptions for the market segment.</p> <p>The Thesis explores widely existing knowledge and creates conceptual knowledge related to Value-Based operating in the field of IT business. The thesis creates an understanding for effectively attaching prospects into the value creation process. Accordingly, the value based operating must be a strategic decision for the whole organization, not just a simplistic marketing approach. The targets for value-based operating must be done on a strategic level and managerial level, as well as on prospect level.</p> <p>This Thesis is a unique attempt for the case company to create a structured way of impressing value proposition of all related layers. The thesis creates the building blocks of customer value proposition, and tests the model and gives suggestions to improve the model based on findings to achieve an industrialized way of meeting the upcoming customer perceptions.</p>	
Keywords	Customer Value Proposition, Service, Basic sales items, Preconfigured offering, Monetary value, Perceived value

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1 Introduction

The target of this Master's Thesis is to create a proposal to start an operational business in Finland in the field of Information Technology (IT). The case company has decided to expand the existing IT services available today in the Swedish market successfully to the Finnish market. The offering in the Swedish market is a market leader in forestry. Therefore, the business challenge has the both sides of a coin; a great offering with strong existence, and a new market where the case company is an unrecognized challenger.

In the Information Technology business competition between established companies and newcomers is tough. From the customer's point of view, this is great as they have a variety of different possibilities from which to choose a valuable service. The challenge for the customer is to choose and select the most valuable offering from many. With the business challenge, the case company must sharpen its service offering and customer value proposition to reach a differentiated position from the competition.

For the business challenge and the solution for it, there are plenty of scholars with brilliant conclusions. Marketing and sales operations, efficient deliveries and valuable cooperation have been studied widely for many decades. Kotler et al. (2009) describe widely the full approach for marketing and for the market as a system, where all customers and vendors gather to search each other for value creation. Barnes et al. (2009) and Storbacka et al. (2011) suggest for the business transaction that the vendor can affiliate the customers for themselves with efficient customer value propositions. Grönroos et al. (2011, 2012) and Anderson et al. (2006, 2014) discuss different valuation logics within the offering, whereas Heinonen et al. (2010) and Prahalad et al. (2000, 2004) and Ramaswamy (2011) take value creation further to be the responsibility of the customer, to achieve value-in-use. The value based operating must apply to whole organization as Terho et al. describe related to sales operations and Lindic et al. (2011) related to value-based operations.

The thesis introduces different approaches to value creation and value operations. From there, the thesis creates a working definition as a Conceptual Framework to be used in the operations of the case company. The Conceptual Framework is drawing a successful approach for operational business between the vendor and the customer. It shows how the Conceptual Framework can be used in different fields of business. Therefore, it

simplifies the complex business targets, processes and operations to controllable pieces of action in any other business context.

1.1 Key Concepts

To better understand the issues at hand, the following key concepts must be discussed. The main key concept is Customer Value Proposition (CVP). The value creates demand at the market and raises the interest among the customers to achieve benefits. In best practice, CVP describes the benefits for the customer in monetary terms. The nature of the monetary value can change from one situation to another. It might be a return on investment (ROI), because of increased turnover, improved processes or general efficiency of business. (Storbacka et al. 2009; Manning et al. 2011)

Other important key issues in this thesis are going to be Service, Software-as-a-service, Cloud, Offering, Prospects, Customer, Trial period, pay-as-you-go, designated user, a monthly fee of mentioned service and service level agreement. These terms are explained below.

The term Service in this context means IT-service, which is used to fulfill specific customer needs in selected business. IT-service is based on usage of information technology and support functions for the usage. (ITIL Service Strategy 2007) Software-as-a-Service (Later SaaS) means a service model developed by the IT industry. The SaaS gives benefits for the customer by lowering the enhancement and administration costs of the IT. The lower cost appears because the service is standard for all customers in an ideal situation. Therefore, the sales price can be moderate for the customer to use the service. (Levinson. 2007) The Cloud means cloud computing on a general level. It is a virtual IT platform that allows the usage and control of the SaaS offering over the network i.e. the Internet. (Hassan. 2011)

The terms Offering, Prospects and Customer are related to business operations. The offering is those products or services the company is offering for the markets. The offering is offered for prospects that are validated target opportunities to become customers, who are supplying the turnover for the company. (Manning et al. 2012 and Simon 2014) The trial period is explained well in vocabulary.com as "*a period of time during which someone or something is tested*" (Vocabulary.com. 2016). In the trial period, the vendor's aim is to proof the immediate benefits for the prospect and to start a customer relationship for collecting turnover. Pay-As-You-Go is a term related to SaaS in the field of IT. With Pay-As-You-Go, the customer pays an agreed amount for usage

of SaaS. The Usage or production time, different amounts of administrated items or volumes within the service can be the foundation of the pricing. The very much cited example is aircraft engine manufacturer Rolls-Royce, which turned the business model from selling the aircraft engines, to invoicing the engine's time at air. By this, the Rolls-Royce turned the selling of products to selling of service, which is invoiced by Pay-As-You-Go -principles. (Kotler et al. 2009: p.514) This is a great example of turning the business from selling products to selling services. The monthly fee in this thesis means that the cost for the customer is invoiced on a monthly basis. The monthly fee is also called pay-as-you-go. (Levinson. 2007 and Hassan. 2011) The Service level agreement is a contract between buyer and vendor, where is agreed on the level of service. This means the availability of the service for the customer. The service level agreement is a common agreement in ITIL framework and in the use of when using SaaS. (ITIL Service Design. 2007)

One well-known term within IT service's today is Freemium. The word is a combination of words *Free* and *Premium*. The freemium is not same as Pay-As-You-Go, because with the freemium model a user can use some level of the freemium service free of charge. There is usually not any time or volume limitations. However, when the user upgrades to use the service with all features, then the service is charged. (Freemium.org. 2016)

The key concepts described above, are central to understanding the differentiation of models in IT-business. This thesis provides a proposal to expand the case company's existing offering in the Swedish market to the Finnish market with selected services. Therefore, the thesis provides also general knowledge for any other context of business. Differentiating factors for other fields of businesses are the details used while approaching them.

1.2 Business context

The Case Company, EVRY is an IT consulting company with 10,000 employees operating mainly for the Nordic markets. EVRY has a local presence in 50 towns and cities across the Nordic countries. EVRY's headquarters are in Oslo, Norway. EVRY is a full service IT Company with a focus on Nordic countries and with a strategic goal of becoming a true Nordic champion.

"As one of the largest IT companies in the Nordics, EVRY provides very extensive deliveries to Nordic companies, financial institutions, national public sector entities, municipalities and health authorities. Over 4 million Nordics use services delivered by EVRY each day. Throughout the day and

night, people are logging into online banking, retrieving important work documents or just checking the timetable for the next train home.

We offer the best solutions not only for large and complex customers but also for smaller companies looking for standard off-the-shelf products. Our ability to make use of our local knowledge while at the same time delivering the benefits of our international resources places us in a unique position where innovation and renewal benefit our customers and their end-users.

EVERY has 10.000 employees and has a local presence in 50 towns and cities across the Nordic countries, with particular emphasis on Norway and Sweden. In addition, EVERY owns businesses in India and the Ukraine that contribute significant deliveries to Nordic customers in addition to providing services to customers in other European countries and in the USA.”(EVERY. 2016)

The Case Company has country operational organizations in Norway, Sweden, and Finland. The Finnish country organization has around 100 employees. As described above, the case company has a particular emphasis on Norway and Sweden.

The case company’s business unit in this study is called EVERY Private Industries and solutions. The unit concentrates on Logistics, Forest, Retail, Graphics, Manufacturing, and Construction in the area of Sweden and Finland. The unit has mutual customers, which are active in the Swedish and the Finnish market. With the Business case on hand, the Thesis concentrates to the offering related to Forest segment.

The unit is reorganized in spring 2016 to maintain together the areas of Sweden and Finland with a common offering to selected industries. The organizational changes have been executed during the thesis project. Therefore, the thesis project has a role also to act as integration project of the reorganized unit.

1.3 Business challenge, Objective and expected outcome

The case company is a market leader in providing IT-services in Forestry in Sweden. The business challenge is to expand existing offering also to the Finnish forestry markets. Therefore, the thesis produces a proposal to expand the existing market and to achieve international business possibly. Thus, the business challenge is supporting the case company’s target to become a true Nordic leader with its offerings.

The objective of this thesis is to propose a total competitive offering with selected service to enable EVERY to expand its operative business into the Finnish Forest Industry segment. The objective represents a growth possibility for the case company, because, with the existing strong market share in Sweden, it is hard to find steady further growth possibilities only from the local Swedish markets. Therefore, expanding the business area

geographically to reach new customers and growth is natural. To expand markets geographically, from local to global, Storbacka et al. suggest starting with one carefully selected pilot customer to deploy and develop a one-off solution for a specific demand. After this first deployment of the pilot customer, the case company must analyze key lessons learned from the pilot case. From there, the case company should systematically develop its capabilities to achieve the potential for moving successfully from first one-off delivery to repeatable and scalable solution business. (Storbacka et al. 2014)

The offering discussed, has already strong presence in the Swedish market. Therefore, the case company believes that targeting the similar offering to the Finnish market will create wellbeing and benefits among the Finnish customers. The case company has decided to expand its Forest business to the Finnish market.

“Hi Petri, I have talked to Management and we have decided that it would be a great pleasure if you conducted a analyze for Forest to enter the Finnish market as a part of your Masters Thesis.” (Unit Management of the Case Company)

This thesis is written in 7 sections. Section 1 is an introduction to the topic and will give the basic information regarding the company, business context, and the expected outcome. Section 2 explains the methods and material used in this thesis. Section 3 investigates existing knowledge and creates a Conceptual Framework for the outcome. Within section 4, the study analyses the current state of carefully selected spearhead prospects(s) and analyzes the existing offering in the Swedish forestry market. In section 5, the study builds an initial CVP proposal for the selected Finnish spearhead prospect. The initial proposal is introduced to the stakeholders and further developed if needed. The proposition is validated in Section 6, and the feedback is collect from the prospect. Section 7 summarizes the whole study and discusses immediate practical recommendations, action plans, and next steps to move forward with the decided market penetration.

2 Method and Material

In this section, the method of the study is introduced. This section also introduces the research approach and ways the material is collected and explains the research design for the business case in hand.

2.1 Material collected for the study

The material collected for this Thesis is mainly best practices from literature and field notes from interviews and discussions with stakeholders. The data in this thesis is collected from a variety of sources. The main resources to investigate the actual value proposition of EVRY's existing offering are the product owners and business consultants in the case company. The product owners and business consultants are interviewed for their views on the business case. The data providing the external point of view is collected from literature and from the market, to be able to create a proper suggestion and CVP.

2.2 Research approach

The research approach used in this thesis is Case study. Case study as the approach is selected for this thesis, because of its waterfall-like approach to different events and happenings during the process. The waterfall means in this context a series of tasks that follow each other. The independent tasks can be slightly limited to each other, but mainly task needs to be completed before next task can proceed. (Pham et al. 2012)

With the case study methodology, the gaps are investigated between the existing knowledge and the current state findings. The usage of the variable data sources and careful analysis of the findings will present as an outcome a meaningful initial proposition for feedback collection. Also Dresch et al. (2015) support the usage of the case study research approach, while the sample size is small and the research question is answering the question why? (Dresch et al. 2015: p.1122) The case study approach gives the possibility to target the study to achieve the best possible outcome, and if any problems arise, then it is easy to modify or even redesign the structure and independent tasks of the approach. (Dresch et al. 2015)

On the other hand, other proposed approach is action research. Action research would also be a possible approach for this study because the action research study will have several cycles of research. In these different cycles, the results will be collected and analyzed for improvements for next cycle. Then with action research method each cycle

would be improved from the previous one, and eventually, the best possible outcome can be found. (Dresch et al. 2015)

However, the objective of this study is to give a validated proposal for the case company to be able to expand its existing industry-specific offering effectively to the Finnish market. Because of the business challenge is to create a proposal for Customer Value Proposition that fits for demands of one spearhead prospect at a time, the case study approach is considered the most effective approach. Although, the thesis and the applied perspective to objective give a platform to adjust CVP case by case. From this perspective, the case study approach is enabling to adjust CVP based on present and later feedback.

2.3 Research design

The research design used in this study applies well to existing businesses in the case company. Therefore, to be able to propose best possible outcome, the research design is resilient to obtain the objective and CVP among different prospects and markets. The research design starts from the objective of this study.

The Figure below describes the process within the research approach and describes the planned activities to reach the objective.

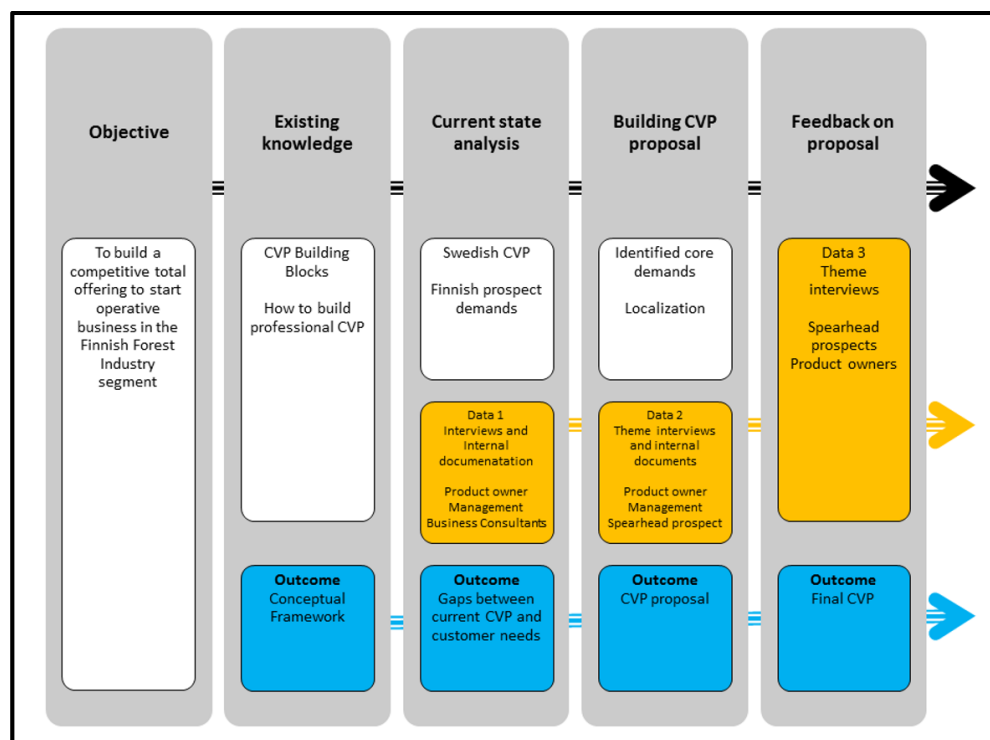


Figure 1. Research design for the study

The second step in the research design is to gather the existing knowledge and best practices from literature and previous studies related to Customer Value Proposition. Existing knowledge is explored to understand the challenges for designing a Conceptual Framework for CVP. Understanding the best practices in the creation of the CVP is crucial to achieving the valuable outcome. With best practices, the analysis of the offering in the Swedish market and the Finnish prospect can be done. Accordingly, one outcome of the thesis is a Conceptual Framework based on existing knowledge.

While the Conceptual Framework is created, the study will concentrate on Current State Analysis related to the Swedish CVP of the case company. The Current State Analysis will consist the Data 1 for the study. Current State Analysis will investigate two topics that can be used later on, as independent parts or as combined knowledge about the current state. These are going to be the existing CVP from EVRY's offering in the Swedish market. One important part of value proposition are reference customers from the same field of business. The references give reliability for the offering. Then another part of the Current State Analysis is beneficial demands of the Finnish prospects. A conclusion is made to represent the possible gaps between offering and demands of the Finnish prospect.

While moving to next phase the existing CVP and benefits from the offering are cleared out. Within this, the research design involves the potential spearhead prospects into the process. Although, the spearhead prospects and the demand in the market are the main metric, which are affecting to the creation of CVP. These results represent the data 2 within research design.

The final phase of research design is finalizing and creating the proposal for CVP to suit the demand in the Finnish market. The proposal is adjusted and differentiated with spearhead prospect. Accordingly, the proposal is presented to the product owners to approve the validity of proposed CVP. Gathered feedback from product owners and the selected spearhead customer are concluding the data 3 of this study.

While the proposal is accepted by the case company's product owners, the proposal is introduced to the selected spearhead prospect. If the proposed CVP fills the gaps of the spearhead prospect's demands and shows value perception, the outcome of the thesis is the CVP.

After lessons learned from first pilot the newly designed or confirmed best local practices must be tested again with pilot prospect B, to confirm ability to repeatable and scalable solution business (Storbacka et al. 2014).

2.4 Data collection plan

The data collection 1, is planned to be made with structure described in Table 2 below. The structured design gives valid data for analysis.

Table 1. The data 1 collection plan.

	CONTENT / Target	SOURCE for Data 1	INFORMANT / DOCUMENTATION	OUTCOME
DATA 1 FOR CURRENT STATE ANALYSIS	<ul style="list-style-type: none"> - Description of VACS Light current Swedish CVP - Identifying Finnish case customer's specific needs - Comparing current CVP with case customer needs - Summary of identified gaps (current CVP vs customer needs) 	<ul style="list-style-type: none"> - EVERY stakeholders, 5 theme interviews - Spearhead prospects theme interviews, 4 theme discussions - EVERY VACS marketing material 2 brochures - EVERY VACS documentation, 2 documents - EVERY Information logistics and Mobility internal documentation, 2 documents 	<ul style="list-style-type: none"> - Business consulting of VACS - Spearhead prospects wood procurement / Sawmill (Energy) - Spearhead prospects management 	<p>SUMMARY OF</p> <ul style="list-style-type: none"> - CVP in the Swedish market - Gaps between EVERY VACS CVP and the Finnish Spearhead prospect - Gaps related to localization and the Finnish legislation: Language, Tax-treatment, Accounting

Table 1 shows the plan for data 1 collection. The aim of data 1 collection is to understand the existing situation from the business challenge view. The data is gathered from internal documentations and internal stakeholders of the case company as shown below in Table 2.

Data 1 is gathered for the business challenge from different sources and the main findings are presented in table 2 below. Then based on this information, the demands in the spearhead prospect is gathered from theme interviews with the spearhead prospects.

Table 2. Data collection for Data 1 with topics discussed

Date	Type	Participants	Datatype and duration	Topics
12.11.2015	Theme discussions	Unit management	Field Notes, 1 hour	Setting up the target for Business Case
23.12.2015	Theme discussion	Product owner, business development	Field Notes, 1 hour	The first discussion about Forest offering in Sweden
5.1.2016	Theme interview	Product owner	Field Notes 1,5 hours	First discussion about EVRY offering for Forest segment in Sweden. Market position, key selling points, coverage
11.1.2016	Internal knowledge	Product owner	Field Notes	Acceptance to investigate market expansion further from Finnish point of view
19.1.2016	Internal description	Product owner	Field Notes 1 hour	Description of what is needed internally to get acceptance to investigate go-to-market possibilities
22.1.2016	Internal description, Theme interview	Product owner, business development	Field Notes 1,5 hours	Description of the Finnish market generally, description of the Finnish forest market, probability analysis Appendix 3
January 2016	Internal description	Product owner, business development	Field Notes 1 hours	Investigation of potential leads on market, lead generating activities
February 2016	Internal discussion	Phone call	Field Notes	Market and Competition analysis
February 2016	Theme interview	Product owner, business consultant	Field Notes	Demonstration of benefits and features with EVRY VACS Light
February, March 2016	Prospect analysis	Market	Field Notes, Memo	Agreement of concept with prospects in the market and further steps. Several discussions with several additional prospects and discussions with Spearhead prospect

The analysis of the Data 1, is present as the outcome of the Current State Analysis.

Data Collection 2

The data collection 2, is planned to be made with similar structure and internal data sources, as described in Table 2 shown below.

Table 3. The data 2 collection plan

	CONTENT / Target	SOURCE for Data 2	INFORMANT / DOCUMENTATION	OUTCOME
DATA 2 FOR BUILDING THE PROPOSAL	<ul style="list-style-type: none"> - Gaps between EVERY VACS CVP and the Finnish Spearhead prospect - Gaps related to localization and the Finnish legislation: Language, Tax-treatment, Accounting 	<ul style="list-style-type: none"> - EVERY stakeholder 5 theme interviews - EVERY VACS documentation, 3 documents - EVERY Information logistics and Mobility internal documentation, 2 documents 	<ul style="list-style-type: none"> - Business consulting of VACS - Product Owner of VACS - Product owners, internal business lines 	<p>SUMMARY OF</p> <ul style="list-style-type: none"> - Decision to meet the GAPS - Gaps related to localization and the Finnish legislation: Language, Tax-treatment, Accounting

For the Data Collection 2, the sources were planned to be mostly internal at case company. The collection plan description is in Table 3 above. The planned sources for data 2 are internal sources related to product and business management.

Table 4. Data collection for Data 2 with topics discussed

Date	Type	Participants	Datatype and duration	Topics
January 2016	Internal decision	Business unit management	Field Notes	Approval to start planning Go-To-Market
February 2016	Theme interview	Product owner, business development	Field Notes, 1 hour	Agreement on market query, prospects generation and ongoing activities toward the business challenge
March 2016	Theme discussions	Product owner, business dev.	Field Notes, Memo, 2 hours	Competition analysis and decision to fill the GAPS with the existing offering to meet the demand at the Finnish market
March 2016	Theme discussions	Product owner	Field Notes	Internal analysis of Prospects from opportunity point of view
March 2016	Theme discussion	Business consulting	Field Notes, 1,5 hours	Locating / GPS / Maps at offering
April 2016	Prospect interview	Prospect	Field Notes, 1 hour	Introduction of CVP to spearhead prospect. Appendix 4

Data 2 is gathered for the business challenge from different sources and the main findings are presented in table 4 above. The internal sources are designed to meet the

business response, to achieve a high level of acceptance for the outcome. The collected data is analyzed, and the results are introduced as an outcome.

Data Collection 3

The data collection 3, is planned to be made with the structure shown below in Table 3. The data collection for the data 3, is aimed to collect and analyze with several internal and external data sources.

Table 5. The Data 3 collection plan.

	CONTENT / Target	SOURCE for Data 3	INFORMANT / DOCUMENTATION	OUTCOME
DATA 3 FOR VALIDATION OF THE PROPOSAL	<ul style="list-style-type: none"> - Decision to meet the GAPS - Gaps related to localization and the Finnish legislation: Language, Tax-treatment, Accounting 	<ul style="list-style-type: none"> - Internal stakeholder theme interviews - Spearhead prospects theme interviews - Internal documentation 	<ul style="list-style-type: none"> - Business consulting and owners in 1 theme interview - 1 workshop with the spearhead prospects wood procurement - 1 workshop with the spearhead prospects top management 	<ul style="list-style-type: none"> - Final Proposal

The data collection three is designed as shown above to achieve acceptance for the final proposal of the customer value proposition. According to the plan, the data is collected from the internal resources and the spearhead prospect.

Table 6. Data collection for Data 3

Month	Type	Participants	Datatype	Topics
11.4.2016	Theme discussion	Product and business owners	Field Notes, 1 hours	Proposal draft introduces for the case company unit management for feedback and creation of internal engagement
5.3.2016	Prospect appointment	Prospect, Case Company	Field Notes, Memo, 2,5 hours	Introduction of the case company, offering and differentiated CVP for the Spearhead prospect Appendices 5,6, 7 and 8

Data 3 is gathered for the business challenge from internal and external sources and the main findings are presented in table 6. The collected data is analyzed and summarized to introduce the final proposal for the case company, to achieve the decided target of the business challenge.

In this subsection, the data collection plan and the main findings for the thesis is introduced. The activities toward field notes, is appendix 1. The data is collected from several different, internal and external data sources to verify the validity and reliability of the findings.

2.5 Validity and reliability plan

For academic research, the validity of the study is an important part of the reliability of it. The internal validity is essential to the results of the research. The validity of the research can be judged by analyzing the answers to the research questions if the answers are same all the time and comments are supporting the answers. The observations should demonstrate validity as the data analysis should be appropriate. Moreover, finally, if the inferences are not consistent with the research question, the validity of the research can be questioned. (Ihantola et al. 2011)

A good case study always refers multiple sources of data and evidence. That applies to research design of this thesis. Some prequalification has used while selecting data- and evidence sources, as discussed in section 2.4. Though, from the survey point of view, it is natural to research that some prejudgment of the investigated scene of activities.

Regarding the validity of the case study, Yin suggests that a researcher might want to get some theoretical background information and best practices before diving into the research question. By this, it is possible to avoid completely wrong directions while starting the research. By following existing knowledge and best practices, it is possible to find deeper meanings on the topic on hand. On the other way around, if the decision is made to start case study without any theoretical background of the topic on hand, it might be highly rewarding with completely fresh viewpoint from the question. (Yin, 2011) Within the research design created to this thesis, the usage of several data sources is mandatory to draw the whole picture. The several data sources develop reliability for the results. (Yin, 2011)

Accordingly, the meaningful members of top management of the case company are going to be used as data sources. That is an important aspect of the validity and the reliability of the outcomes in this thesis.

This section of the study, explained the research approach, gathered data, research design and expected outcomes of different steps of the research design. This section also represented the validation and reliability of the study and explained how the data is collected for the creation of CVP proposal.

3 Existing knowledge of building competitive customer value proposition

This section of the thesis explores the existing knowledge of value-based operating in different contexts. The value is the main reason why any transactions happen between participants. The participants can be companies, humans, or other authors in a suitable manner. The existing knowledge gives evidence to understand the perceived value potential of the offering in the business case.

The existing knowledge section is divided into six subsections. These subsections are introducing the knowledge related to customer value and perceived value from different perspectives. The first subsection introduces the general level topics related to the context of the value based marketing. It introduces perspectives of building process of customer value proposition from existing knowledge. The next subsections are introducing existing knowledge from different perspectives and concepts to understand the value based operating process better. The final subsection of existing knowledge introduces the Conceptual Framework created for the business challenge.

3.1 Introduction to value

This section introduces some key concepts that are discussed widely in the literature. These concepts are discussed to maintain the ability to follow the deeper topics of existing knowledge.

Concept of the market system

Kotler et al. (2009) describe the market as a group of sellers and buyers to transact with specific products or services. Sellers often use the term market to describe a group of potential buyers to offer products or services for purchase. (Kotler et Al. 2009)

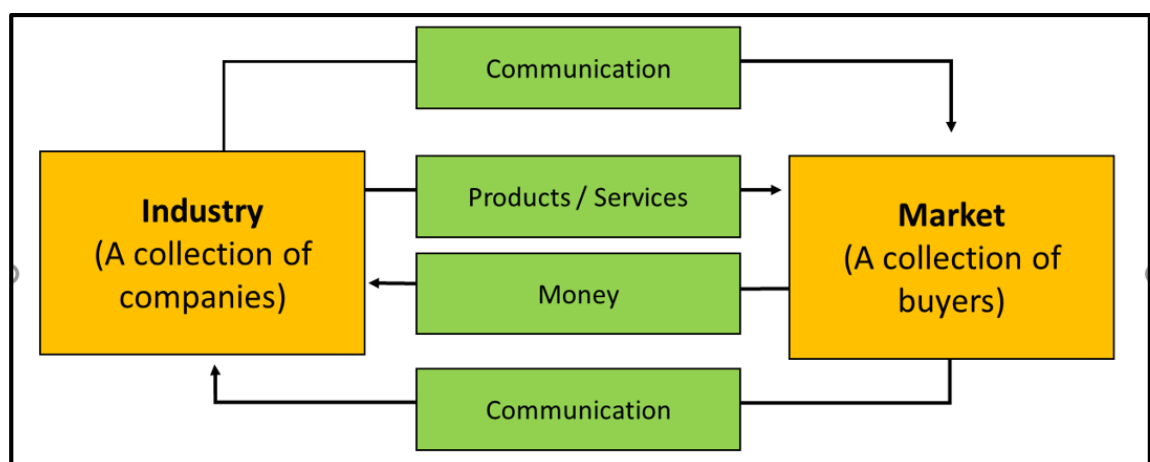


Figure 2. A simple marketing system based on Kotler et al. 2009 p. 13

Description of simplistic relationships model from the market system is described in figure 3. There are two dimensions in the figure, where the outer loop describes the exchange of information, such as marketing or feedback between the industry and the customer. The inner loop describes the transactions between participants. The industry supplies goods or services to the customer and receives money in exchange. (Kotler et al. 2009)

Concept of buyer

The buyer of good or service is often called a customer. Although, the existing knowledge of Customer Value Proposition is explored it needs to clarify: What is a customer of industry? Simon (2014) describes the customer as "A working definition might be that your customers are the people or entities that buy your products and services and supply your revenue." (Simon 2014: p.49) This definition describes the character of a customer clearly. A customer is the only entity that gives the company a possibility to gather turnover and therefore keeps the company operational. (Simon 2014: Rust et al. 2010)

To be successful in the selected field of business, the offering should provide a clear benefit for the buyer. Specifically, the delivered goods or services need to provide measurable value to the buyer. (Sheehan et al. 2015: Wouters et al. 2015) Accordingly, if an offering does not convey benefit or value to the buyer, the offering must be enhanced. Otherwise, there is always alternative offering in the market to choose from, because of the buyer's unquestionable power of selecting the most valuable offering (Porter 2008: p.30).

Concept of value

Value can be very different in different situations between the recipients. Often the value grows within time while the customer integrates the resources of the vendors to its ones. This concept is called value-in-use. (Vargo et al. 2010) Occasionally, the customer might evaluate the value only emotionally (Sheehan et al. V. 2015). While this happens, the value proposition is hard to present because of subjective expectation.

Accordingly, the source of economic value is some valuable good or service that is beneficial to sell, deliver, buy, receive and use. The benefit or economic value can achieve as a value in use from good or service.

The customer value is made from the benefits the customer company obtains in exchange, for the price it pays from a market offering. Barnes et al. describe the value with a formula:

Value = Benefits – Costs (Barnes et al. 2009 p.29)

Heskett et al. with even deeper specification as,

Value to Customers = (Results + Quality of the Customer Experience) / (Price + Access Costs) (Heskett et al. 2010: p.21).

In the above formulas, the value is an outcome of the paid cost to get access to the benefits. When the benefits are used effectively in business, the value is an outcome of this activity. Therefore, the cost is not only the market price the buyer pays for the expected benefits but also the total costs of the effective usage of the benefits. The total cost can be seen as the access costs i.e. usage of buyer's resources for education, deployment, or support. (Barnes et al. 2009; Heskett et al. 2010)

Co-creation of value

The existing knowledge of value co-creation has evolved over times. Value co-creation has evolved from the logic of value and creation of value. First value was seen merely as a term from marketing to the modern point of view where value is understood as an advantage that cannot be performed by an entity alone. A similar understanding exists among many authors in recent studies i.e. Prahalad et al. (2000), Vargo & Lusch (e.g. 2010), Heinonen et al. (2010) and Wouters et al. (2015).

The logic in value co-creation is traditionally divided into two different logics. Goods-Dominant-logic (GD) and Service-Dominant-Logic (SD). GD –logic facilitates the business operations to fulfill customer's need with delivering a product, where the value is embed in it. Simplistically, with the GD logic, the customer receives a product to solve a problem, without much further attention from the seller. SD-logic instead facilitates the business operations to fulfill customer's need and demand by supplying the product with support to get the benefits implemented to reach the value from the product. (Vargo et al. 2010)

Prhalad et al. (2004) suggest differences in logic's while approaching prospects with the value proposition. Value Co-Creation (SD-Logic) principles compared to transactional (GD logic) principles. The differences between divided in Table 4 below:

Table 7 explains the differences between GD logic and SD logic. Modified from Prhalad et al. (2004)

	Traditional exchange / GD -logic	Co-Creation experiences / SD -logic
<i>Goal of interaction</i>	Extraction of economic value	Co-Creation of value through compelling co-creation experiences, as well as extraction of economic value
<i>Locus of interaction</i>	Once at the end of the value chain	Repeatedly, anywhere, and anytime in the system
<i>Company-Customer relationship</i>	Transaction based	Set of interactions and transactions focused on a series of co-creation experiences
<i>View of choice</i>	Variety of products and services, features and functionalities, product performance, and operating procedures	Co-creation experience based on interactions across multiple channels, options, transactions, and the price-experience relationship
<i>Pattern of interaction between firm and customer</i>	Passive, firm-initiated, one-on-one	Active, initiated by either firm or customer, one-on-one or one-to-many
<i>Focus on quality</i>	Quality of internal processes and what companies have on offer	Quality of customer-company interaction and co-creation experiences

Afterward, many researchers have concluded that to be able to co-create more effectively customer perceived value, the customer's response is increased as value co-creator. The customer's role and responsibilities as co-creator are studied by Ramaswamy (2000), Heinonen et al. (2010), and Wouters et al. (2015). Within these studies, the perspective for value co-creation is concentrating more on the participating role of the customer. According to Ramaswamy (2000), Vendors must stop thinking of customers as passive buyers nor recipients, but as individuals that need to engage into the value co-creation process. By enabling and engaging the power of co-creation between participants, the value can be higher. While the customer is working with service or product independently in their business, it is a meaningful part of the whole value creation process, as value-in-use (Heinonen et al. 2010).

According to Heinonen et al. (2010) this is mandatory for the whole concept of the value creation to reach additional value to the customer. Therefore, the customer is working independently and creating value from running a business with beneficial services. The customer is finding more value from delivery of good or service constantly. This conclusion empathizes the customer's responsibility to reach targeted valuation. (Heinonen et al. 2010)

As Grönroos et al. crystallizes the value co-creation as follows: "These are the supplier's process of providing resources for customer's use and the customer's process of turning service into value." (Grönroos et al. 2011: p. 5).

Accordingly, as can conclude from Figure below, the value co-creation process between vendor, customer and possibly other vendors cannot be perfectly fitted to cover whole value process.

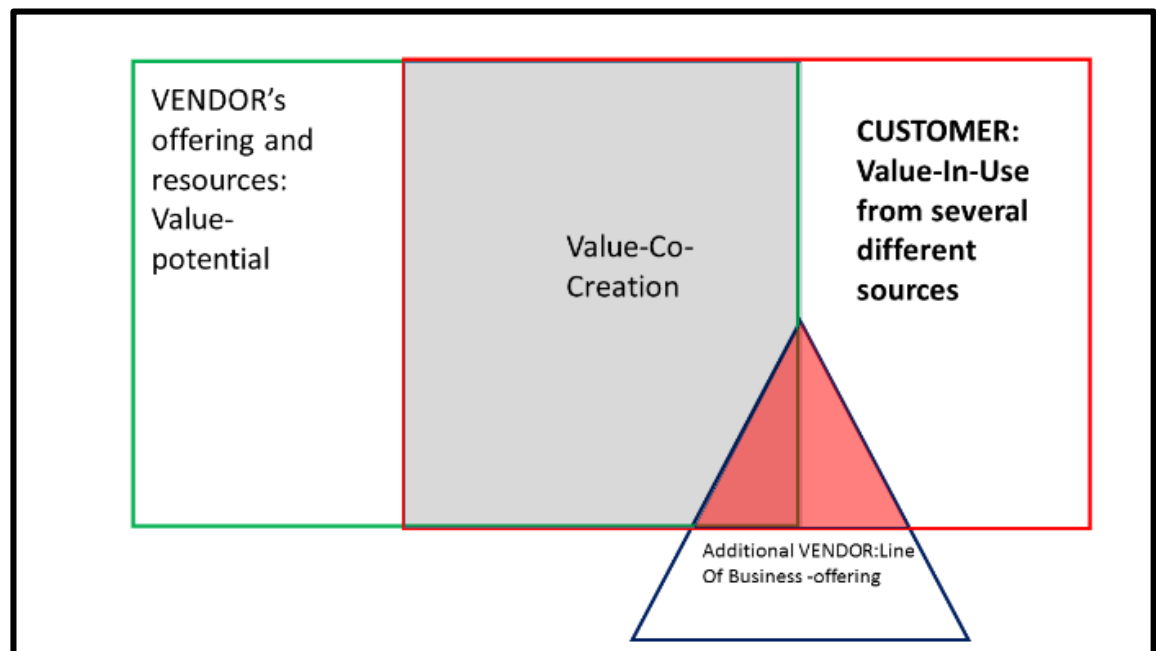


Figure 3. Value-Co-Creation, further developed from Barnes et al. 2010: p. 9

There is always the external area of the value co-creation process in the customer organization, where the vendor cannot reach. This area is marked as customer's value-in-use in figure 4 above. Also, there is often additional solution or offering from another vendor, who is targeting to achieve also co-created value with the customer. This noise or disturbance in value-co-creation process is unpredictable part of the process. Anderson et al. suggest in this scenario, that the vendor should explore how their offering relates to other vendors offering and how to integrate them sufficiently to create added

value for the mutual customer (Anderson et al. 2014). Moreover, additional value for all participants.

This section explained the meaningful difference between GD- and SD-logics and facilitated deeper participation and response in the customer's behavior according to themselves. Nevertheless, both logics have their time and place within different fields of businesses.

Perspectives of building customer value proposition

This subsection introduces few carefully selected existing perspectives for creating the customer value proposition. These perspectives are painting the picture of an ongoing process for enhancing the customer value proposition.

Barnes et al. (2010) suggest the building blocks of CVP must contain at least three different dimensions. Barnes et al. suggest, that value proposition is built with Capability, which is vendor's ability to serve selected market segments customers. Impact, of how the offering is helping the customer to flourish. And cost, which represents the total costs, including price and resources. (Barnes et al. 2010)

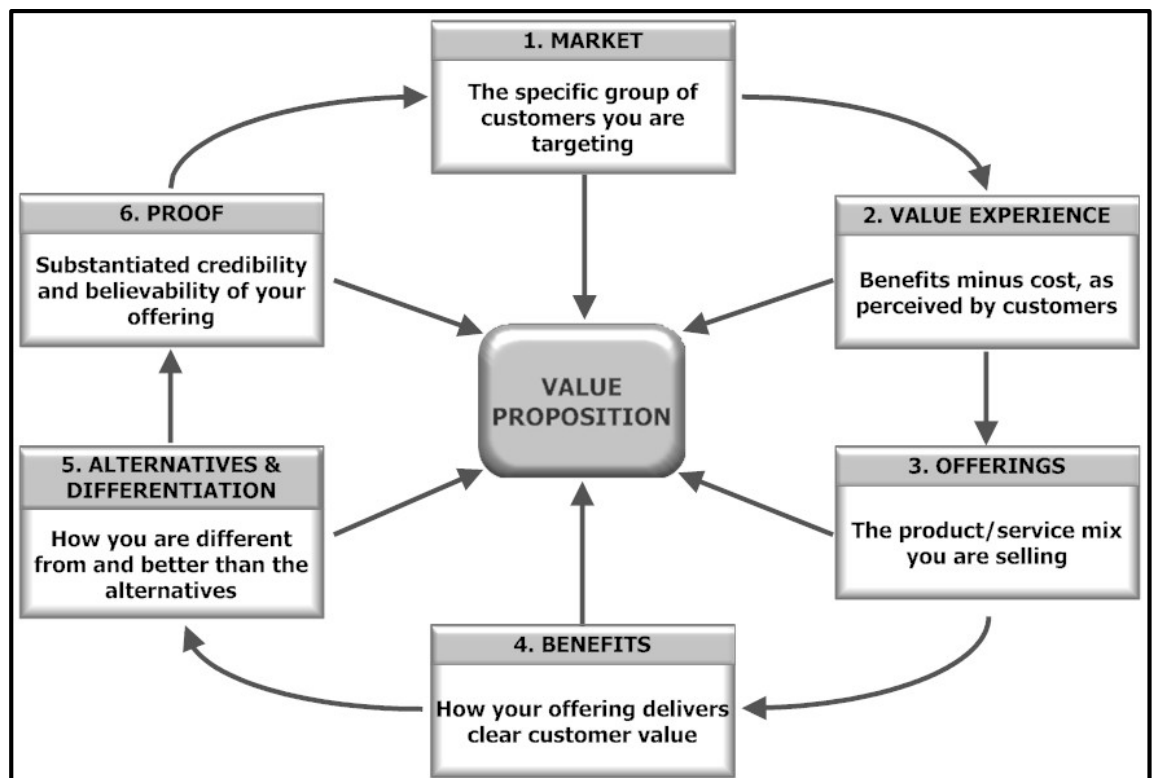


Figure 4. The Value Proposition Builder™ by Barnes et al., 2009: p.31

Table 8. Description of Value Proposition builder by Barnes et Al. 2009: p.31

The Value Proposition Builder™, brief description for 6 step process

1. To start with, The Company must decide with whom to talk. This means selecting segments from the market, or specific prospects who could achieve value from the company's offering. Profitably.
2. Next step is to analyze the current customer's value experience that your clients get from your organization. The analysis must contain good, bad and neutral experiences. Most important experiences are those that truly makes the difference
3. Then, define the offerings mix capable of leveraging your proven value experience with the defined target market segment.
4. When the vendor have defined the expected benefits for selected market segment, add the cost component, which includes customer price, other costs and risk for the customer.

Calculate **Value = Benefits minus costs**
5. After this stage, the company must analyze how this provides alternatives and differentiator for the company
6. Make audit round on top up and create proofs of VP

The process works one-step at the time, and the previous step always gives a view to next phase. This gives a possibility to compare of CVP for example different market segments. Barnes et al. (2010) claims: "The real power of value proposition thinking is in the process." (Barnes et al. 2010: p.32). Therefore, the value proposition process is always useful and beneficial exercise to the company, because it forces to look deep inside to the existing processes and outcomes. (Barnes et al. 2010; Osterwalder et al. 2014)

Storbacka et al. suggest a slightly narrowed framework to use in solution business to achieve the similar target.

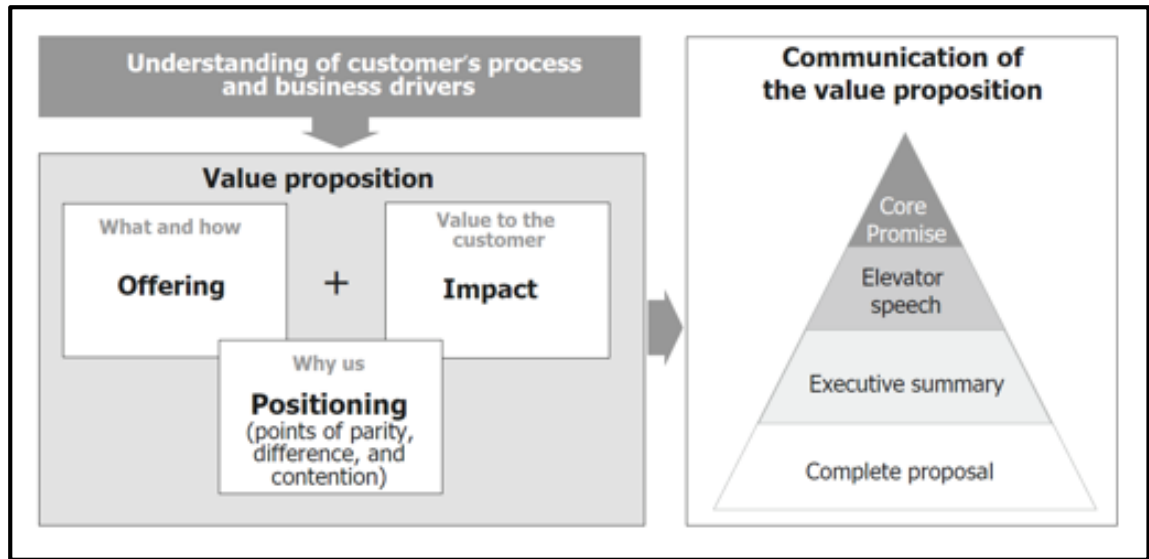


Figure 5: Building blocks and communication model for solution business by Storbacka et al. (2014: p.38)

Storbacka et al. (2014) suggest in Figure 5, to build customer value proposition based on an understanding of the customer. While the segment has chosen correctly, and the offering is developed and established to this segment, the vendor is already having a good understanding of the customer's processes. Then, the business drivers are more differentiated between each customer. Storbacka et al. suggest building a value proposition based on Offering, Impact from the offering and comparison facts to competing offering from the markets. The valuable benefits are then compressed to different levels of value propositions to communicate effectively to different stakeholders. The customer specific value proposition is an explanation or a blueprint that crystallizes the benefits for the customer from the usage of the offered solution. (Storbacka et al. 2014)

Ongoing validation of the building blocks in the value-proposition process gives the organization a great possibility to communicate differentiated CVP to different recipients at prospects (Osterwalder et al. 2014). While this process is ongoing, the organization can find differentiated points of view to communicate and modify the CVP in different circumstances.

3.2 Market

This section investigates the CVP process from the market perspective. The section is investigating market and market segment selection to meet with the selected offering. Accordingly, the section drills down to the segment-specific value proposition and details to differentiate offering apart from the competition.

Market selection

As discussed in section 3.1, selecting markets for the offering is important for any company to be able to design the strategy. The main outcome with service strategy for a company is to sell and deliver a qualified customer experience against economic benefit, i.e. market price to the buyer (Heskett et al. 2010).

Selecting the market and market segment gives the company an option to scope and develop the offering to fit segment specific, analyzed demands (Storbacka et al. 2014). Therefore, by selecting the market segment, the company can create an offering for the segment and a segment specific value proposition. (Barnes et al. 2009; Storbacka et al. 2014; Sheehan et al. V. 2015) By concentrating on the niche market segment, the company can develop its understanding and messages of the selected focus group of prospects. According to Storbacka et al. Communicating the inspiring segment specific value proposition to the markets is the key element in demand creation and commercialization of the offering (Storbacka et al. 2014).

Market specific knowledge

The segment-specific knowledge and the segment-specific benefits from the offering must be communicated effectively to the markets. The segment level expertise and value-proposition gives a solid ground for the creation of the customer specific value proposition. Segment level value-proposition communicates the company's ability and potential to co-create value with customers. (Storbacka et al. 2014)

The segment level value proposition can be design to meet the segments most important needs and possibilities. The needs that are effective to the buying decision need to be analyzed to understand what values are drivers of the decision (Manning et al. 2012: p.198). The rational buying motives can be related to efficiency in administration, production, deliveries or quality related topics. However, the customers are also humans, so with the value proposition, the emotional buying motives must take carefully into

consideration while designing the customer specific value proposition. (Sheehan et al. 2015; Manning et al. 2012)

The company must have different levels of VP. These are expressed in Table 6 below.

Table 9. Three levels of VP to communicate with different targets. (Storbacka et al. 2014: p. 37)

<p>FIRM</p> <p>Firm-level value proposition</p>	<p>SEGMENT</p> <p>Segment-specific value proposition</p>	<p>CUSTOMER</p> <p>Customer-specific value proposition</p>
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In Table 6, the first level quantifies the ability of the company; second quantifies the general VP of the offering and the company for selected market segment. The third level of VP is the customer-specific value proposition. This third level is actual customer level VP and demands the sales opportunity's strong involvement into the process (Storbacka Et al. 2014).

Similarly, Terho et al. identify three different approaches to value-based selling. These three stages have a similar approach for different levels of the value proposition (Terho Et al. 2011). Terho et al. suggest that a company's sales habit can be described to be part of one habit while Storbacka et al. argues that a company with value based sales strategy need to apply all of these. (Storbacka et al. 2014; Terho Et al. 2011)

Competition comparison

For the creation of the segment level value proposition, the company can find help from the usage of the strategy canvas. The strategy canvas is diagnostic- and an action framework. It captures the current state of the segment competition. By analyzing the key factors of the markets expected benefits, it is possible to adjust the factors of own offerings and differentiate from alternatives. (Kim et al. 2005)

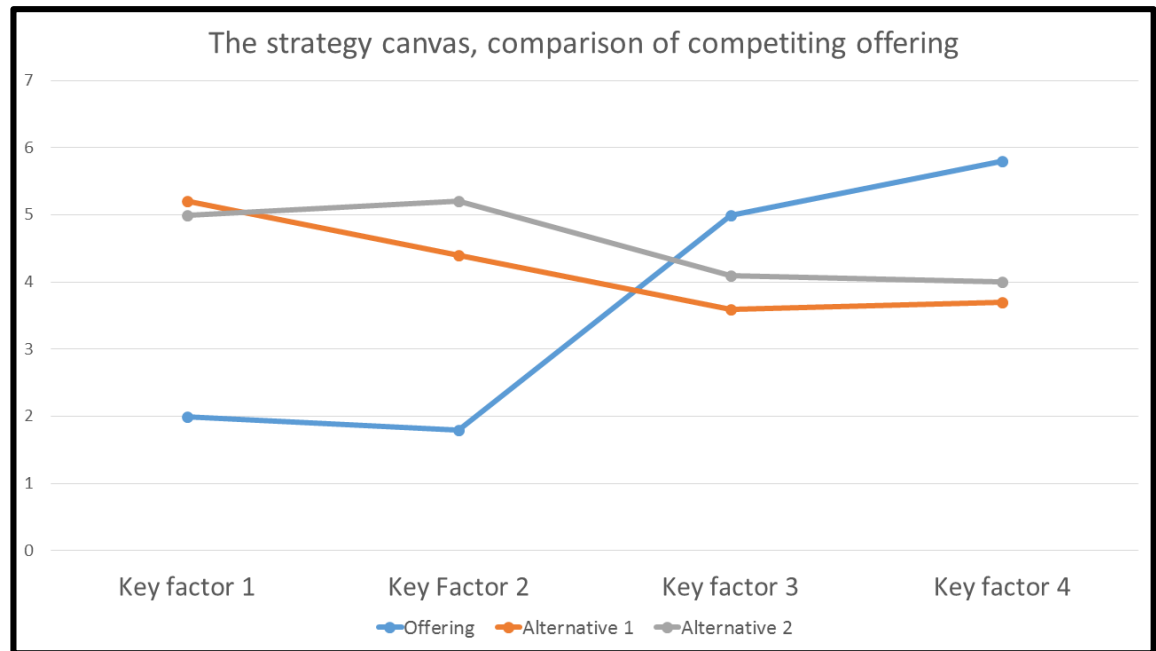


Figure 6, Example of the Strategy Canvas, modified from Kim et al. (2005: p.111)

The analysis improves the segment based value proposition creation process. In a comparison of factors with alternative offerings, the vendor can decide which factors to highlight within their segment based value proposition. Similarly, the vendor can reduce those factors that the customers are not willing to value. The reduction of factors reduces the company's enhancement costs of factors that are considered as over delivery by the market. (Kim et al. 2005) If the market price is too high compared to perceived value according to the market, the level of demand will fall. (Kotler et al. 2009) Therefore, depending on which level of value statement is used, the communication of the value proposition to the market should always be reviewed from the recipient's point of view. (Manning et al. 2012)

This section discussed of building the value proposition from a market point of view. It concluded that the offerings benefits should be expressed on different levels to different market circumstances. It suggests the company should create and compare the value proposition against competitors.

3.3 Offering

This section investigates the CVP building blocks from the market offering perspective. It argues how the standardized offering can be effectively differentiated to meet the particular customer's demands.

Segment-specific offering

Storbacka et al. suggest for the field of IT business, that segment specific offering should be pre-configured and modular. The pre-configured offering gives the possibility to create a customer specific value proposition for each situation within the segment. It allows the vendor to deliver effectively and profitably the agreed service to the customer. Storbacka et al. suggest using the Basic Sales Item, which represents the core of the total offering. (Storbacka et al. 2014)

The basic sales item should fulfill the core demand of targeted segments demands. Therefore, the basic sales item lowers the buying anxiety of the prospect, because the decision is smaller at the time of first purchase. One reason for lowering anxiety of purchase is that the prospect can expect to create value quicker from the offering. The offering based on the basic sale items can be expanded to meet the customer's specific demands with additional modules. Additionally, modular preconfigured solution is enabling repeatable and scalable deliveries for a different customer. (Storbacka et al. 2014; Manning et al. 2012) Preconfigured offering is meaningful to use within segment-level value proposition to convince the market of it.

Prospect specific offering

The customer specific value proposition of the offering shall reflect on one or few most resonating pains or gains the prospect has. The resonating value proposition can be a rational or emotional need as discussed in section 3.1. Essentially, it can be a mix of both dimensions at the same time. Therefore, the differentiated customer value proposition must be done for each prospect alone. The resonating benefit from the offering can differ by each sales project.

Analysis of demand

According to Barnes et al. the first step of CVP, can be internal brainstorming session by placing yourself into the prospects shoes. With this method, the company can create the first impression of what the prospect might evaluate. (Barnes et al. 2014)

Storbacka et al. propose a framework to analyzing the prospects business realities and key performance indicators.

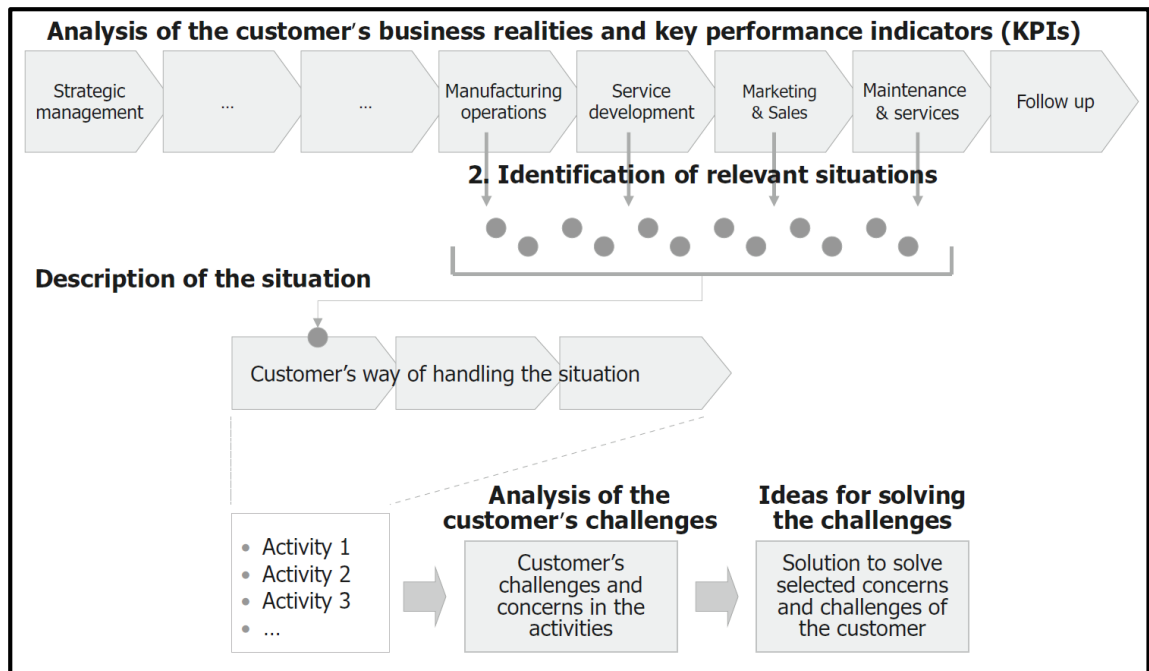


Figure 7, The framework of customer-value research, by Storbacka et al. 2014: P.21

With the framework from Storbacka et al. in Figure 7, the customer's jobs, pains, problems, gains, and expectations are investigated. Within this framework, it is possible to find resonating pains and problems to cover with correct benefits from offering. The prospect must be involved in the process to achieve consistent results. After understanding the requirements, the vendor can compare findings to offering and deliver a customer value proposition with monetary terms. A valid value analysis naturally demands strong knowledge of the segment and features of the offering. (Storbacka et al. 2014)

While analyzing customers demands, it is possible to gather information about possible threats at customers. According to Bitner et al., there might be various concerns to change or switch to technology-based service. One clear perspective is that the return on the investment can be hard to forecast within technological services. Some cases the customer is simply just not willing to move to technological service, or not interested in using it. Employees can set limitations to integrate technological services for their environment for various reasons. These can aim to reject change or i.e. fear of losing position to automated processes. Similarly, some companies can emotionally experience,

that technological service is downsizing the human relationship perspective of the company toward its customers, and therefore reject usage of services. (Bitner et al. 2010)

This subsection discussed differentiating the customer value proposition. It concluded the main characters, and possible threats of building the differentiated value propositions, for the business case to take under consideration.

3.4 Value & Benefits

This subsection investigates the value and benefits perspective of the customer value proposition. It introduces the differentiated factors, which are used to make the offering understandable for the prospect. The differentiating factors need to be used elastically within different levels of the value proposition.

Differentiating factors

On Building blocks of a value proposition by Anderson et al. (2006) and Storbacka et al. (2014), the authors suggest an approach for differentiating the offering from the competition in the field of service business. These are useful for communicating the value proposition for the prospect with understandable manner. This classification can be used in building blocks for a value proposition. Hence, the differentiated value elements are divided into three different types. (Anderson et al. 2006: Storbacka et al. 2014)

Table 10. Differentiation factors of service are offering. Modified from Anderson et al. (2006). p.94 and Storbacka et al. (2014) p.39

Points of parity	The elements or modules with the same function or performance as those on the next best alternative.
Point of difference	The elements that make the vendor's services or offering either superior to the next best alternative.
Points of contention	Those elements, which the vendor and buyer disagree regarding how the function or performance compares with those of the next best alternative.

The vendor and the customer might have a completely different opinion about points of parity, -difference or contention. Therefore, it is crucial for the vendor to understand truly the business drivers each prospect has. (Storbacka et al. 2014). While differentiating the offering apart from the competition, the value proposition should

answer the question "Why I should buy your offering instead of next best alternative?" (Anderson et al. 2006: p.93).

3.5 Promise

Differentiated CVP approach is also presented i.e. Barnes et al. (2009), Storbacka et al. (2014) and Sheehan et al. (2015). Storbacka et al. suggest differentiated CVP to different levels at the prospects. Storbacka et al. condenses different levels of CVP to Core promise, Elevator speech, Executive summary and complete proposal, as shown in figure 5. These means that the core promise should be few words while the elevator speech is few sentences. The Executive summary should be few pages, and the complete proposal can consist detailed information from the offering and benefits of it. (Storbacka et al. 2014)

The individuals in the buying organization have different demands to cover. Therefore, the CVP has to tailor for each recipient differently. Psychological research argues that human beings seem to view issues differently based on different level of knowledge. The knowledge creates a different type of conclusion for the topic on hand based on individuals own existing understanding. The amount of knowledge applies to both, general knowledge and knowledge of the specific topic. (Wiley et al. 2016. Cited in: Helsingin Sanomat. 2016.)

According to Sheehan et al. (2015), Barnes et al. (2009). And Osterwalder et al. (2014) the Finance Director has completely different jobs, problems, and gains than a shop floor manager. Therefore, the CVP must cover different perspectives. While the pain can be same, the perspective of the pain can be very different.

The differentiated CVP may be processed when facing the customer, but the building blocks of CVP need to be cleared out for selling organization to be able to differentiate CVP for each customer. The value propositions are created for each influencer in the prospect organization, to ensure communication of the CVP from top to bottom of the organization. (Barnes et al. 2009)

Andersson et al. (2006) claims that value proposition is used many ways but not backing it up by the sales department. Accordingly, the different approaches to value proposition are divided into three different views.

Table 11. Three levels of customer value proposition approach in the field of business.
Modified from Andersson et al. (2006) Page 93

CVP	All Benefits	Favorable points of difference	Resonating Focus
Consist of:	All benefits customers receive from a market offering	All favorable points of difference a market offering have compared to the next best alternative	The one or two points of difference (and, perhaps, a point of parity) whose improvement will deliver the greatest value to the customer for the near future.
Answers the customers question:	"Why should our firm purchase your offering?"	"Why should our firm purchase your offering instead of your competitor's?"	"What is most worthwhile for our firm to keep in mind about your offering?"
Requires:	Knowledge of own market offering	Knowledge of own market offering and next best alternative	Knowledge of how own market offering delivers superior value to customers, compared with next best alternative
Has the potential pitfall:	Benefit assertion	Value presumption	Requires customer value research

In Table 8, the CVP communication and delivery to the customer is presented with three levels. These levels are called all benefits, favorable points of difference and resonating focus. The first level of promising value, all benefits, is a way to suggest value proposition for a large audience, by promising many benefits in the offering. All Benefits can easily lead to describing all possible features, and therefore the customer might have problems to understand how the benefits could be valuable for them.

The second level of promising value is Favorable points of difference. This approach demands better knowledge of the market situation and requires a better understanding of customer's pains and problems to solve with the offering.

The third level in the table is called resonating focus. With resonating focus, the vendor can analyze customer's business environment and specific problems or pains. Accordingly, the vendor can propose calculated CVP to cover specific demands and to

give suggestions for further improvements. On best practice to propose the value of a prospect is to express CVP including monetary benefits. Resonating focus also consists an idea of co-creation of value between vendor and customer. (Anderson et al. 2006)

As discussed, Storbacka et al. suggest a similar approach for value propositions, as Keränen et al. suggests for value-based sales operations. Storbacka discusses firm-level, market-segment, and customer-specific value propositions. So the existing knowledge is supporting the usage of value-based operations widely in business processes.

According to Barnes et al., the summary of value proposition outcomes are expressed in table 12 below.

Table 12. The summary of value-proposition outcome. Modified from Barnes et al. (2010) p.26

Real value propositions...

<i>... are not:</i>	<i>... are actionable choices of:</i>
Vague, indecisive platitudes and unactionable lists of general categories	Measurable specifically proposed result
Internally driven statements of what we will do	What is the effect for the customer?
Filling everything the customers say they want/requires/demand	Experiences that we believe the customer would value in the customer market context.
Promises of the moon	What we will and will not deliver, and to whom.

In Table 12, Barnes et al. describe clearly the targeted outcomes of CVP. The value proposition must be clear and understandable to the customer. It must be delivered in an understandable form to the customer. The value proposition needs to cover also information regarding what the vendor is not willing to deliver for the customer. On the best practice, as it is mentioned already, the customer value proposition is presented in monetary terms to the decision makers of the buyer.

Backing up the promise

The discussion of different levels and styles of value proposition looks easy to adapt, but interestingly Lindic et al. states that: "Companies usually think of value proposition in terms of what they offer their customers rather than what their customers truly value" (Lindic et al. 2011: p.1965).

Moreover, Anderson et al. "An offering may actually provide a superior value – but if the supplier doesn't demonstrate and document that claim, a customer manager will likely dismiss it as marketing puffery." (Anderson et al. 2006: p.91)

Simply these means that many sellers are not targeting to understand what the customers are valuing. Hence, managers in many companies are struggling with summarizing the CVP and communicating it in the crystallized mode for prospects. (Storbacka et al. 2014) As a result, the outcome is a list of benefits or features that are most suitable for their purposes from company's perspective, not necessarily customer nor competition perspective. (Anderson et al., 2006; Lindic et al. 2011).

The immaturity of CVP process can lead to a major drawback that customer will not receive real benefits or differentiated factors of the offering. (Lindic et al. 2011). Accordingly, the sales operations should concentrate on finding exactly what the prospect or opportunity is looking at. According to Barnes et al., in B2B, selling without value proposition can lead to selling with the lowest common denominator, the price (Barnes et al. 2010). The alternative for a prospect might be a decision not to accept the proposal and stay on existing service. Alternatively, to select the biggest-competitor-of-all; The do nothing option. (Barnes et al. 2010).

At the end of the day, the value proposition for the unique customer must be effectively summarized mix of benefits; it must provide a solution for customer's jobs, pains, and gains. It must be strong enough to win over prospect's fear of buying. (Osterwalder et al., 2014) The strong CVP must climb over the fear of making the wrong decision, peer pressure and allocation of limited resources. (Manning et al. 2012) Accordingly, Barnes et al. simplifies and concludes the whole value proposition-communication process to one quote: "Value, like beauty, is in the eye (or mind) of the beholder." (Barnes et al. 2010: p.24) This also clarifies the situation while proposing the value to the prospects. The offering must be suitable to meet the prospects demands. By then, both parties achieve value-in-exchange. The vendor receives money, and the buyer receives value-potential (Heskett et al. 2010).

Threats in communicating the CVP effectively

To successfully deliver a service based on promised value expectation to the customer, the vendor must be aware what the customer is expecting to receive as value. Bitner et al. have proposed a framework to identify and solve the gaps between delivered service value and customer expected value. This same framework can also be used for analyzing and backing up the CVP.

Table 13 describing the investigation criteria of gaps between customer expectations, from Bittner et al. 2010: p.199

<p>Customer Gap - the difference between customer expectations and perceptions</p> <p>Gap 1: The Listening Gap - not knowing what customers expect</p> <p>Gap 2: The Design and Standards Gap - not having the right service designs and standards</p> <p>Gap 3: The Service Performance Gap - not delivering to service standards</p> <p>Gap 4: The Communication Gap - not matching performance to promises</p>
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The identified gaps in the widely cited framework from Bitner et al. describes four different gaps. The main target is to reach or exceed these gaps between the customer's expectations. Gap one is a communication or miscommunication problem between vendor and customer. The vendor does not know what the customer expects. The expectations can be maintained by creating a documentation of accepted expectation. Gap two and three are related to offering itself. Occasionally the customer's business demands are not meeting the perception the customer could accept. Gap four presents a communication problem to effectively and understandable communicating the value proposition or design of delivered service to the customer. (Bitner et al. 2010)

The value-based business processes

This sub-section will investigate value based sales operations, and quantify the value proposition. With Value-based sales approach, it is mandatory that whole vendor organization be committed to the mutually agreed activities and targets.

Manning et al. (2012) address that listing and communicating benefits are not enough to achieve value-based sales targets. The benefits or values must be presented from customer's perspective as value addition with a certain scope. This demands knowledge from selected segment and knowing own offering and deliverability.

Terho et al. argue about differences of sales approaches, while the company has decided to proceed with value-based operations in the market.

"That value-based selling is a unique concept that differs from the established selling approaches and propose a conceptual model linking value-based selling to performance outcomes." Terho et al. (2011: p.174).

Manning et al. suggest focusing on dominant buying motives to fulfill the customer needs. Therefore, closing moment of the sale is the opening moment of the partnership (Manning et al. 2012).

The sales is responsibility of whole organization

The demand for the whole organization to participate in sales operations arises from the situation, where the customer is buying something based on expected value. (Andersson et al. 2006) The sales person cannot deliver the CVP alone because the sales suffer easily from lack of reliability as discussed.

Therefore, the CVP needs to deliver from a whole organization with designed process. In many organizations, these are call Pre-Sales operations. The main target for the Pre-Sales process is to achieve mutual understanding with a customer about the value of offered service (Hatami et al. 2015).

Approaches for monetary valuation

Manning et al. suggest for quantifying the value proposition of the offered service by a cost-benefits analysis. This analysis lists the perceived benefits and the income or returns factor of each benefit. Another way to convince the customer of perceived value is to use the Return on Investment (ROI) calculation. In the ROI calculation, the result is net profit (or savings) divided with investment (Or total cost) times 100.

Additionally, other ways to express calculated valuation for the customer are Payback period, opportunity cost, Net Present Value, After-tax cash flow (CFAT), development of turnover and development of contribution margins. (Manning et al. 2012) These matters are showing to the prospect the perceived monetary value with the manner the prospect is familiar with.

This section investigated the communication and the reliability of the customer value proposition. It underlined the importance of understandable communication of the CVP to the customer, as also the importance of backing up the value proposition by the company. The section also introduced some best practices to verifying and backing up the value proposition to the customer. The creation of value proposition and communication of it can be surprising process occasionally. Finally, while the customer value proposition is an important part of the successful business, Barnes et al. states; "The value is in the product. Period." (Barnes et al. 2010: p.49). Accordingly, even the greatest value proposition must be built on the hard surface.

3.6 Conceptual Framework

This section introduces the Conceptual Framework created from existing knowledge for the business case. This section describes the content of building blocks in the Conceptual Framework. The Conceptual Framework can be used in several different manners.

The Conceptual Framework is introduced as the general level description in Figure 8. With the logic of the framework, it is usable for any business with any value –logic. Different value logics are discussed in section 3.1. Within the Conceptual Framework, it is important to figure out the meaning of the market system, as discussed previously in section 3.1.

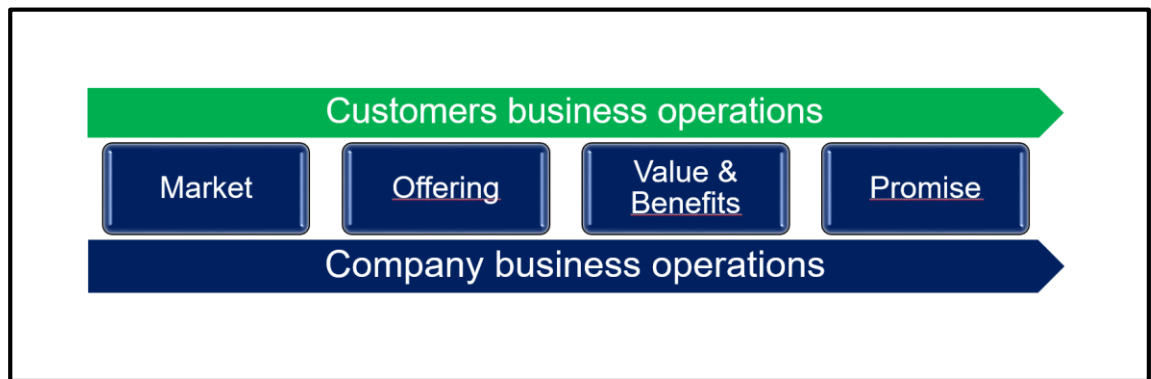


Figure 8. The Conceptual Framework on general level.

The building blocks are Market, Offering, Value and Benefit and Promise. The building blocks suggest that the company must select a market to target and develop the offering for this selected market. The offering shall be differentiated away from the competition by showing benefits and expected valuation of the benefits. Based on the outcome of the previous blocks, the vendor can create and communicate a customer specific value proposition. Therefore, the value proposition is simplistically a tool, which compounds the Company and the Customer to target additional value and benefits for both. In figure 8, both the company and the customer are working on their daily tasks to achieve success. In the framework, the value proposition is the main issue, which combines both parties to work together for additional value.

Applying different value logics with the Conceptual Framework

With the blocks in the framework in Figure 8 above, the different value logics can be combined from there. For example, the goods-dominant logics is using the blocks Market and Offering.

Therefore, the Service-dominant-logic is affected by Market, Offering, and Value&benefit block. The customer-dominant-logic demands all four building blocks be fulfilled.

To draw an example of blocks and logics, let us select a market to target about, for example, a living room. Then we develop a product there, the chair. We inform the market that we have developed a product to sit on. If the offering raises interest at homes, someone will buy it, comes to the factory and transports it to home for a good sit. This situation could be called a good-dominant-logic.

If we then take the same situation, but instead we deliver it to them at home and give instructions, how to use the chair effectively. In this situation, we are using three building blocks from the framework. Market, Offering and Value & benefit. The vendor delivers additional service to achieve more benefits for the customer. These benefits are important for buying decision. This scenario is a simplistic description of service-dominant-logic.

Accordingly, the usage of all four block on the framework will give us the possibility to reach real customer-centric approach to creating more value potential. Therefore, with the beneficial offering and full customer care for the customer, the vendor can give a resonating value proposition for the customer. By then, the customer can predictably reach more value-in-use. As discussed previously, the resonating focus of value can vary a lot from different recipients. For example, the Ball Chair by Eero Aarnio. It is designed 1963, and it is a round chair, which looks like a large ball, and where a person can hide completely. (Ball Chair | eeroaarnio, 2016)

The chair is manufactured make-to-order and used ones are rarely available. The ball chair is a great piece of design of course. While analyzing the value potential of the ball chair, it is the easy conclusion that it is a funny looking chair. The design, availability, reputation, image, and rareness of the ball chair is resonating strongly for many buyers. It is not possible to say what is the general resonating focus of the Ball Chair, but it sure has one for each buyer. The resonating value is the most advanced one, and it is obeying the value-in-use and customer-centric logic.

The aim is to show with this example, that the different value logics are coverable with the building blocks and a twist of creativity.

The detailed Conceptual Framework for the business challenge

While the above has been discussing the main usage of the Conceptual Framework, this subsection introduces the detailed Conceptual Framework created for the specific business case. The detailed value proposition building blocks for this thesis are present in Figure 9 below. The building blocks include various details that need to be addressed for each business case.

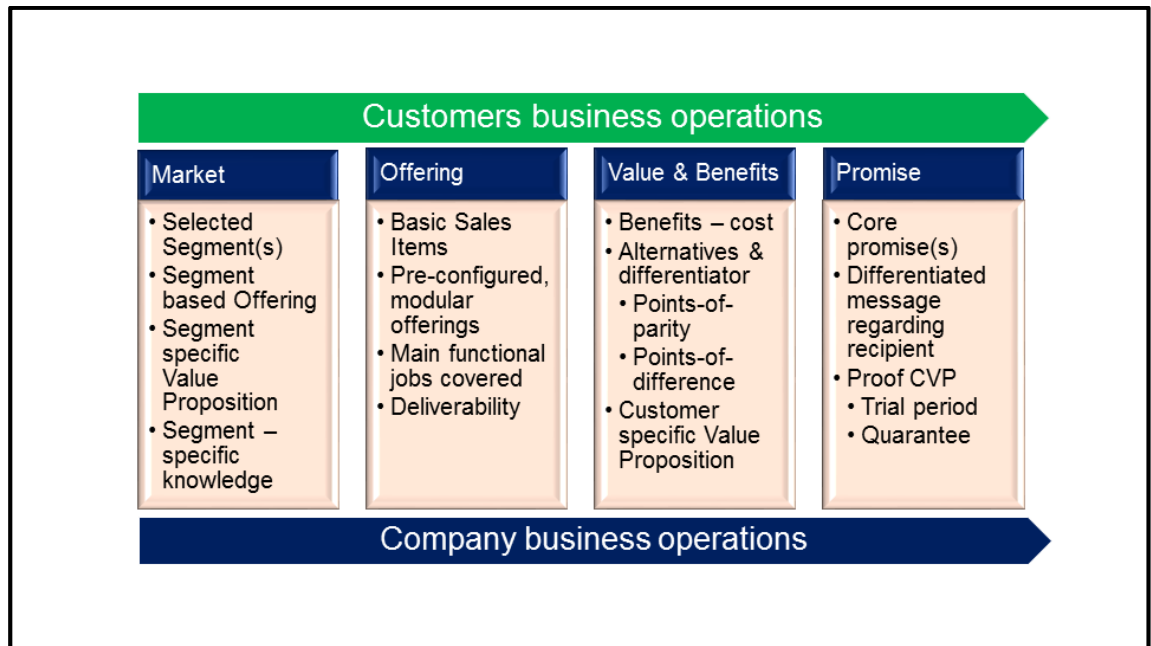


Figure 9. The Conceptual Framework of building blocks for customer value proposition.

First Block: First Block: Market selection

To start value-based business operating, the first target is to select the market to approach with the offering. From market selection, the segment specific value proposition must be defined. The offering must be suitable for the selected market segment.

Second Block: Second Block: Offering to the segment

As discussed previously in section 3.3, the modern service offering is modular and preconfigured to meet market's objectives. Consequently, the modular service is easier to differentiate to meet objectives of different customers. Accordingly, the modular approach gives a potential to the vendor to start operations with basic sales items. The basic sales item must be starter package that covers meaningful part of customer pain, is easy to adapt and creates promised value. Then the offering can be fulfilled with

additional modules to differentiate offering for each customer, as discussed earlier in section 3.3.

Third Block: Third Block: Value & Benefits

The effects of the offering to selected segment in the market must express the benefits the customer can reach by using the offering. The benefits are compared with costs as discussed in section 3.1. The cost for the customer is the total cost of acquiring and implementing the offering for production to achieve value-in-use from it. These can be infrastructure, installation, administration, education, training or support costs. These costs are called access costs as described in section 3.1.

For covering and communicating the expected value from the offering with a list of the benefits, the offerings best practices and features need to be presented. Suggested habits for expressing the benefits are to compare the offering for alternatives. By this, the vendor can present the segment knowledge and to differentiate its valuable suggestion for the customer. The comparison of the alternatives gives the possibility for the customer to understand the benefits.

Fourth Block: Fourth Block: Promise

The Customer value propositions fourth building block is most crucial for the well-established outcome of CVP process in this framework. Within suitable service offering, preconfigured, module based offerings, the vendor need to understand the customer's true pains to cover with the offering. The value is the predicted outcome, which appears as value-in-use, from using effectively the benefits of offering to overcome the pains.

In the best scenario, the value is expressed to the customer with level what the customer accepts. For this purpose, the aimed value should be expressed in monetary terms. As supporting possibilities to deliver the aimed benefits to the customer, the vendor can create different contractual guarantees to support decision-making. Likewise, the vendor might create a Proof-of-Concept, which will evaluate the customer demand and explains how the pain is solved. With the basic sales items and pre-configure offering, the vendor can give the customer time-limited trial period to use the service to find out potentiality to achieve perceived value.

Accordingly, with the building blocks, the vendor can create differentiated customer value proposition for each situation. The value proposition process with building blocks must be familiar to communicate and flexible to describe in each situation. Like discussed

previously in this thesis, the CVP must be differentiated for a different level of recipients in the prospect organization.

This subsection introduced and explained the building blocks created for this thesis. The building blocks are developed based on existing knowledge and the business case in mind. The building blocks of customer specific value proposition can also be used for creating the firm-level, and the segment-specific value proposition.

Section 3 introduced, selected and explained the meaningful existing knowledge related to value-based business strategy and the creation of customer specific value proposition. The Conceptual Framework was created as the outcome of section 3 and for the outcome of the thesis.

4 Case company's current CVP in Sweden and customer's pains in Finland

This section investigates and analyzes the current state of the business case's Customer value proposition in the Swedish market. Therefore, it is possible to create a proposal of customer value proposition for entering the Finnish market. The conclusion of the CVP in the Swedish market is analyzed and compared to the recognized pains and gains of spearhead prospect in the Finnish market.

Within the data collection 1, the thesis will investigate selected share of wood procurement companies as potential spearhead prospects for the case company's offering. The Current State Analysis also investigates demand at the Finnish market, specifies local needs at the Finnish market and creates understanding for the total market potential among forest buyers.

4.1 Collection of data

The data 1 is collected from different sources, as plan and described in section 2.3. The data collection 1 consist theme interviews with the case company stakeholders and prospects in the market. Another information is collected from internal sources, such as documentation, product sheets, and other material. External sources have been public sources to understand the market and the competition. The data has been collected in February - March 2016 from different informants and concluded during March 2016.

4.2 VACS Swedish Customer Value Proposition

EVERY has a strong existence in the Swedish forest industry market. EVERY is offering a variety of different services and tools to forestry. As for now, EVERY has big market share and presence within the wood procurement administrative -software in the Swedish market. As the Product Owner states:

"We are the market leader with around 65% coverage of wood procurement companies in Sweden. Moreover, we have tight all our customer to stay with us for 36 months! That is a pretty nice situation, if we think the competition."(Product owner EVERY)

In the Swedish market, the selected offering for this study is called VACS or VACS Light. It is designed to fulfill the administrative demand for the companies working in forest and round wood procurement. Typically, the companies who are procuring forest and round wood, are sawmills and companies working within different fields of wooden manufacturing, i.e. furniture. The case company has a big market share in the Swedish

market with the selected offering called VACS. Based on this existing presence in Sweden, EVRY has decided to expand its offering to the Finnish market. This study will create a proposal for customer value proposition to selected spearhead prospects to enter the Finnish market. Within this thesis, and within the Finnish market, EVRY has decided to use a marketing name EVRY VACS, from the SaaS service known as VACS Light in the Swedish market.

The wood procurement administration -software can be delivered to the customer as on-premises or with Software as a Service -model. The difference within service models is that traditional on-premises delivery means the software will be installed to the customer appointed platform. Within SaaS model, the vendor is delivering agreed IT functionality as service from cloud infrastructure, which can be used directly without installations. The SaaS model is faster to implement for use, and the end user does not need any investments for IT-platforms.

"Before we only had a product called VACS. This is on-Premise software, and it is still in use with those customers who had it back then. About three years ago, we launched VACS Light, which is a Software as a Service (SaaS) for customers to use. After the launch of VACS Light, we have delivered only that. And the VACS Light has turned our business to a new direction. I mean that we do not sell any more hours at all. We gather feedback from the customers, and if the idea is good, then we develop it to VACS Light and offer it to all customers as an additional module with fixed fee. We do not sell any hours at all."(Product owner EVRY)

The selected service for this thesis is called VACS Light in the Swedish market. It is an IT-software, which is specified for administrative activities of wood procurement. The VACS Light is offered and delivered for all customers from the cloud platform directly for use as a service. The service is priced in the modern way, where pricing model consists fixed startup fee and monthly costs. The monthly price for the customer is calculated from the total amount of usage. The total amount of usage in pricing is fee per procured or handled cubic meter of round wood.

The customer value proposition of EVRY VACS in the Swedish market

This subsection describes the current customer value proposition of the EVRY VACS in the Swedish market. Within the framework, the customer value proposition consists a large variety of general concerns to fulfill the customer's demands.

As it is described in Figure below, there are several different topics that can be taken into consideration while creating the differentiated customer value proposition.

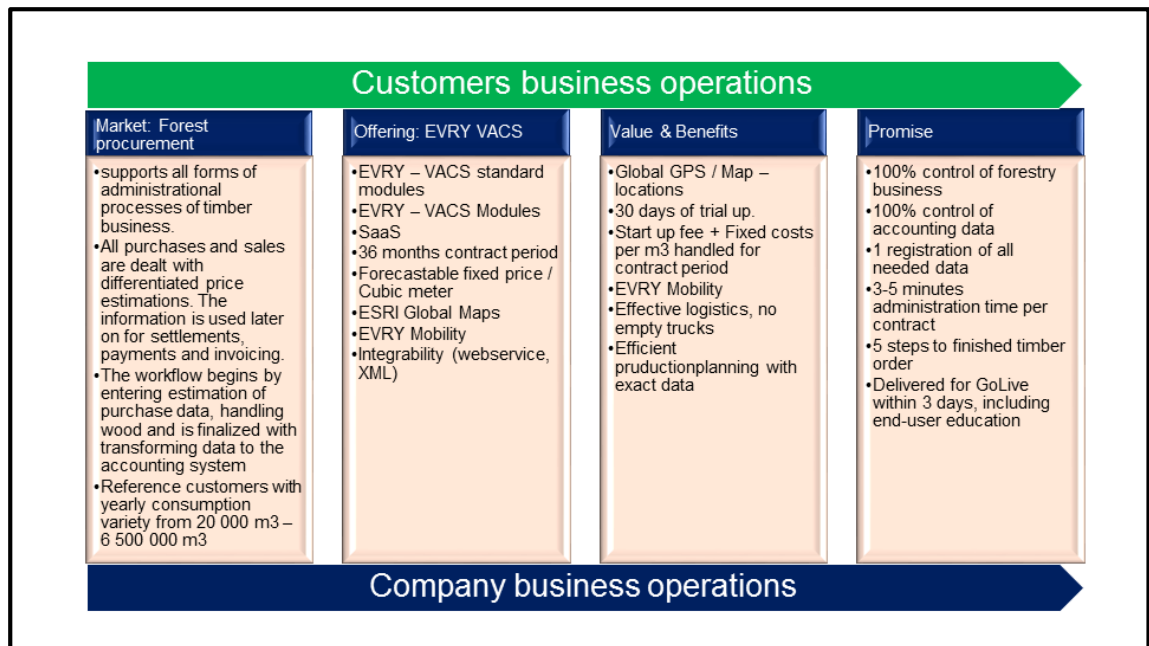


Figure 10: The current customer value proposition for EVERY VACS in the Swedish market.

As it is described in Figure 10 above the EVERY VACS is segmented carefully to serve a niche market segment. VACS is developed to serve administrative demands of companies procuring forest and round wood.

“As it is today, we have customers who are handling yearly amount variation from 30 000 cubic meters to 6 500 000 cubic meters of round wood yearly. So the VACS and VACS Light are Scalable and very well known in the market.” (Product owner EVERY)

“We have as a customer company called xxxX; they are handling several millions of forest every year. You know, the xxx forests. Moreover, then on other head of our customers, there is a company, which are handling only 30 000 cubic meters yearly, but with same functionality” (Product owner EVERY)

4.2.1 First Block: Market - Forest procurement

The segment-specific value proposition consists the knowledge of segments best practices and habits. Therefore, the segment specific value propositions are; Knowledge from an industrial branch of raw wood procurement, promise to handle all administrative tasks with EVERY VACS. Furthermore, there is recognizable segment specific proposition,

which every different step related to one procurement, manufacturing, shipment and accounting material is base on single typing-in of information.

*"Maybe there is not so many effective services for administrating the forest procurement. I have heard, that for some reason your Finnish competitor has reached customers in Austria"*CEO of the spearhead prospect

To partially cover the market specific value proposition, the EVERY VACS has many customers in Sweden. The current customers using the VACS in the Sweden, are covering different niche segments of forest or wood procurement operations. The different niche segments are round wood, manufactured wood, energy, and other activities, where the measurement unit of forest-based material is changing during the process. For example, in the case of manufacturing of wooden construction panels from logs, where leftovers are treated as energy wood. This scenario means that the first purchase is treated as cubic meters, then sold in meters and kilograms while the process proceeds.

*"Yes, we have most of the Finnish SME-segment as customers. That's why we have investigated our possibilities to expand to the Swedish market also. This winter we actually sold our software to Austria. And we have few Finnish owned customers in Russia."*The Director of the competitor

4.2.2 Second Block: Offering - EVERY VACS

From the offering point of view, the EVERY VACS is offered to markets on the modern manner to fulfill the demand efficiently. EVERY VACS is modular and preconfigured service for the customer. Module based offering intends that the customer is able to receive a differentiated service built from modules. Pre-configuration of service then represents a situation, where the module based offering is already configured with certain level to fulfill the typical processes of the market segment.

EVERY VACS is offered to the customer as Service, which limits the customer's access costs. EVERY VACS contract period is always a period of 36 months. The pricing of the service is transparent and is build on startup fee and monthly cost based on the handling of total cubic meters. In standard service, there is mobile job instruction and follow-up for harvesters and logistics operations. EVERY VACS can be integrated with standard interfaces toward different, maybe fulfilling Line-Of-Business products.

Third Block: Value and benefits.

The EVERY VACS service for wood buying companies will deliver an efficient experience of full control of wood procurement business. Within EVERY VACS, the customer receives several benefits from the usage of it, such locations services with maps to cover warehouses and logistic operations. These operations are supported by EVERY mobility, which has wide experience of different mobile solutions. The benefits of the EVERY VACS Swedish customer value proposition, are promising to the customer 100% control of forestry business, with 100% control of accounting data. This is reached by typing in the needed information only ones, and then advancing the information through the processes. The information typing into the service is always promised to be efficient. It takes only 3-5- minutes to create a full contract for procuring the forest, and five different steps to create a full timber order.

The EVERY VACS contract is signed for 36 months, and the actual price of service is based on total cubic meters of raw wood administrated. The EVERY VACS contract always starts with 30 days' trial period, so the customer has the possibility to get convinced by the service before signing in for 36 months. The value proposition for the customer also consists a rapid deployment of the service for the specific customer. From vendor's point of view, it only takes three days to deploy and educate the customer to use EVERY VACS. This short period are lowering the customer's access costs for acquiring the service for the production processes.

4.3 Identifying case prospects pains and gains

While the findings of the Swedish customer proposition are present in the subsection above, the demands of the Finnish spearhead prospect must be defined. This subsection explains the expectations and demands of the Finnish spearhead customer.

Due to the general nature of the business and because of the outcome of the thesis, it is not meaningful to introduce the spearhead prospect publically. Suffice it to mention, that the spearhead prospect is comparable to the prequalified sweet spot of the existing CVP and market offering.

"We are handling around 350 000 m3 of forest yearly. We are harvesting ourselves and then we are buying some delivered by the road for transportation" CEO of the spearhead prospect

From the market block perspective, the processes with the Finnish spearhead prospect are very similar with the prospects in the Swedish market. More or less the wood buying is done with similar processes.

*"...Wood procurement, supervising harvesting, the harvester, forest forwarder, transporting, sawmill reception, sawing the logs, selling timber, invoicing and accounting administration."*CEO of the spearhead prospect

However, there are two major differences between markets. The differences are within the measurement of the total amount of received cubic meters of round wood. This is naturally important information for the buyer, because of relation to the payables and for the seller because it sums up the receivables.

In the Swedish market, there is a nonpartisan actor called SDC. The SDC is performing all measurements of round wood and delivers the results to both parties. That is a normal habit in the Swedish market. (SDC 2015) In the Finnish market, there is no such actor than SDC is in the Swedish market. In Finland, the measurements are made first in a harvester, and then the second measurement is made optically just before sawing the log. If the demand for judging the amounts arises between parties, then the Finnish forest center measures the amount and sets the final amount of wood. (Luonnonvarakeskus 2015)

The other major difference of measuring the size of the log is that in Finland the measurement is done with bark. In other countries, the log is measured without bark.

*"Another difference in measuring the procured logs is, that in Sweden they measure logs without the bark. In Finland, the measurement is made with Bark. In Russia, it is also without Bark. In Finland, this is grounded by the nature of the log. It has the bark. Therefore, the bark is as valuable as the log. 55 € / m³"*CEO of the Spearhead prospect

*"So, Finland is the only place where the logs are measured with bark. However, that does not make a big difference. It is a habit."*CEO of the Spearhead prospect

Otherwise, the EVRY VACS is fulfilling the market segment specific demands well. The service is originally developed to serve the same industry with similar processes. Also, the strong existence in the Swedish market proofs the knowledge and reliability to work within the segment.

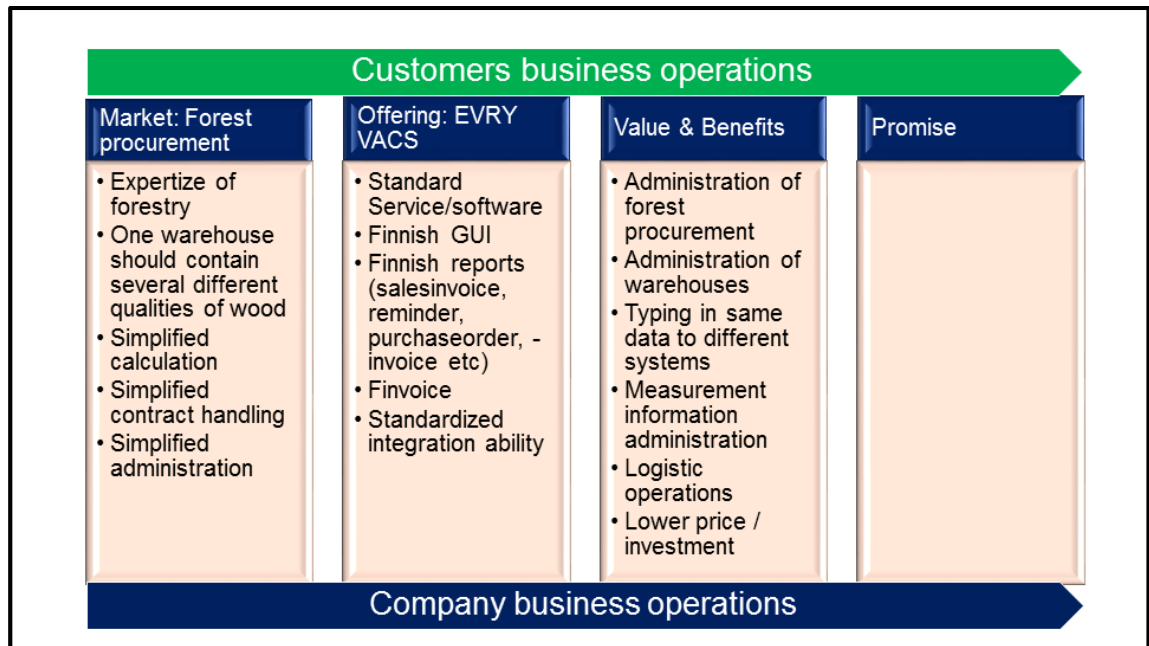


Figure 11. The recognized demand of the spearhead prospects in Finland.

As can be concluded from Figure 11 above, from the offering point of view, the EVRY VACS is fulfilling well the specific demands the wood buying companies are having in the Finnish market. EVRY VACS is offered to markets as preconfigured, module based services. The service is always adjusted to work with the specific company, so the service can and is looking differentiated between customers.

"Your market share finalized my curiosity for your offering. Mainly the Swedish are doing many things correctly, so there must be something to look at. Although, they are doing many things stupidly, but many things well. We are interested to hear more about EVRY." CEO of the spearhead prospect

"With discussions with other companies in wood procurement, one topic always seems to be the software. One thing what pops up always is the high price of the wood administration software. Of course, it is understandable because this is not a large industry and the vendor need to get the development investment back. It must pay a lot to develop an industry specific software." The Forest Manager of spearhead prospect.

The demand of localization the service

From offering point of view, the main concern and issue that must be done are to localize the service to meet the legislation and regulation in the Finnish context. For this, EVERY VACS must be developed to face at least accounting- and bookkeeping rules, VAT-rules, Finnish Graphical User Interface, Finnish reports and printouts and especially the Finnish electric invoice, the Finvoice. It is mandatory that the whole EVERY VACS service is published and used with the Finnish language.

"Additionally, we must have several official reports from our system. We must deliver each month an official report for the Natural Resources Institute Finland (Luke). For free. This kind of reports must be in service."

CEO of the spearhead prospect

The benefits

The benefits the spearhead prospect is valuing from EVERY VACS offering, are available in the Swedish benefit proposition. This is because of the nature of the round wood buying process in Nordic Europe. The societies are similar to each other, and the administrated forest is same species and will be consumed similarly in both markets. Therefore, the business itself is more or less the same, and therefore the demand and expected benefits from the administration are more or less the same in all Nordic countries.

*"Well, that is the target for us. We want to get rid of typing in the same information in several places. Today we need to do a lot of administration manually."*CEO of the spearhead prospect

4.3.1 Points of Parity and Points of differentiation within market

The market situation is mature with existing competition in the Finnish market. Therefore, it is essential to find a differentiated approach to meet the demands of the market. Within this thesis, it is not meaningful to do full market and competition analysis.

When the EVERY VACS offering is compared with the existing Swedish value proposition to the Finnish market, and at the same time the demands of localization to the Finnish market is discarded from analysis, the value curve looks like in Figure 12 below.

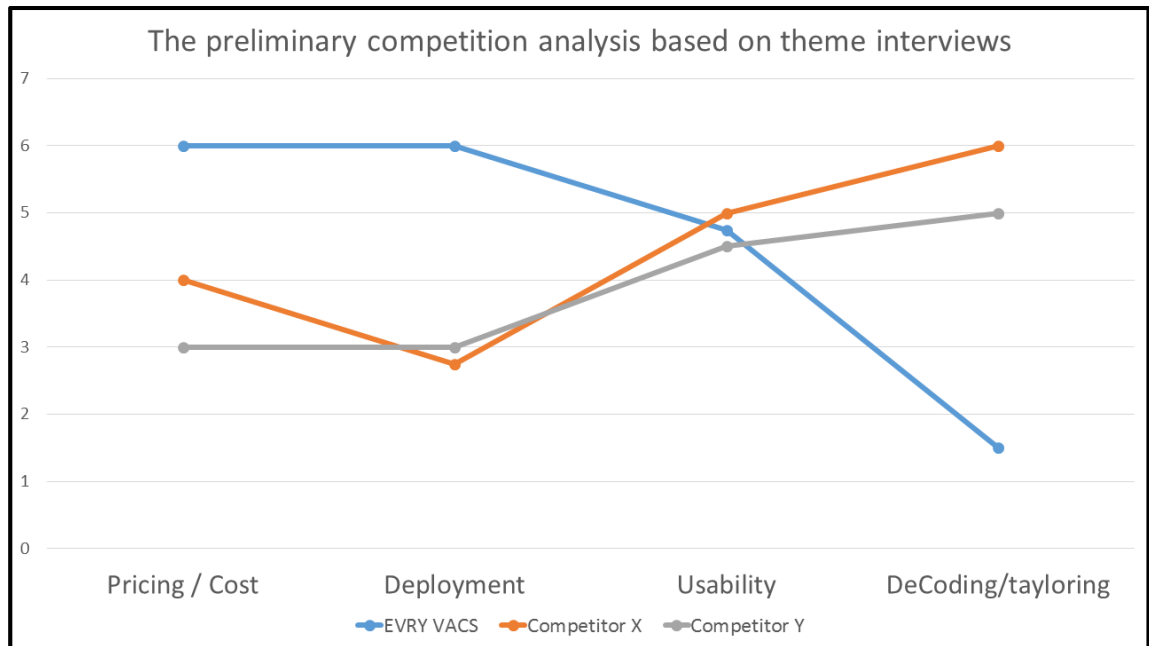


Figure 12. The preliminary competition analysis based on theme interviews.

Figure 12 shows the preliminary comparison from a market point of view. The setup of canvas is based on general level discussions with the selected market segment. The result of discussions is strongly pointing that EVERY VACS has strong potential to compete in the market with modern cost and deployment model. This is because EVERY VACS is always offered as standard service, which will be tailored for each customer separately only with additional modules. This functional approach to the service gives the potential to offer a repeatable business model for the market. In the market offering, there are some small differentiating issues with usability, but while the market is mature and the business in the field of the forest is operational wise stable, there are not much of true differences with usability factor.

4.4 Summary of Current State Analysis

The Current State Analysis is based on the Conceptual Framework created in section 3.6. The existing customer value proposition is analyzed and placed into the Conceptual Framework to express findings. Then the Conceptual Framework is used to express the demands of the spearhead prospects. While the results are merged into the strengths and weaknesses from the results, and these are used to create the initial proposal in to overcome the business challenge.

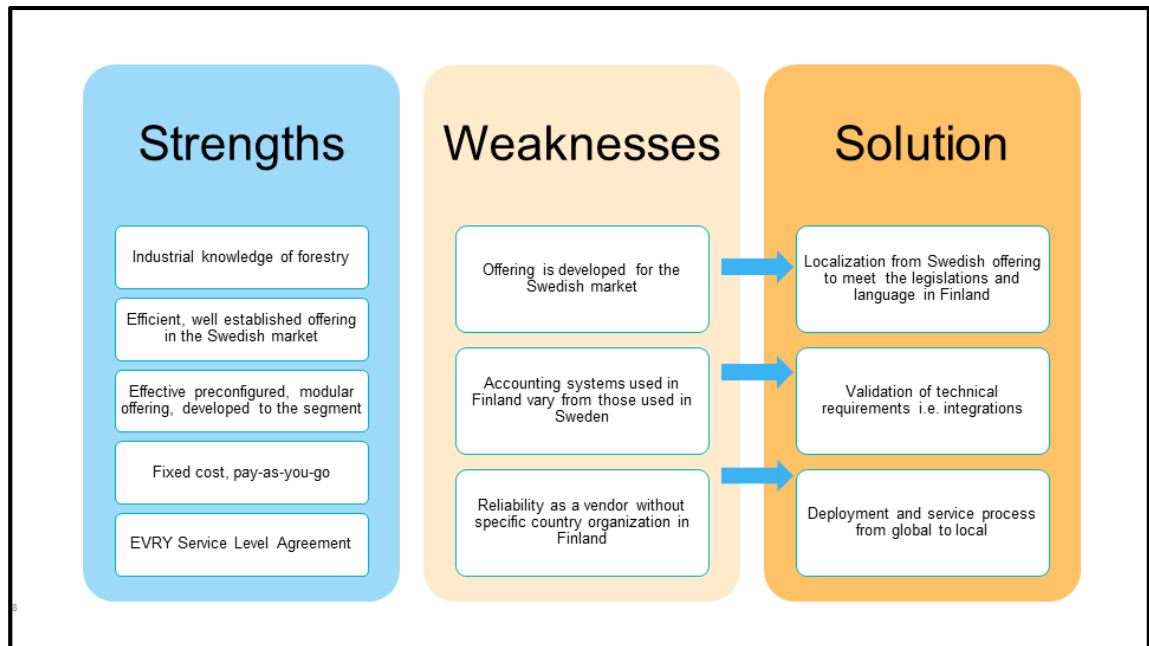


Figure 13. The conclusions from the Current State Analysis

Figure 13 shows the conclusions of the Current State Analysis and analyzes the Strengths, Weaknesses, and Solutions to overcome them. In wide perspective, it is clear that the service used in the Swedish market for administrating wood procurement can fulfill the functional demands that the Finnish spearhead prospect has.

As shown in Figure 13 above, the analyzed demands of the Finnish Spearhead customer can be fulfilled with the functionality of EVERY VACS. Also, within this business case, it is predictable that EVERY VACS is also covering those demands in production situation that the customer cannot predefine.

The general demands of localization

For the business case in hand, though EVERY VACS is creating information to the accounting, it will not create a general ledger. For this purpose, the customer must have an accounting software where the accounting information from EVERY VACS will be delivered via the interface. Although, the accounting information is in EVERY VACS, but not in formal figures for the closure of books.

Important topics with localization are related to legislation and regulation. The favorable thing with legislation is from a service point of view that there are always strict rules to follow. With the offering in this business case, there are several large issues to take care of. First of all, despite the legislation, the usage of the service must be possible to do with local language. The Graphical User Interface, GUI, and all possible printouts must

be usable in the Finnish language. There can be several different printouts and functions in offering an i.e. quote, order, contract, order confirmation, shipping and reception documents, invoices, credit notes, reminders, and so on. Moreover, different integration messages to other software, that must be understandable in Finnish to recipient programs.

However, with this business case, the solution with different E-invoice formats can be sorted out with help from EVERY Information Logistics department. EVERY information Logistics department is executing electronic information logistic with different formats.

The EVERY VACS is administrating the procurement, harvesting and logistics of the forest. To be able to have all different information in the correct place the integrations, interfaces and messages must be analyzed. Based on existing knowledge regarding other information technology and solutions, the interfaces and messaging languages are normally global. There might be some differences between contents, but normally not between countries in North-Europe. The E-tracking information is similar between service and production equipment in countries.

As discussed in this section, the gaps between the existing benefits, customer value proposition, and the identified spearhead prospects demands are not wide. This is an important finding to move on and design a proposal for the case company as planned as the outcome of this thesis.

At the end of the day, this is most important thing to understand, because it gives a strong signal that the markets could accept the existing offering as is. Mostly the founded gaps, which must be fulfilled are related to localizations of the offering. The localization of the offering is naturally mandatory activity in all situations.

This section 4 introduced and analyzed the current state of the market situation. The markets situation was compared to the current Customer Value Proposition in the Swedish market and the demands of the carefully selected spearhead prospect. From the result were analyzed the gaps between the current CVP and expectations of the Finnish prospect. The Current State Analysis will give comprehensive tools to build a proposal for the case company.

5 Building a proposal of a customer value proposition for the business case

This section merges the results of the Current State Analysis and the Conceptual Framework towards to building the proposal. The results from gap analysis are moved forward with localization demands of EVRY VACS to build a proposal of Customer Value for the spearhead prospect.

5.1 Data collection plan for data 2

The Data 2 for building a competitive customer value proposition proposal for the case company is introduced in this section. Data 2 for the proposal is conducted to meet the customer demands and filling the gaps between demands and existing offering. The data collection two is gathered from stakeholders in workshops and web meetings in the case company. The feedback has been collected and analyzed and gathered to field note summary. Data 2 is used to build and/or conclude the proposal in this section.

5.2 Favorable benefits for the prospect

For this business case, there has been a prequalification process as discussed in sections 4.4. Within the business case on hand and from the credibility point of view, it is not mandatory to name or describe the spearhead prospect any further. In Figure 14, the building blocks of the Conceptual Framework introduced in section 3.6 are applied to present the demands of the qualified spearhead prospect

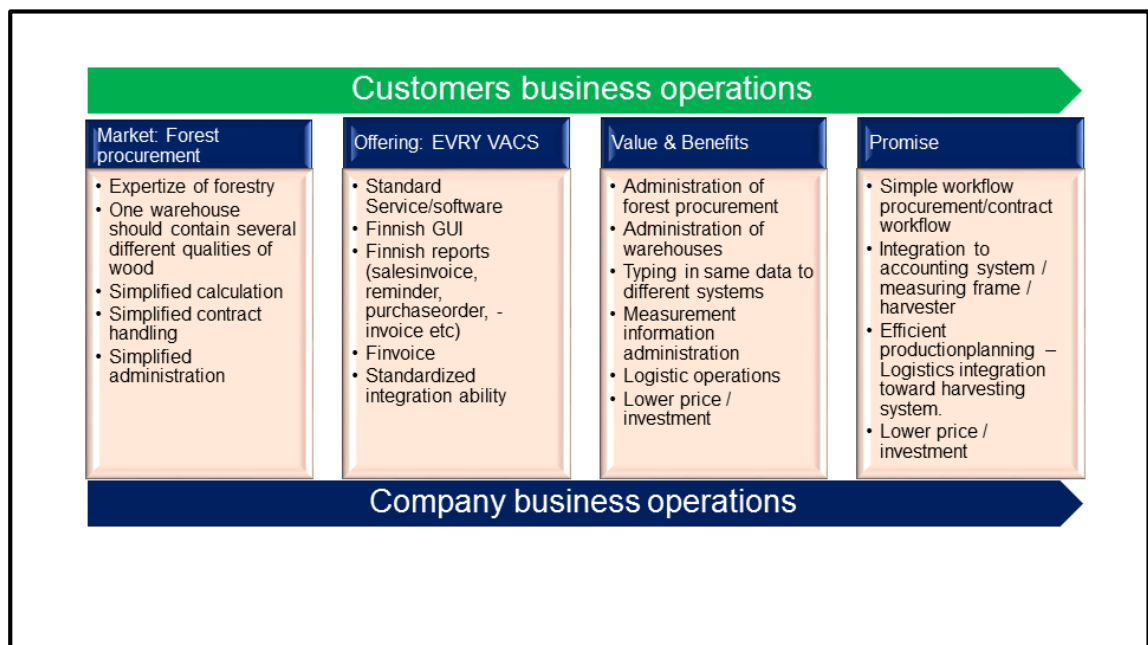


Figure 14, The Needs and demands of the spearhead prospect with speculative promise.

In figure 14 above, the spearhead prospects demands are placed into the Conceptual Framework to be able to create a customer specific value proposition. The Figure 14 consist already a speculative promise to the spearhead prospect. At this stage, the promise function is speculative, because it is created with internal brainstorming session inside the case company, to get the first impression of effective promise. The brainstorming idea is introduced in section 3.3.

Favorable benefits from market perspective

From the market perspective, the prospect has expectations related to deep industrial knowledge and naturally the best practices to use the offering effectively. The prospect expects more details from several parts of the general offering. From the administrative point of view, the prospect is expecting to have the simplified handling of contracts, calculations, and general administrations. One major topic for the prospect is, to reach the ability to have only one contract per forest warehouse. With the existing process, the prospect is forced to create as many contracts per one forest warehouse, as there are different species in it. The prospect is comparing the EVERY VACS offering to existing software, and that leads us to present points of parity.

Favorable benefits from offering perspective

The prospect is expecting to get a possibility to purchase a standardized, prepacked service to use for. The prospect is expecting to have a standardized interface to integrate other demanded software. The interface should be modern and developing to be usable also in future integration demands. From the prospect's viewpoint, the service and all content on it, covering the printouts and informational transactions must be in Finnish. Similarly, the prospect expects all the national regulations taken care of.

Favorable benefits from value and benefit perspective

As a valuable benefit, the prospect needs some recognized features. The main purpose of acquiring the EVERY VACS is to administrate the forestry business. For this, the prospect must have the full administrative ability for the wood procurement, with simplified contract handling. The prospect must have full administrative coverage of the warehouses as there is many of them. As expected an operational function, the prospect is expecting effective logistic operations. The recognized core demand related to the offering perspective is the possibility to use one-time typing in of information through

the business cycle reliably. Thus, the lowered monetary cost for the prospect is a targeted outcome.

The prospects expectations from promise perspective

For now, the promise perspective cannot be filled with needs from the prospect. This is due the nature of the customer value proposition, and the nature of the buyer. Naturally the buyer is reaching to the highest possible proposition with lowest possible costs. Within the description of the customer value proposition, this cannot be done. The proposition must be deliverable, and part of segment level proposition is, that the vendor is not turning into the bankruptcy.

However, the communication and the backing up the value proposition, as it has been widely discussed in section 3.5, must be differentiated to each prospect and each recipient of the prospect organization separately. For this purpose, the author has done a speculative succession of the customer specific value proposition into Figure 14. This is to manage a deep understanding of the different perspectives the prospect might be evaluating as a proposal.

5.3 The Proposal draft

This subsection describes the proposal draft for the business challenge. To be able to express and communicate the proposal in monetary terms, it demands deeper analysis of the customer's habits and workflows. For this purpose, the thesis introduces a short description of the process in this chapter to analyze perceived benefits and to create a correctly adjusted monetary value proposition. This subsection describes the proposal draft for the business challenge. To be able to express and communicate the proposal in monetary terms, it demands deeper analysis of the customer's habits and workflows. For this purpose, the thesis introduces a short description of the process in this chapter to analyze perceived benefits and to create a correctly adjusted monetary value proposition.

In Figure 15 below, the understanding from Data 1 and 2, is merged into the Conceptual Framework to describe the favorable benefits for the spearhead prospect. Consequently, Figure 15 presents the favorable benefits from the Swedish Customer Value Proposition and covers the demands of the spearhead prospect with the Swedish value proposition.

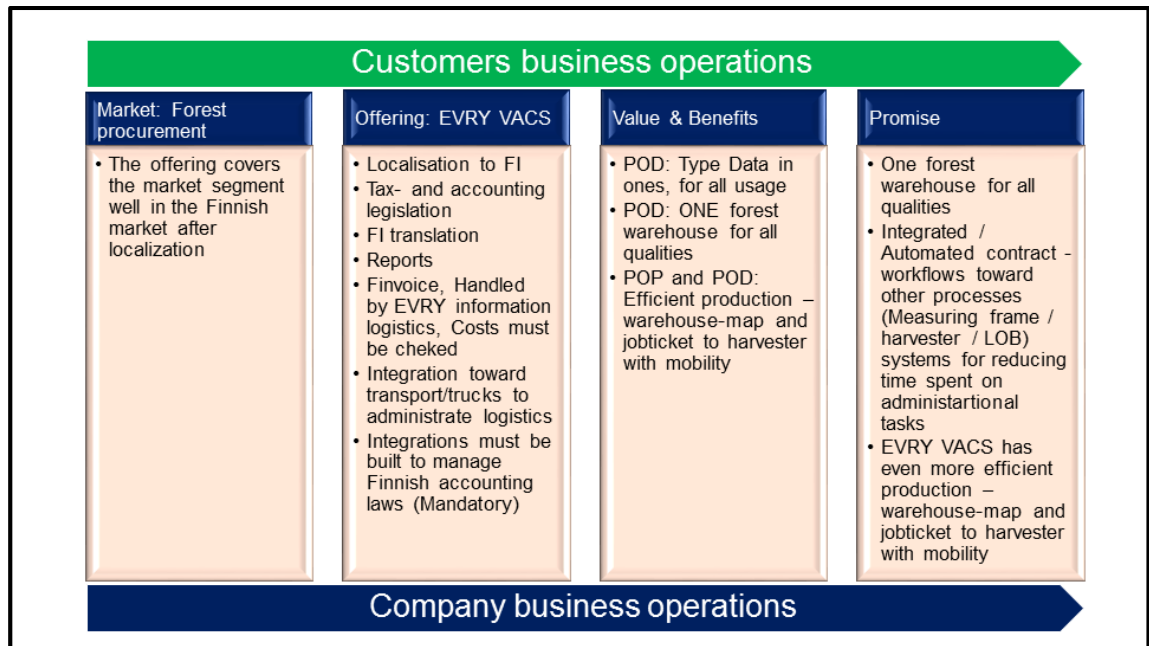


Figure 15: The customer value proposal draft.

First block: Market - Forest Procurement

As it is concluded previously, the forestry and wood procurement business are very similar in Nordic countries. There are some differences between countries in legislation and regulations. These limitations EVERY VACS can manage with the configurations of the offering. These issues can be easily pre-configured to service deliverable to the Finnish market.

Second block: Offering - EVERY VACS

For the proposal draft, there are topics concerning the localizations of the EVERY VACS. The needed localizations are related to the language of the offering. At the moment, the offering is fully usable by the functionality point of view also in the Finnish market. However, only with the Swedish language, and this is a complete showstopper for the Finnish spearhead prospect, and it is mandatory topic to solve.

Despite the user language issues, there are some topics that must be cleared out for the Spearhead prospect. These are related to logistic operations, integrations between harvester- and truck operating systems. Within wide offering from the case company, these are solvable topics, but they will need some internal investigations.

Integrations toward other line-of-business software's and to the accounting system need to be cleared out by the time of the first deployment. With these issues, there must be

a simple promise that the topics will be solved with wide IT-knowledge of the case company.

The electronic invoicing is one issue to design to cover local needs. It is quite similar activities in all Nordic-Europe countries to handle electronic invoices. Different currencies between countries cause some differences. Nevertheless, regulation is similar, and while in the Finnish context there is Finvoice, as electronic invoice, there is Svefaktura in a Swedish context. The Svefaktura is similar XML-document than the Finvoice, but the currency and regulations are causing differences between countries. The differences are general and are caused by the board between Euro-zone and the Swedish Bank (Crown).

The last thing to mention regarding the offering is the invoicing function within Finland. In Finland, is in use a standard called FINVOICE for sending electronic invoices. The electronic invoices are growing habit how companies are invoicing each other. For this, in EVRY, there is two different option. EVRY can develop a module, which will create and send standardize FINVOICE material to the net invoice operator, i.e. Finnish banks.

Alternatively, EVRY can offer the actual invoice operating service through EVRY VACS. Within this option, EVRY VACS will send electronic invoice information, the invoice lines to EVRY. Then EVRY receives the invoice information and delivers it to the customers with agreed manner. The agreed manner can be different for each customer. EVRY will create the layout for the paper invoices and print them on receiver's country to minimize the postal costs, as partially discussed in section 4.4.

Third Block: Value & Benefits

To effectively communicate the customer value proposition, it needs more formulating. First to approve the correct demands and validate the perceived value of prospects, as explained in section 3.3. Secondly, meet the demands of different levels of the recipients in the prospect organization. This is discussed widely in section 3.5.

Based on spearhead prospect analysis and the building blocks for value proposition discussed in section 3.6, there are few extremely important benefits that are essential to clarify the value proposition. For the spearhead prospect, the biggest issue on the hand is right now the need to type in the same information to different platforms manually and several times. This is Point-of-Difference 1. Type in the data only ones, and use it where needed. This minimizes the risk of mistakes and always uses the same information as a base source for calculations. The POD 2, is the ability to maintain forest

warehouses completely with one contract and job-order. At the moment, the prospect must have as many job orders to the same warehouse area as there are different round wood kinds.

The POD 3 for the spearhead customer with EVRY VACS is simultaneously also Point-of-parity. This is general functionality to locate warehouses to the forest with GPS tracking for later usage. With exact location information, the prospect can send job-ticket to harvester with mobile channel, receive information about harvested amounts and also the exact locations of the harvested log piles. Then the location information can be sent via mobile channel to the logistic company to pick the load from location and transport it to the destination. This functionality is available in another forestry administrative software also, and it can be seen as mandatory and normal functionality.

From the communication of the customer specific value proposition to the prospect, it is important to describe also points of parity to simplify the description of the offering. The main reason for POP's is to make the proposition understandable for the prospect.

Fourth Block: The promise

The creation of the promise perspective for the prospect always demands mutual discussions and analysis with the prospect. The proposed promise for the spearhead prospect consist topics related to automatization of the business cycles. The core promises for propose to the spearhead prospect are: One warehouse for all species in one location, increased automatization toward administration and processes and increased efficiency and productivity within fully integrated location abilities.

5.4 The monetary value proposition

Expressing monetary benefits of the CVP, the deeper analysis of the demands, pains, gains and value perceptions of the prospect is demanded. With the framework below the monetary CVP can be predicted with expected level to the prospect. The expression of the value proposal with monetary terms is mentioned i.e. in section 3.5.

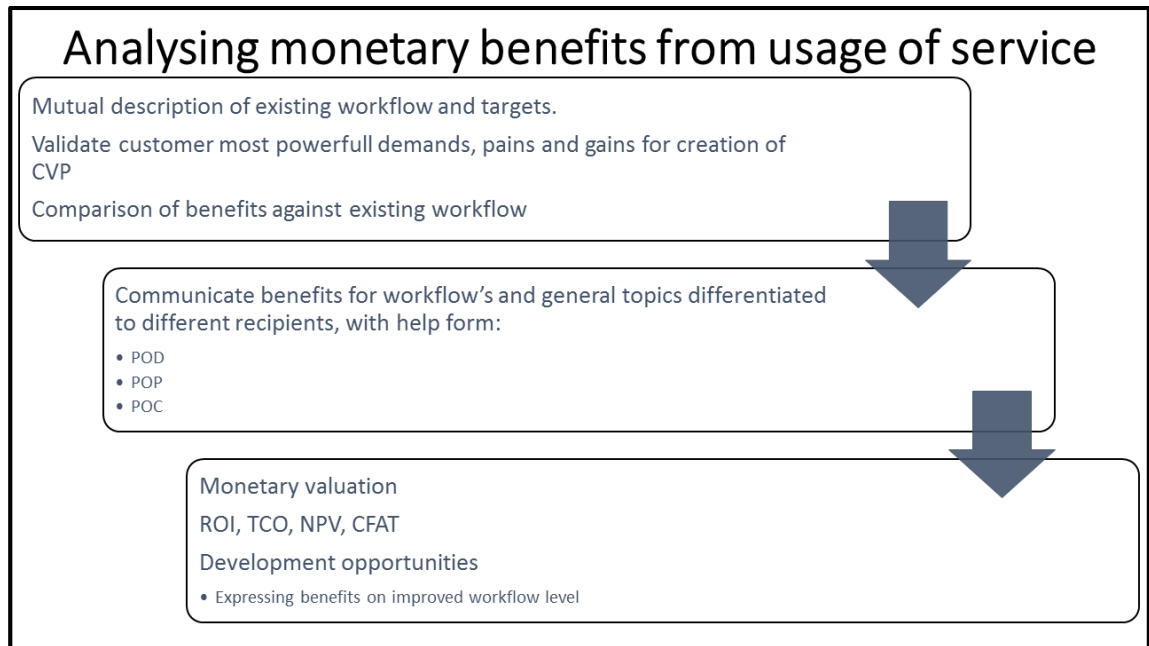


Table 14. The process to analyze prospect demands and communicate it with monetary valuation.

In Table 11 above, the mutual analysis with the customer defines targets to achieve monetary value calculation. The agreed analysis should be based on vendor's knowledge from the selected market segment, and at the same time, it should conclude the most important issues the prospect is experiencing at the moment. These shared targets should be then analyzed by investigating one target at the time. The outcome of analysis must contain a comparison of perceived benefits from existing workflow with the existing habit. This is because of the goal to keep the analysis understandable and acceptable for the prospects stakeholders. As it is discussed previously in section 3.5, the receiver's perception of valuable benefit can be a variable topic.

After the analysis is done, the created monetary value proposition needs to be communicated to the prospect's stakeholders. Again, to keep the value analysis understandable and easily adaptable to the current state, the usage of POD, POP and POC is highly recommended. The concept of POD, POP and POC is explained in Table 5.

After this, the monetary value proposition is presented on different measurements, and in best practice it is done with mutually agreed terms. These can vary in a different situation, and some of the recommendations are explained in section 3.5.

Accordingly, the expression of monetary benefits within CVP is efficient way to convince the prospect to make the buying decision. While, the monetary calculation of CVP can also be crucial to the company itself. It demands wide knowledge of the company's

ability to serve and to deliver promised value potential to the customer. As discussed previously in section 3.5, the customer-specific value proposition needs to be created specifically to meet the requirements of each prospect. To understand what the prospects pains are and what the prospect is evaluating, the vendor must have a mutual analysis workshop with the prospect. After analysis workshop, the vendor can create customer specific answers to each remarkable pains, create points of parity and differentiators against alternative offering.

After creation of CVP, the vendor needs to communicate and confirm the valuations with the prospect, to calculate the monetary effect of the CVP. This value proposition should contain core gains of using the offered service. Customer-specific CVP shall compare costs and benefits to show the actual monetary valuation of service for the customer. The monetary CVP needed to be expressed based on findings from customer value research and covered possibly with a Trial period to convince the prospect from the value receivable, and to lower the buying barriers. Also strong monetary guarantees regarding the vendor's responses might help the prospect to make the buying decision.

After presenting the CVP to the prospect, it sometimes leads to closing the deal and sometimes not, as discussed in section 3.5. Even the best possible CVP can leave too high barriers in front of buying decision. In any businesses, there is always an alternative to staying in existing situation. Most confident and important sources for trust against the seller are reference customers from same fields of business.

5.5 Summary of initial proposal for customer value proposition

This subsection summarizes the findings from existing knowledge, Data 1 and Data 2. In Figure 16 below, the Conceptual Framework, introduced in section 3.6, has been used to present the initial customer value proposition. In Figure 16, the Swedish customer value proposition, introduced in section 4.2, covers the recognized demands of the spearhead prospect, introduced in section 4.3.

The initial customer value proposition in Figure 16 is merging findings and it is reformulated to understandably and effectively communicate to the recipient.

"This looks clear for us. Of course, we must deliver the service for the customer with local language and accounting legislation. It is clear. There is much work with the translations and localizations. We have estimated that we need around 1000 hours for that." (Product owner of the case company.)

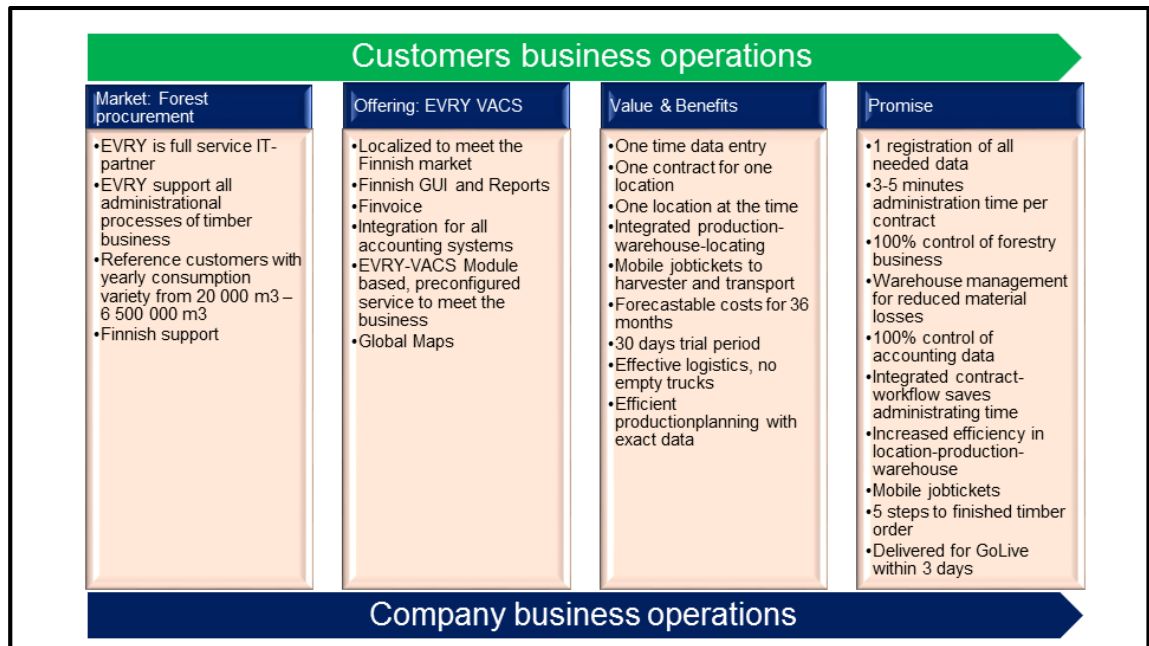


Figure 16. The summary of the initial proposal for the Finnish Spearhead customer

The initial proposal is built on the Conceptual Framework and the Swedish customer value proposition introduced previously. The section has merged the existing CVP with the recognized demands of the spearhead prospect. The proposal is then a combination of the existing strength, fulfilled with those gaps and demands that can be fulfilled. Therefore, the proposal seems to fit the target very well at this stage of the process.

"Hi, We have a go to start making an official business case. I need a list of potential competitors to VACS Light and if possible how strong they are within our choice of segment (0-500 000 m³/2€)" (Business owner of the case company)

The section started with a short description of the case company business cycle, and how the building blocks of the value proposition are effective in the cycle to cover the proposal. After this, the section walked through the demands of the spearhead prospect from the building block perspective. This section described the proposal draft for the business case and analyzed the combination of the building blocks for the value propositions and recognized spearhead prospect's most powerful demands. In this section, there are key features for the prospect, and also, key tasks to fulfill for the case company.

6 Feedback from the initial proposal

This section discusses the feedback of the initial proposal. The section goes through the data collection plan for Data 3, and shortly introduces the findings from Data 3. The section introduces the final proposal for the spearhead prospect.

6.1 Data collection plan for Data 3

The data 3 has collected as planned in section 2.4 from internal stakeholders and from the spearhead prospect. The data has collected through theme discussions and interviews and merged to field notes summary in appendix 5.

6.2 Feedback from the proposal

The main internal decision within the case company related to the creation of the final proposal contains questions related to localizing the offering to meet the demands of the Finnish market. This has been worked through with the stakeholders of the case company. The question related to localization of the offering contains several issues. For the localization of the service, the case company has reserved a development budget for the task. Additionally, the data 3 will give insight from a prospect perspective if the prospect is aiming to accept the final proposal or not.

6.3 Final Proposal

This subsection introduces the final proposal of the differentiated customer value proposal for the spearhead prospect. The proposal is built to meet and cover the most important demands of the prospect. Within the proposal, the monetary valuation for the prospect could not be calculated. This is because the wood procurement business is highly sequential and the rush period for the spearhead customer is right at the beginning of the spring time.

The section repeats the findings from sections 3.6, 4.3 and 5.3. The Findings from Data 1 and 2 is merged to the Conceptual Framework. The final proposal takes into account the findings from Data 3 to introduce an effective and understandable final proposal introduced for the spearhead prospect.

As discussed previously in Current State Analysis, the description of the Swedish segment-specific value proposition is in figure 10 below.

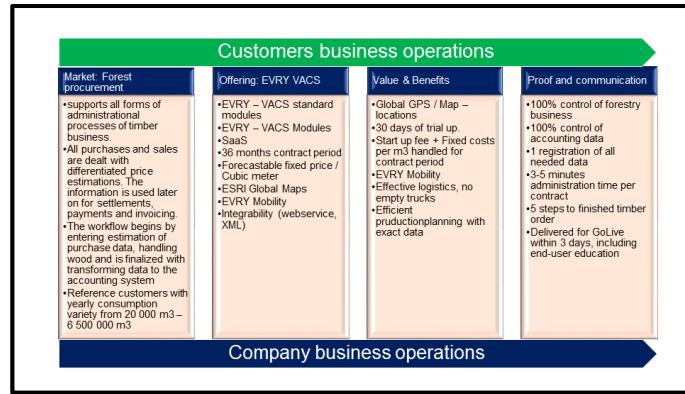


Figure 10 the Swedish customer value proposition of the offering

The proposal for the spearhead prospect, it is meaningful to introduce it again, because the differentiated customer value proposition is built on the same offering and for same industry. To obey the best practices of the case company, it must be built on the same promise. The deeper analysis of the offering based value proposition is discussed in section 4.3.

Below are the differentiating factors of the spearhead customer. These topics in building blocks are recognized as main targets to communicate for the prospect.

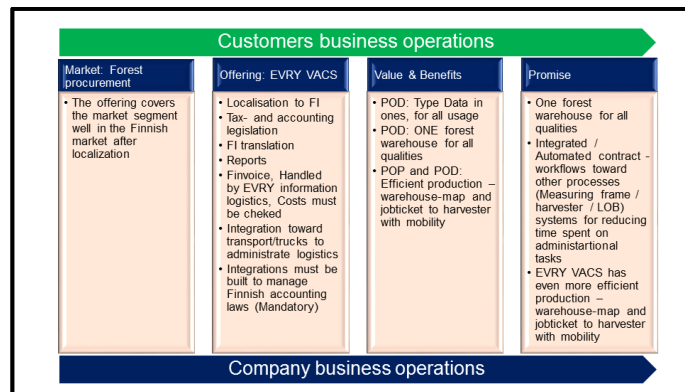


Figure 15. The customer specific demands based on Conceptual Framework for the spearhead prospect

In Figure 15 above the recognized demands and benefits from Data 1 and 2 are placed into the building blocks of Conceptual Framework.

"The system must be user-friendly. We want to achieve more automatization, with less time consumed with the system." CEO of the spearhead prospect

First Block: From market perspective

On the market block, the conclusion is that the offering suites very well also to the Finnish market of wood buying business. The prospect is satisfied that the case company has a full unit to serve only the field of business of the prospect. The prospect has strong believed to achieve potential to omit some Nordic level best practices with the cooperation of the case company.

Second Block: From offering perspective

The main topic from offering perspective is the localization of the service. There are several issues that must be taken care of, but there is also several topics that are demanding further investigations. These are mainly related to regulations and legislations in the Finnish market.

For the specific spearhead prospect, the important issues from the offering point of view are invoice logistics, which means here sending the sales invoices to recipients. This is functionality that can be solved by a unit in the case company, which is specialized for services in this area. This is agreed internally within the case company. From offering point of view, a question related to locating possibilities came up as a question. As in quote, the reliable locating is mandatory for an efficient process.

"As it is today, the good locating system is mandatory. You do not have the time to go all places just to show what should be harvested and where the log pile locates for transport. You must have a map and locations for this." The forest manager of spearhead prospect

This can be answered right away with help from building blocks. EVERY VACS is equipped with global map service and global locating, if necessary.

The truck and transport integrations are the same that they are in the Swedish market. Also, in the case of any deeper demand related to transport, the case company is able and capable of delivering a full-bodied logistic service platform which is integrated to EVERY VACS natively. Within the proposal, the spearhead prospect does not have this kind of pains to solve.

"I would define our transport and logistic operations simple. Yearly from hundreds of loading places to tens of unloading places." CEO of the spearhead prospect

Third Block: From value and benefit perspective

From value and benefits point of view, it is communicatory-wise efficient to use the points of parity and points of difference. The alternatives for the spearhead prospect are to keep using the old software, or not to decide anything. Therefore, it is extremely important to find out whether the prospect can make the decision. The proposal and the communication to prospect must always courage the prospect for the decision making. Without any decision, the costs are easily bubbling over the pot without any guarantee to get the sales investment back.

Fourth Block: From promise perspective

The most important promise for the spearhead prospect is resource savings and efficiency increasing. The EVRY VACS is offering some recognized improvements to existing platform the prospect is using. For this case, the monetary value would be easy to calculate based on the workshop with the prospect. Also, the case company is sure that prospect can find more beneficial features from the offering after a while of usage of it. Unfortunately, within the given time limitations, calculating the monetary proposition was not conducted. Therefore, the Trial period of 30 days is one major topic and convincing factor to this prospect.

The proposal discussed in this section is a combination from the existing Swedish value proposition covered with prospect specific valuations. This section introduced the final proposal of the customer value proposition for the spearhead customer. The proposal has been validated with internal stakeholders within EVRY and with the spearhead prospect.

6.4 Summary of the final customer value proposition for the business case

This section introduces the meaningful outcome of the customer value proposition for the spearhead prospect.

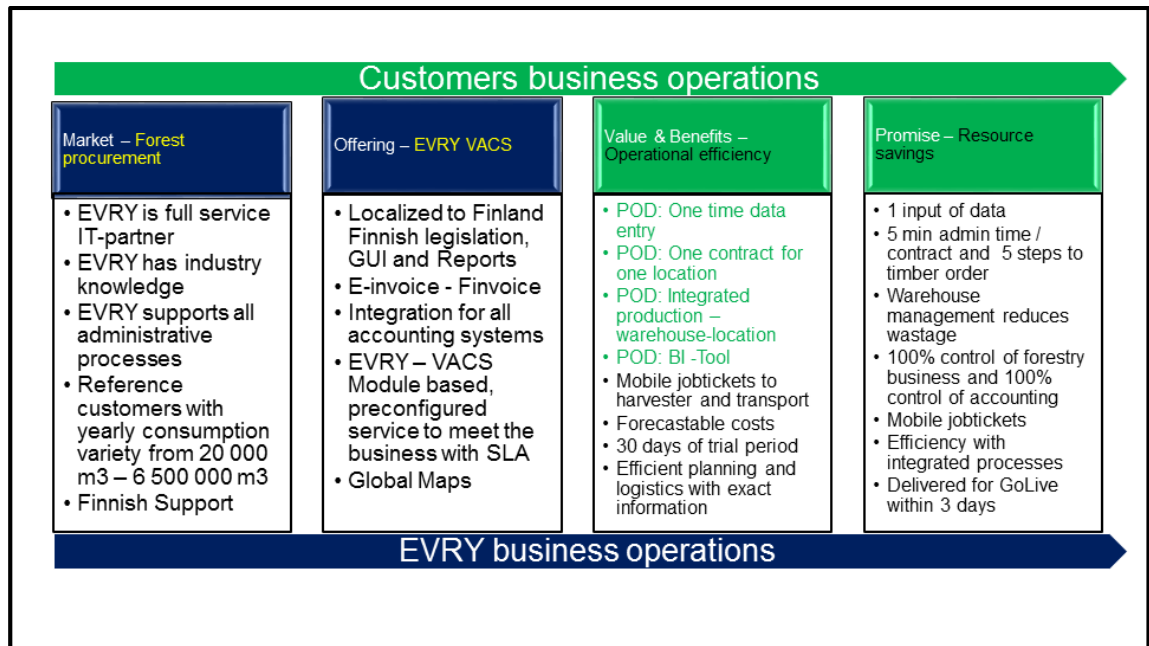


Figure 17. The final customer value proposition.

In Figure 17 above the customer value proposition is filled with findings from existing knowledge and Current State Analysis. The findings from Current State Analysis are separated into the building blocks of Conceptual Framework. Therefore, the demands of the spearhead prospect are spread to the blocks and combined with the findings of the existing Swedish value proposition. This activity results in a foundational tool to work toward a partnership with the prospect. With the final proposal introduced above, the potentiality for value-co-creation can be shown for the vendor and to the prospect.

"I would say, that the location system, I mean GPS and a dot in the map, is essential for our industry nowadays. I cannot imagine anymore a situation, which I cannot see where my machines are at the moment." CEO of the spearhead prospect

Some few hesitation has risen during the discussion with the spearhead prospect related to the final customer value proposition. One to mention is related to recognized demand to localize the offering to the Finnish context. On top of that, the demand for support function of the localized offering rose up. The quote from the product owner of the case company is presented below:

"Petri, we can deliver a Finnish speaking support from Ukraine, Gothenburg, and Karlskrona. And then, of course, you are located in Vantaa, so I do not see any problems to support the market and our customers in Finland with Finnish. We just need to get the things started and then we sort out the questions one at the time." (The product owner)

This quote shows extremely well the business environment while developing new business opportunities in Enterprise environment. The Finnish support for the offering can be arranged from several different locations.

Figure 18, describes the total topics designed to meet the prospects demands with a best possible solution at the time. Different workflow and process questions are arising during the discussions always, so to be able to answer those moderately, the building block operating of the account team must be sufficient.

"There is this E-service, called metsaan.fi. It is developed for single forest owners to sell forest easily. I think it will make a break through with some time. It is developed by the big players and the government. In best practice, we should get the information from there, and from the other similar services to our system. With amounts and locations automatically."
CEO of the spearhead prospect

For example, the prospect raised up the question related to new ways of measuring the forest, which is still a bit on a development level.

*"I have bought wood few times based on satellite measurements. It was ok while the total cubic meters of forest were correct, but there wasn't the measured amount of logs in there. Nearly, but not that much. So you need to see the forest in most of the cases, but sometimes the satellite measurement is fair enough."*The forest manager of spearhead prospect

From offering point of view, the building blocks of the customer value proposition are showing the answer, which the offering is integrational toward standard interfaces. Although, on a general level the offering received positive feedback.

*"Your value proposition looks really good for us. If all this works in practice also, we are truly interested in it."*CEO of the spearhead prospect

"I want to visit one of your customer, where EVERY VACS is in use, and the process would be as close as possible to ours. The process should contain Wood procurement, supervising harvesting, the harvester, forest forwarder, transporting, sawmill reception, sawing the logs, selling timber, invoicing and accounting administration." CEO of the spearhead prospect

"Can we do it in week 20? Alternatively, the week after that?" CEO of the spearhead prospect

This section introduced and summarized the feedback from the suggested customer value proposition. It went through the improved initial proposal and introduced the final customer value proposal. To communicate effectively the customer value proposal, the messages in it were slightly moderate to be more understandable and more efficient. The presentation for the spearhead prospect is attached as appendix 6.

"This is great news Petri. Congratulations to you and Magnus for this progress on the Finnish market. I´m sure Magnus will find several similar customers willing to show how they use VACS and what they benefit from that." The unit director of the case company

7 Discussion and Conclusions

This section summarizes the finding of the thesis and gives suggestions for the case company to move forward with the selected offering in the market. Within the section, the thesis is evaluated, and the reliability and validity are analyzed.

7.1 Summary of contributions

The overall contributions of this thesis are remarkable findings for the business challenge and the case company. The main findings of the thesis are, Conceptual Framework, which can be used in general business and a detailed one for the business case. The Current State Analysis contains an analysis of the existing offering, market situation and the demand analysis of the spearhead prospect. Accordingly, the outcome of the thesis is the customer value proposition for the spearhead prospect. The broad result of this thesis is a stakeholder's accepted proposal for the case company to enter the Finnish wood and forest procurement market with selected offering.

Conceptual Framework

The value based operating is a remarkable part of the whole business in the field of IT business. By communicating the clear and adjustable segment specific value proposition, the company can create demand and interest in the market. With the usage of customer value perception, the case company can generate demand on the market, and in best practice it can satisfy the created demand of the prospect, with Basic Sales Items. The Basic Sales Item is a foundational part of the industrialized and repeatable business in the field of It services. The customer is expecting to achieve clearly defined benefits from the usage of the IT service, and this can be shown quickly by using the Basic Sales item.

This thesis introduced and analyzed the relevant parts from the existing knowledge and created a Conceptual Framework for the professional usage of the differentiated customer value proposal.

The building block -framework, is the fundamental part of value-based operations. The building blocks are suitable for any other field of business, and they cover the usage of different valuation logics in business, as discussed in section 3.6.

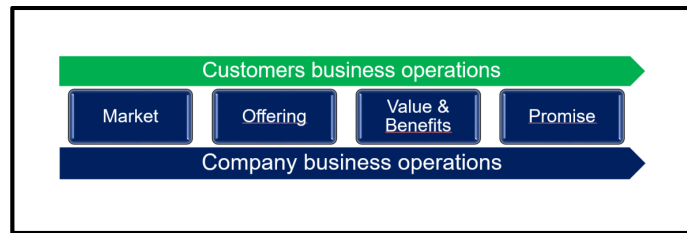


Figure 8. The Conceptual Framework on general level.

The general meaning of the building blocks is to be as connective element between the company and the market. The usage of the Conceptual Framework creates demand at the market and contributes value creation process for the customer. The Conceptual Framework gives the case company a solid tool to differentiate the value proposition for each prospect at the time, regardless of the market. At the same time, the building blocks are giving the guidelines for other important operations to the business. Such as development, deployment, and customer care. All activities should be targeting to the most valuable outcome for the customer.

The detailed Conceptual Framework

The building blocks for customer value proposition are detailed to meet the requirements of the business challenge. Therefore, the building blocks are meeting the differentiating demands while working in the field of IT business. The building blocks for the customer value proposition are discussed in section 3.6.

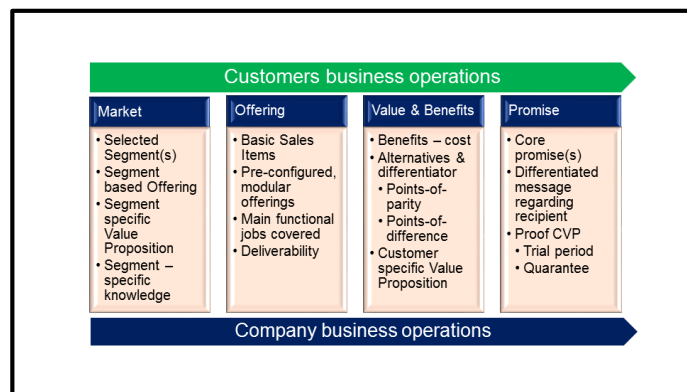


Figure 9. The Conceptual Framework of building blocks for customer value proposition.

The value-based operations give the company a great set of tools to further develop the operations to follow value creation logics. The findings are clearly showing the benefits while working toward market with value perceptions.

In market block, it is mandatory to the company to select the market they want to serve. Inside the market, it is also highly recommended to select even smaller niche market

segment. By doing this, the company can understand the business context, and pains, of the prospect clearly. The Offering block suggests for the company to create a niche market segment specific offering, which will fulfill the most of the pains, gains, and jobs of the segment. Therefore, the company can develop the offering to fit the needs of the niche segment. The offering shall be preconfigured to be deployed rapidly and modular to differentiate the service for each customer. The modularity gives the case company a possibility to work in industrialized solution business toward the market.

In the value & benefit block, the vendor can differentiate its offering from the competition. The company must be able to express the expected benefits from the offering. In mature fields of business, points of parity and points of differentiation are useful tools for comparison of the alternatives by the prospect.

The promise block of the customer value proposition is the most critical one for building the differentiated customer value proposition for each prospect. The aim of the block is to show the real value for the customer with the promise of perceived value. The perceived value is expressed for the prospect with monetary terms in best practice. However, this must be analyzed case by case, because every single prospect can perceive different values.

The Conceptual Framework, which is an outcome of the thesis, is drawing a frame for the whole unit to create repeatable sales and value process for its offerings. The customer value building blocks for creating an individual and differentiated value proposition are an effective tool to use in other selected markets as well. The thesis introduces also existing knowledge for market analysis and differentiating factors to reach the blue ocean for the business.

Current State Analysis

The Current State Analysis showed that the Swedish customer value proposition for the forestry markets with EVERY VACS suites very well also the market demands among the Finnish market.

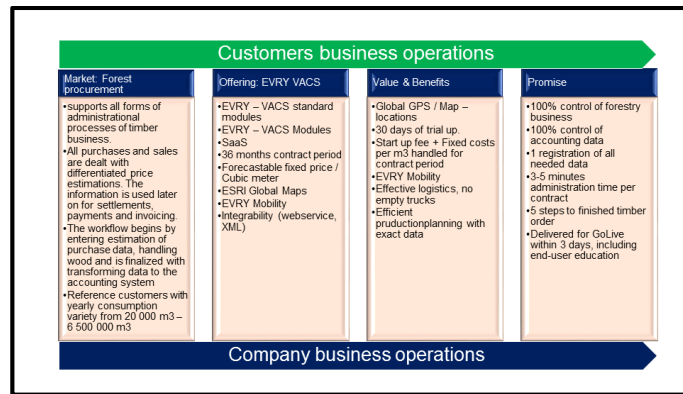


Figure 10: The current customer value proposition for EVRY VACS in the Swedish market.

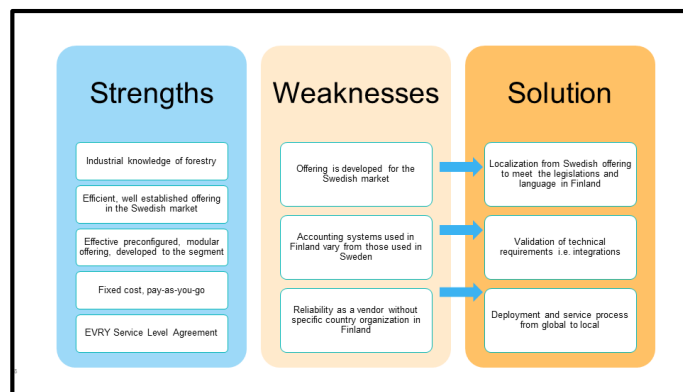


Figure 13. The conclusions from the Current State Analysis

The EVRY VACS offering is developed already a long period with the customers. Therefore, it was predictable, that the benefits in it are well defined for the forestry market. The industry itself is very much like each other between Sweden and Finland. However, there are two main differences between countries. These are related to the measurements of the log. In Sweden, the measuring is made by the external organization, from logs without bark. In Finland, the measurements are made by the buying operator, from logs with bark.

Another remarkable finding is related to localizing the offering. From the regulatory point of view, there are several topics to cover. Different official reports for the officers and the accounting legislation. For this, there is the managerial implication in section 7.2 for further analysis of this matter.

After demand analysis in the market and the CVP of the EVRY VACS, the conclusion is, that the EVRY VACS suites very well also the Finnish context of forest and wood procurement market by its operational and beneficial functionality.

The final proposal for the spearhead prospect

This subsection summarized the final customer value proposal for the spearhead prospect.

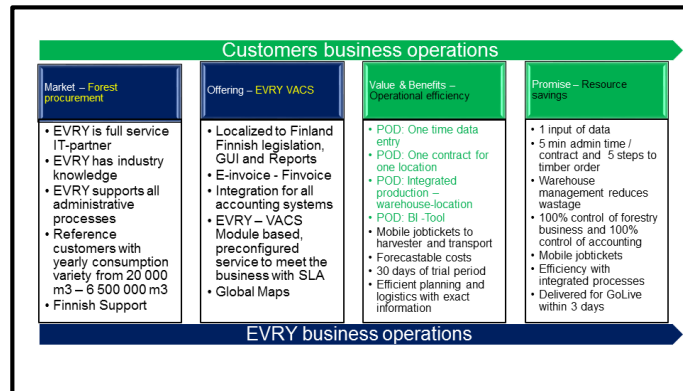


Figure 17. The final customer value proposition.

The final customer value proposition is placed into the building blocks of the Conceptual Framework. The final proposal covers well the demands of the spearhead prospect. The CEO of the spearhead prospect has given feedback to the case company; *"Your value proposition looks really good for us. If all this works in practice also, we are truly interested in it."*

Within the business challenge, the proposal for the spearhead customer is communicated through customer value proposition. This proposition is based directly on the analysis of the Swedish customer value proposition of the EVRY VACS. The demands of the prospect are covered with standard functionality of the EVRY VACS. The only true matter with the offering is the localization of the service to meet the Finnish market. Based on this, the outcome of the thesis is successful example of the value communication and the value proposition toward the unique prospect.

Further development with the spearhead prospect is to arrange a reference visit to a Swedish VACS user. Additionally, the monetary benefit for the spearhead prospect can be calculated after detailed questionnaire about existing process flows.

This section introduced the findings and outcomes of the thesis in the context of the business challenge. The results and outcomes of the thesis are giving important information for the case company, to proceed with chosen market activities.

7.2 Managerial implications

This subsection gathers the results from the study and gives suggestions for the management to succeed with the business challenge. The value proposition is not some irrational part of the business itself, but rather a core function of the whole business. The target with the value proposition is to give potential prospects a detailed view of the benefits and monetary value they can reach with cooperation with the vendor company. By using the value proposition and building blocks, the company is achieving a deep understanding of the prospects business and processes. The differentiated value proposition is the key element and starting point of customer centricity in business

With the findings and outcomes of the thesis, the case company should further investigate the possibilities related to localization and deployment of the offering. Also, the author suggests that the whole business plan should be prepared and finalized to start serious market operations in the Finnish market.

For the case company, the proposal to entering the market in Finland is built on the usage of the customer value proposition. The building blocks are an essential and effective tool for creation of the unique customer value proposition. The CVP can be designed with the differentiating benefits and factors apart from the competition. By using the Conceptual Framework from the business point of view, different offerings of the case company can be described similarly to the chosen niche market segments.

Localization of the offering

This subsection gives action plan for the localization project of the offering. The localization must be done efficiently and controlled, so the outcome fits for expectations.

The development shall be projected internally, and it shall have a steering group. From resourcing point of view, it is mandatory to have the Finnish legislation and accounting expert to get the localization made correct. The development shall be made within the normal development process within the case company to be able to develop a country-specific module, which leaves the service as is, but publishes all the information for a customer with localized contents. This kind of localizing module would give the benefit of the case company for future deployments from existing business resources. With localization module, the pre-configuration could be done with segment specific resources from local to global. Therefore, the repeatable and industrialized solution business can be achieved.

Meeting the customer demands with deliveries

From customer value point of view, the case company must design a business operation for the Forest segment. The case company must create a process for delivering the service to the Finnish customer with pre-configured Basic Sales Item.

From the deployment point of view, the author suggests for the case company a development for the deployment process. The process should be created so, that the case company can maintain deliveries from the existing delivery unit. The deployment process must be controlled with transparent documentations and best practices toward the customer. The process shall consist all relevant information regarding the customer. On the other side, the process should have a full product sheet with detailed information so that the case company can communicate the segment level benefits and value proposition for the prospects effectively. The detailed documentation of the service and delivery process is also communicating the case company's ability to deliver the valuable product for the market and is a mandatory part of segment level value proposition.

The reliability of the vendor toward the market and a customer is an important part of the value proposition. This is crucial for the customer to be able to trust the vendor, that it will finalize the agreed delivery. The comparable offering to alternatives with the unreliable delivery process will create high barriers in front of buying decision. Therefore, it is mandatory to present a convincing organization to the prospect with the convincing delivery model.

The suggestion is to create a local organization with knowledge base and resources to support the customer. The local resources will then be supporting the global delivery unit to deliver the configuration to the customer.

Value based operations

Anderson et al. highlight the fact, that if the value based operating has decided as a strategic approach, the value based business operating is mandatory to omit into the whole organization. The management must be committed to value based operating. Only by working completely with the value based operations the best possible outcomes can be reached. The Conceptual Framework introduced in section 3.6 is supporting the case company to achieve even better results in its operations.

"Customer value propositions can be a guiding beacon as well as the cornerstone for superior business performance. Thus, it is the responsibility of senior management and general management, not just marketing management, to ensure that their customer value propositions are just that." (Anderson et al. 2006: p.99)

This decision must be taken by the top management to approve the ideology and to engage all to the target. From this perspective, the existing organizational structure must be analyzed to find relevant ways of developing the process.

While this study introduced the first learning step from entering to the new market with scoped market selection, the next learning step of the process must be taken. By collecting lessons learned, the case company can target more effect with next selected market entrance. Further analysis of the operations is needed to address the value base operating through the whole organization in the case company.

Experiences and recommendations from the business context

As the delivery model and effective services and products have a strong footprint in the Swedish market, there is potential to enter to the similar segment in the Finnish markets. However, the case company is already relatively experienced with expanding the business model and offering from the Swedish market into the Finnish market. This has already done within one market segment. The experiences should take into consideration while designing the market entry into the Finnish forest segment.

Accordingly, the culture differences between Sweden and Finland can occasionally be high. The experience is that in the Swedish context, the sales operations, and value proposition communication can be done by describing and visioning. This is due the tradition of spoken communication within the Swedish cultural environment. The Finnish culture seems quite easily to turn the spoken value proposition to sales pitches, especially among small and medium businesses. Therefore, in the Finnish context the communication and backing up the value proposition need to be more convenient. In the Finnish context it is more; to see is to believe. Like the CEO of the spearhead prospect stated:

"I want to visit a VACS user similar to us, look them on the eyes, and ask; Does this work for you well? Then I know if it is applicable in the real production environment."

One major experience also from the past is the reliability of the vendor's ability to deliver agreed services. Many prospect are evaluating the strong support and delivery capacity

as important metric. For that reason, the case company must have a documented process to express a reliable capacity for support and deliveries toward the Finnish market. These topics need to be taken into consideration while creating and designing the full business plan.

7.3 Evaluation of the Thesis

This subsection investigates the thesis from an outcome point of view. The thesis has introduced those outcomes that were planned in the beginning. Then because of organizational changes in the case company the additional outcome from the thesis perspective is a possibility to integrate the new unit tighter together. From that perspective, the thesis is delivering more potential than originally expected.

7.3.1 Outcome vs. Objective

The objective of this thesis is to build a total competitive offering with selected service to enable EVRY to expand its operative business to the Finnish Forest Industry segment. The objective is stated in section 1.3. This thesis has strong contributions for the case company. The main outcome of the thesis is a proposal for the case company to enter the Finnish forestry market. The building blocks for creating customer value proposition are created as an outcome of the thesis with a wide selection of existing knowledge from the related fields. The created Conceptual Framework can be used for guiding the customer value proposition–process. With the usage of the Conceptual Framework, the case company can create a repeatable process for value-based operations.

The proposal for the case company for entering the Finnish market has developed and validated with the stakeholders and with the selected spearhead prospect. From this perspective, the outcome serves well the objective. The outcome also shows, that deeper analyzes are needed to be able to generate the total proposal for the company. This is due the nature of the business in the field of IT, because the service must be delivered and deployed to the customer. This deployment process needs to be investigated separately to be able to create a transparent and steerable process for all deliveries.

However, the process for deployment is not necessarily the first step to take when investigating possibilities of the market entrance with selected service. It is more important to understand if the offering has abilities to meet the demands of the niche-market segment's needs and be used as basic sales item for the market. For the first step of the creation of the whole market entrance proposal, the outcomes of the thesis meet the objective well.

7.3.2 Reliability and Validity

As introduced in section 2.4, the reliability and validity of thesis are designed to meet the acceptable level of credibility of the Master's thesis.

For the thesis and the outcomes, several different data sources have been used. The data sources have been interviewed continuously in workshops, discussions, and other communication manners. All data is gathered into the field notes. The summary of the field notes is an appendix of this thesis. The different data sources related to the offering are relevant stakeholders of the case company, internal and external product sheets and other materials. The data sources for the market situation investigation has been all relevant public sources. The mentionable data source for market analysis from the competition is an interviewed competitor.

All internal information gathered during the process is cross-checked with other stakeholders, and confirmation has been received from the top management of the unit. Internally in the case company the aim has been an open structure development project, which has been covered with minutes of meetings regarding the proceeding of the project. All participants internally have several years of experience from the case company and from the way the case company operates.

Therefore, the outcome of the thesis is credible for the case company as a result, and it is taken forward in the creation of the business plan.

7.4 Closing words of the case study

The study has shown the importance of the value based operating in the field of IT service business. It clearly describes that the market is efficient to meet with value based communication. From a valuation point of view, the process is simplified to meet the buying decision of the offering. The value based communication is effectively showing the possible achievements for the prospect within their area of business. Without the value-based communications, it looks obvious that the many IT service providers are just waiting for someone to come up with an acute pain to cover. From there the prospect is then trying to search for the correct solution, and the providers are competing against each other with the price.

In this scenario, both actors in the market system are wasting time and resources by waiting for something that might never happen. Only by this remark the businesses should analyze better the business environment and to find the correct ways to increase demand at the market by offering clear benefits for the buyer.

At the end of the day, the target for the company and the customer is to achieve value-in-exchange during the business process. The vendor receives money, and the buyer receives value-potential (Heskett et al. 2010). Hence, that is the core reason why any product or service is transacted.

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Summary of interviews

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Viesti**Vastaanottaja:** EVRY Internal recipient**Kopio:** [Kopio]**Päivämäärä :** 22.1.2016

Sivu 1/99

Finnish economic environment at the beginning of 2016

General situation

General economic situation in Finland is the worst in Nordic countries. At the beginning of Financial Crisis, 2008, Finland suffered as others. Then during last 7-8 years, other Nordic and European countries have recovered and achieved stability or growth.

Gross domestic product and IT market

Gross domestic product of Finland is rather still shrinking. Finland has not reached the same growth that exists already in Europe and especially in Nordic countries.

IT- the market has not been growing in Finland as expected, and that is mostly because of general economic activity.

Structural problems

In Finland, there are structural issues within businesses and society. This is because of many reasons, but ones that are main pains for business right now are; High unemployment, lowering export, low productivity (high employment total costs), inflexible job market because of regulations and unions, etc. Problems are homemade today.

Business ability, efficiency and will to move forward

In Finnish context, the feeling is, that many companies are trying to keep the existing position and share, and therefore are not willing to make decisions that are not the daily basis or crucial. The decision-making ability is low for now.

Investments

Investments have been low in Finland several years in a row. Economists are worrying the level of replacement investments because they are not covering the yearly depreciation.

However, 2015 was the year when investments rose, and Finnish Bank is waiting for the same trend to continue in 2016. The forest industry is investing a lot in fixed investments, which means plants and machines. On top of this, they need to invest for running investments also, like IT.

Industry 4.0

For example, if Finnish industries want to achieve possibility to work with Industry 4.0, there is large investment effort needed and EVRY can provide many usable tools to achieve Industry 4.0.

Forest

Now while existing situation has lasted several years, there must be a huge dam on different IT-investments for business needs.

For that purpose, offering for Finnish forest industry from EVRY can be very effective, especially software as a service. Because of low levels of investments, quick implementation and possibilities to create value, EVRY is having a great possibility to expand in Finland with selected offering.

Forest with some numbers

	2014
Harvested Roundwood	56 million m3
	(Sustainable possible harvesting ~80 million m3)
forest industry	~20% of Finland's export
forest industry value €	~21€ Billion
Paper and pulp	~2/3 of value of forest industry (14€ Billion)
Mechanical wood	~1/3 (7€ Billion)
Sawmills	~160 target companies
Forest industry employees	42000
from which paper and pulp	20000
mechanical	22000
Furniture production	9000

List of active Companies

Company / Branch contact info and business results from round wood business. We start with sorting sawmill-type companies with help from Finnish statistical centers branch classification.

Reference

To start effectively expanding to Finnish market, EVRY needs to catch a local reference customer. For this purpose, we need to find a selection of spearhead prospects to start

communicating of. For this, we need to thing processes with marketing, sales, contracts, services and operations in Finnish context. We have the strongest possible background to steer within forest industry deliveries @ EVRY.

Resources

Most of the information used in this memo is from public discussions, newspapers, news, public debate, the internet, etc.

However, here is few links to gather more information.

Forest industry union: <http://www.forestindustries.fi/>

Bank of Finland: <http://www.bofbulletin.fi/en/home/>

Skogscentralen: <http://www.skogscentralen.fi/>

www.ponsse.fi

[Author]

Business Consulting

[Osasto]

The commercial product sheet for the Finnish market



EVERY VACS – PUUTAVARAYRITYKSEN KOKONAISJÄRJESTELMÄ

EVERY VACS -toiminnanohjausjärjestelmä on raakapuuta korjaavan ja ostavan yrityksen tukiranka. Järjestelmä tuo yhteen tuotannolliset ja hallinnolliset prosessit, tehostaa toimintaa ja auttaa parantamaan kilpailukykyä. Ruotsissa EVERY VACS on johtava puutavarayritysten toiminnanohjausjärjestelmä.

TEHOKASTA LIIKETOIMINTAA PILVIPALVELUNA

EVERY VACS automatisoi ja virtaviivaistaa puunhankinnan suunnittelun ja hallinnon. Tieto syötetään järjestelmään vain kerran, minkä jälkeen sitä voi hyödyntää suoraan tarjouksissa, laskutuksessa ja kirjanpidossa. EVERY VACS myös mahdollistaa kaikkien puulaatujen kirjaamisen yhteen sopimukseen ja tekee toimitusten seurannasta ja liiketoiminnan analysoinnista vaivatonta. Siis enemmän aikaa bisnekseen, vähemmän hallintoon.

Pilvipalveluna toimitettava ratkaisu takaa aina ajan-
tasaisen liiketoimintatiedon ja tekee toiminnasta tehokasta ja läpinäkyvää. EVERY VACS auttaa tekemään oikeat päätökset oikealla hetkellä.

KUSTANNUKSET KURIIN

EVERY VACS vähentää turhaa hallinnollista työtä ja kustannuksia. Kun liiketoimintatieto on läpinäkyvää ja ajan tasalla, muitakin kustannuksia on helppo tarkastella ja järjestyttää. EVERY VACS auttaa ottamaan joutoajan hyötykäyttöön ja pienentämään varastoon sidottua arvoa.

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EVRY VACS – PUUTAVARAYRITYKSEN KOKONAISJÄRJESTELMÄ

EVRY VACS AUTOMATISOI HALLINNOLLISEN TYÖN

Järjestelmään kirjataan:

- puun osto- ja myyntitiedot
- erilaiset hinnoittelumallit
- metsänhakkuun ja logistiikan karttatiedot
- varastotiedot
- metsän hankintarekisteri ja tieto potentiaalisista myyjistä

Järjestelmään kirjattua ajantasaista tietoa hyödynnetään:

- tarjouksissa, sopimuksissa, tilityksissä, laskutuksessa ja kirjanpidossa
- tuotannon ja logistiikan suunnittelussa
- hankinnan ja toimitusten seurannassa
- liiketoiminnan analysoinnissa ja päätöksenteossa

HELPPO INTEGROIDA, NOPEA OTTAA KÄYTTÖÖN

EVRY VACS integroituu erinomaisesti niin pyöröpuun mittausjärjestelmiin kuin muihin yritysjärjestelmiin. Se on suomenkielinen ja Suomen vero- ja kirjanpitoikäntöjen mukainen. Käyttöönotto kestää lyhimmillään vain kolme päivää, sisältäen käyttäjäkoulutuksen.

LÄPINÄKYVÄ HINNOITTELU JA 30 PÄIVÄN ILMAINEN KOKELUJAKSO

EVRY VACSin saa käyttöön perustamiskustannuksella ja kiinteällä, porrastetulla kuukausiveloituksella, joka määräytyy käsittelyjen puutavarakuutioiden mukaan. EVRY vastaa ratkaisun käytettävyydestä koko sopimuskauten ajan. Ja koska yksikään ammattilainen ei osta metsää näkemättä puita, EVRY VACSia voi koekäyttää ilmaiseksi 30 päivän ajan.

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