

**The Strategic Use of Service Design  
Methods for Leaders in Service  
Organizations: Case CC Me**

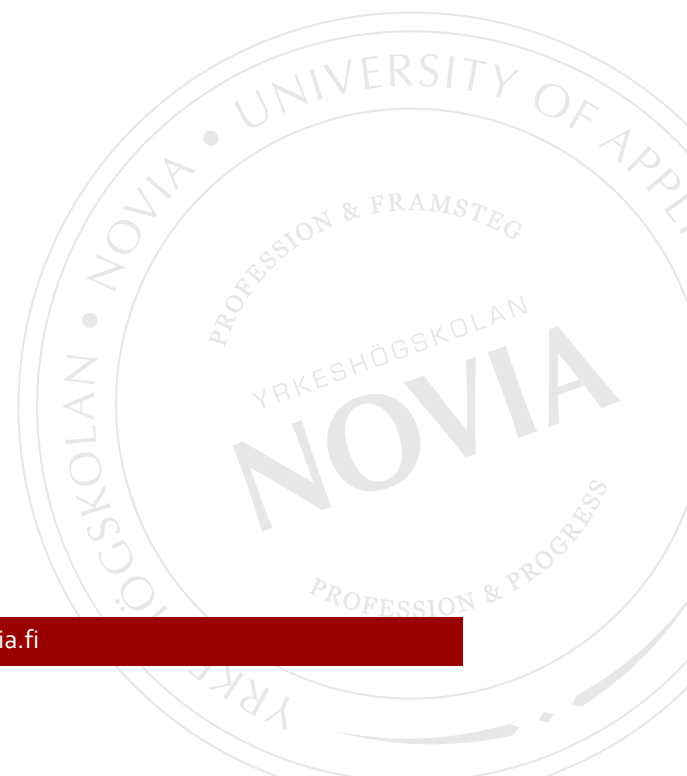
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expectations of the case company's target group, various service design methods were used to identify and remove obstacles at the touch points in the customer journey. These methods for analysis and mapping tools are described in the third chapter of the thesis. The goal was to make the service provided by advertising agency CC Me more user friendly and relevant to the customers and examine the benefits of service design methodology as a strategic tool for the management of the company.

In the final parts of the thesis, the value of service design thinking for business leaders is demonstrated. The methods and activities needed to make strategic decisions in service organizations are gathered in the Service Design Leadership Compass. The compass was created as a tool for the management to develop the service process in the organization, seen from the user perspective. The service design compass covers all methods needed by the management to map customer needs, analyze and develop user experiences, and ultimately improve the service on a holistic level.

The aim of this project was to use service design methods to create a toolkit for leading customer relationships and developing a company's service process on a practical level. Service design thinking made it possible to identify difficulties and possibilities in the customer journey for the case company CC Me and ultimately develop the company's business strategy. To create services that are perceived as valuable by the users, close collaboration between strategic business leadership and design thinking is needed. This thesis contributes to the highlighting of the fact that the complexity of designing services today demands an understanding of the user perspective at top corporate levels.

*Service design, leadership strategies, user orientation, co-creation, service development, business strategies, design thinking, management tools*

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## 1. INTRODUCTION

The shift from the goods-oriented economy to service economy has led to a situation where multiple disciplines are involved in the process of designing a service. Selling services today is a complex task. The roles between the corporation as a sender and the user as a recipient are broken up and the new currency is value creation and interaction. Leaders for service organization stand before different kind of challenges to survive the competition in a mature market. When the prices for pure goods starts to decrease in the increasing competition, companies need to look for new ways to keep the profit levels up ((Kaario, Pennanen, Storbacka & Mäkinen, 2003, 24-25).

Identifying individual patterns and customer experiences are of great importance in modern business strategies. In service organizations, the focus should lie on customer process innovation, understanding human behavior and mapping key drivers for customer motivation. When we come to understand the mechanisms behind the decision making, we are ultimately able to differentiate the company's services and create a more targeted and valuable brand experience for the customer. Companies need to rise to the demands of the modern society and weave their own unique tapestry of qualities to be successful.

With the help of service design, organizations can recognize strategic possibilities in their business strategies, innovate new services and develop the old ones (Tuulaniemi, 2011, 24). Service design is a discipline, which can dramatically improve the productivity and quality of services through a more effective and value increasing interaction between service providers and their customers. Knowledge and tools derived from service design could therefore be of use for the management to make strategic decisions that

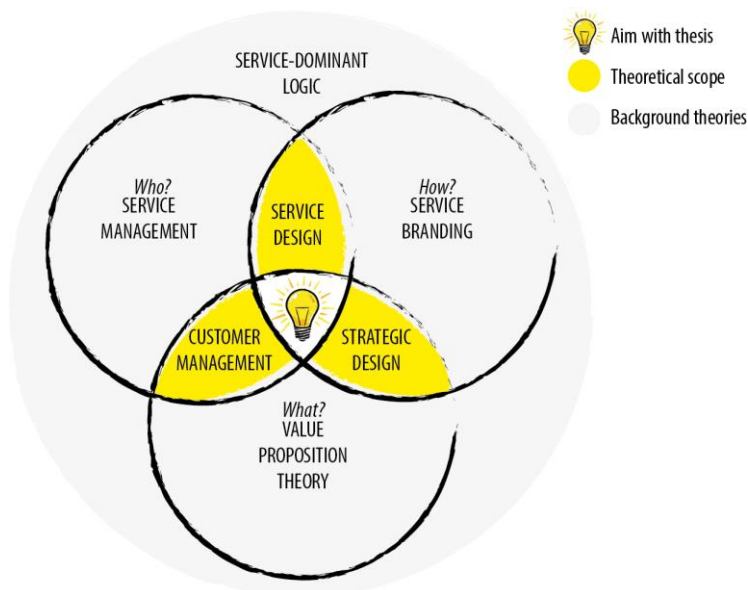
directly affect both the long- and short-term direction of the company. The possibility for the management to use service design methods to make strategic decisions was examined through a case study in this thesis. The service process for case company CC Me was developed on a holistic level through service design thinking and the project resulted in a concrete decision-making tool for leaders in service organizations.

### **1.1 Research context**

Service design thinking form a bridge between business, technology and design perspectives. In service design, the aim is to take a deep dive into the ecologies of services, into the world of needs and experiences of the users and service providers, to visualize, formulate and choreograph solutions to problems that are not necessarily identified yet (Miettinen & Koivisto, 2009, 35). The research context of this thesis takes several theoretical perspectives into consideration. This is a service design project, and service design is a holistic and multidisciplinary approach, based on tools derived from technology, aesthetics, ethnography, marketing, management and social sciences.

In service design, focus lies on customer experience and the quality of services as the key value for a company's success. Service design is also closely linked to psychology in suggesting behavioral patterns to the customers interacting in the service. In this context, it is an interesting question to ask how service design tools might benefit leaders in service organizations, to develop customer oriented business strategies, redesign an existing service or create an entirely new one.

Figure 1: Theoretical framework for the thesis



In Figure 1, the dynamics of the theoretical framework is described. This thesis is built on insights from areas such as service management, service branding and value proposition theory against the background of the service-dominant logic. Design thinking and the interaction with customers hold a central position in this work. The research literature found on the use of service design methods for leaders in service organization was thin, but the topic can be approached as any service design project with some adjustments according to the context.

The work of service design is often interdisciplinary by necessity. Depending on the aim with the project different kind of expertise is involved, from areas such as marketing, business strategies, technology or human resources (Miettinen & Koivisto, 2009, 37-38). The theoretical framework for this thesis is strongly affected by the collaborative nature of service design projects and the complexity of service development projects. Theories and factors that affect business management in the service economy today are described more deeply in chapter two.

## 1.2 Objective of the study

The aim of this project was to investigate the service design approach as an important strategic resource for business management, competition and innovation. My belief is that service design thinking can contribute to improve the quality of the leadership and make the service of a company more efficient on a holistic level. The strategic use of service design will be explored in this qualitative study to gain a better understanding of the potential value of these methods for business leaders. As a research strategy, CC Me, an advertising agency founded in 2014, will be used as a case study to gain an in-depth and detailed examination of the subject.

The success of a service company today, is based on a profound understanding of the customer's world. Companies may have difficulties in seeing the entire service journey because of decentralized operations and responsibilities. Analysis of the touchpoints and encounters between customers and service provider increase the understanding of the experienced value in the service. Service design offers tools to unite the objectives of the organization with the customer's point of view (Tuulaniemi, 2011, 95-97).

Service design methods can be used as tools for innovation leadership by understanding, mending, branding, innovating and reforming the business. Decisionmakers in the company need to understand the importance of the value customers experience when they use the services. By analyzing the service process, defects and weaknesses in the customer journey can be identified and corrected. Based on the gained knowledge, the existing service can be innovated to create a modern business concept. The whole business culture in which design, marketing, technology, human



resource and customer service collaborate closely, can be reformed with the help of service design methods (Miettinen & Koivisto 2009, 180-198).

In this project, the user perspective is emphasized in the development of the service and leadership strategies for the advertising company CC Me. CC Me offers all kinds of services related to graphic design; content for digital media channels as well as printed products, all sorts of marketing materials for companies to use at exhibitions, customer meetings or in campaigns. The main problems for CC Me were related to customer management and branding.

Different user insight gathering methods were tested to analyze and utilize customer information in the service design process. The aim of the project was to use service design tools to enhance the quality of the communication between the case company and its clients. We wanted to find innovative solutions for the management to lead the customer relationships, develop the brand and the service process. Service design methods made it possible to better understand the customers and their experienced sense of value of the service provided and unite this target group with the mission of the company.

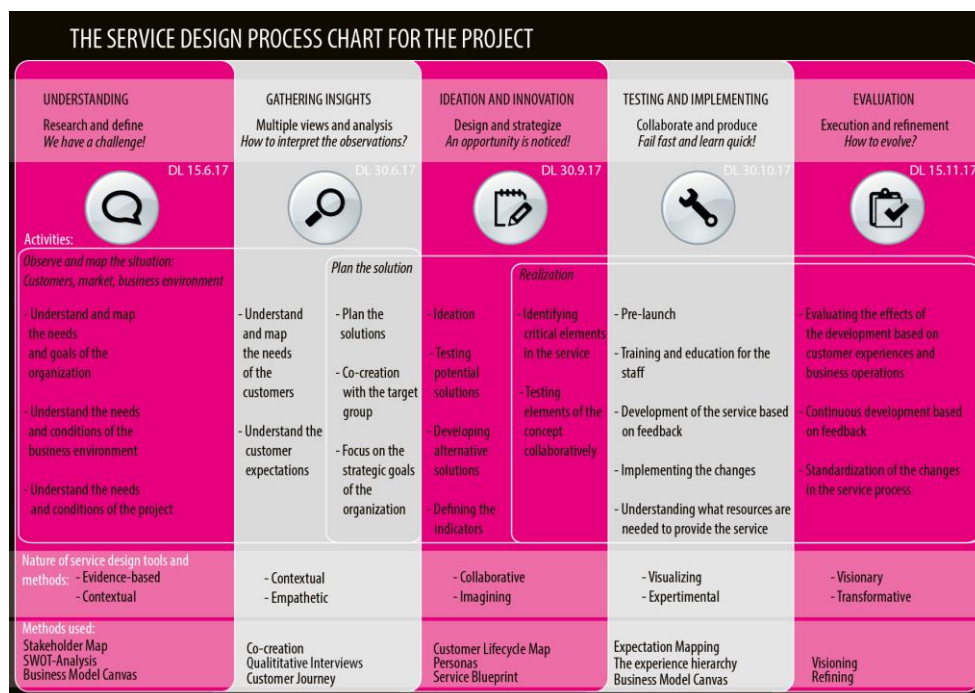
### **1.3 Research process**

The academic literature offers many different service design process descriptions. They all share the same principles, but the design process varies according to each project and should be designed according to the context (Tuulaniemi, 2011, 126-127). The similar features of the service design process can be identified in these five stages:

1. Understanding and defining the problem
2. Gathering insights
3. Innovating and conceptualizing
4. Testing, prototyping and implementing
5. Evaluation

This study is of a qualitative nature, since the attempt is to examine underlying reasons and motivation rather than quantifying the problem and transform data into usable statistics (Curedale, 2013, 36-37). The sample size in this case study is small and the gathered insights are based on individual interviews and co-creation. The service design process (Fig. 2) for the project is described thoroughly in chapter three. Added to the chart, information about the methods used can be found.

Figure 2: The service design process chart for the project based on The Service Design Process by Tuulaniemi (2011, 130-131)



#### **1.4 The research question and thesis statement**

- **How can service design methodology benefit leaders of service organizations?**

The purpose with service design is to establish the most efficient practices for designing relevant, sustainable and competitive services according to both the needs of the customers and the capabilities of the service provider. Knowledge and tools derived from service design can, therefore, be of valuable use to leaders in service organizations.

If the quality and productivity of a service can be dramatically improved with the help of service design methods, these same methods might as well be used as a leadership approach, to make strategic decisions that directly affect both short- and long-term direction of the company.

Service design improves the experiences of both the user and service provider by optimizing an organization's operations to better support customer journeys. The complexity of designing services today demands an understanding of the user perspective at top corporate levels.

The purpose with this thesis is to use the service design approach to develop strategies for leaders in service organizations to make decisions regarding future strategy of the company based on customer-centric insights. To create services that are perceived as valuable by the users, we need close collaboration between strategic business management and design thinking.

## **2. BACKGROUND**

The transition from manufacturing economy to service economy in the past decades has changed the demands on modern leadership strategies. Many companies are still using management strategies that are appropriate for goods-oriented organizations. The leaders for these companies have failed to perceive the right direction to increase their operational efficiency. To provide the customer with a holistic service offering, the company needs to be defined as a service business (Grönroos, 2015, 18).

### **2.1 Characteristics of leadership in service organizations**

A leader for a service company needs to think in terms of continuous innovation and providing enhanced value of customer experience and service. Time management can be a practical problem in executing these goals, day-to-day demands might lead to inefficiency when it comes to analyzing and communicating the company's business strategy, core values and future direction. According to Grönroos (2015, 418-420), the traditional way of targeting customers and organizing sales forces is to emphasize the features of the product being sold. The secret how to succeed in selling a product today lies in defining and innovating what is needed to create value to the customer's processes.

Professional service organizations need a rare blend of leadership skills to achieve success today. To conceptualize services that are perceived as valuable for the users, close collaboration between business management and design disciplines is needed. A service design leadership

approach is valuable at top corporate levels to maximize operational efficiency and produce services experienced as valuable for the customers.

One of the prominent features of the service industry is that the role of the customer has changed. The CEO for a company today should be interested in analyzing how customers could be managed as assets and how this management practice could be used to profit growth and create revenue (Kaario et al., 2003, 155-158). The idea of leadership as a person has changed. In the complex and competitive environment of the 21<sup>st</sup> century, it appears more appropriate to look at leadership as a process, not so much as a position a person holds.

Leadership is most needed in times of change, conditions that are familiar to most service organizations. Service companies have to be able to predict and understand changes in customer needs, and based on that, deliver the right level of service in the right way at the right time. To do this, organizations strongly depend on the performance of their frontline employees. This substantiates the theory of leadership today, as a process in which the combined efforts of both employees and managers are needed to respond to the rapidly changing service market. This requires more investment in leadership development on every level in the organization, as well as development of leadership capacities in all employees (Haslam, Reicher & Platow, 2012, 67-72).

Over time, several core theories about leadership have emerged. Early leadership theories focused on what qualities distinguished between leaders and followers, while current theories emphasize skill levels and situational factors. Different styles of leadership may be more appropriate for certain types of decision-making. In the strategic leadership of service organizations, the goal is to provide a holistic direction for the company, based on both the needs of the customers and the capacities of the service

provider. According to Grönroos (2015, 20-25), the process leadership model enables a user-centric and value increasing perspective built on active interaction between service provider and customers. A process leadership approach is also characterized by a close co-operation between departments inside the company, which facilitates an innovative work environment and strengthens brand-building.

## **2.2 The psychology behind customer behavior**

In a competitive marketplace where buyers have choices and information about alternatives, the success of the company is determined by how satisfied customers are. Tangible assets account for a rapidly shrinking portion of company value while customers represent, as an intangible asset, the main part of the company's market value (Fornell, 2007, 63-69). Influencing and persuading customers is not magic or luck – it is science. The more we know about how people think, the better we'll be able to leverage these thought processes and internal justifications to make sales. One key part of a great business strategy is understanding how your customers reason and act the way they do.

Customer behavior is however difficult to predict, since it is based on various social, personal and psychological factors. The cultural environment is a crucial factor when it comes to understanding the habits, behavior, perception and expectations of customers. The individual is influenced and taught values by family, friends and society, to a certain degree inseparable from the cultural context. Sub-cultures, social classes and cultural trends affect the customer behavior as a way of identification and belonging to the group. Social roles, life style and status have a direct impact on the customer

and the receptivity for different services and brands (East, Wright & Vanhuele, 2013, 111-118).

Personal factors, such as age, hobbies, diet and purchasing power influence buying decisions as well as personality and self-concept. Motivation, perception, learning and attitudes are psychological factors that determine customer behavior. These usually work on a subconscious level and are quite difficult to measure. Customer habits depend on a person's experiences, personal characteristics and beliefs and are all expressions of a need that the customer is trying to satisfy (East, Wright & Vanhuele, 2013, 120-125).

Today, the distance between a company and its stakeholders is shrinking, and the customers are demanding a bigger role in the value creation process of the service offering. To create services that are perceived as meaningful by the customer, service design methods can be used. Co-creation is a service design method that allows the customer to participate in the development process.

According to Fogelqvist (2017, 136-141), involvement of the customer is the key to engagement in a service. In co-creation, the company develops a solution to a problem together with the customer, which leads to a broad support for the end-result among all stakeholders. Co-creation is motivating, since all participants are involved and have the same vision and mission. Experiencing the process with the customers have a positive effect also on the company's resources, since making wrong decisions based on assumptions is avoided.

### 2.3 The service-dominant logic

The service-dominant logic is a contemporary approach, which argues that everyone sells services. It can be described as value creation through an exchange trading cycle where goods are used to provide the service. The service-dominant logic approach is changing the way we understand value-creation and is also changing concepts of the customer's role in the service delivery processes. In this service-for-service exchange, value is co-created by multiple actors, including the customers (Lusch & Vargo, 2014, 234-240).

The reason for this development is the widespread growth in the service economy over the last decades. In developing countries, services represent the engine of their economic growth. The shift in emphasis has been so pronounced that some observers refer to it as the 'second industrial revolution', as individuals spend greater proportions of their income on entertainment, travel, communication services, personal health and leisure. The service sector has responded to this change by creating businesses and jobs to meet these new kinds of needs (Lusch & Vargo, 2014, 74-80).

Today's customers are active interactors in the digital world and bad news travel fast. According to Ruskin-Brown (2008, 30-36), service brands share a unique set of challenging characteristics that differentiate them from manufactured products:

- **Intangibility** – the definition of the brand promise has become more difficult to make. Services are abstract and has no physical presence. Physical products that we can see, consume and touch are easier to attach a meaning to. An intangible service offering is



harder to grasp and yet even more important to define. A product can be described as 'an object', whereas a service is a performance.

- **Commoditization** – Almost total lack of meaningful differentiation. With today's technological advances, competitors can copy a service offering in just weeks, it is hard to create sustainable points of difference in service categories. Constantly adapting relevance in the service offering is the only way to rise above the commodity label. Commoditized products have thin margins and are sold on the basis of price and not brand.
- **Complexity** – to avoid the commodity problem, service brands sometimes try to differentiate themselves by adding complexity to their core offering. The added layers result in a service offering that might go beyond the customer's personal expertise and comprehension, he or she can simply not understand or appreciate the added value. Organizations need to design effective communication strategies to help customers evaluate their service brand.
- **Human inconsistency or heterogeneity** – services are highly variable and performed by people. A service brand is by definition experience-based, which means that there is almost no way to replicate the exact same experience each time for each customer. A detailed description of the desired brand experience at each touch point is a must, but still it can't eliminate human inconsistency.
- **The real-time challenge or consistency of quality** – the importance of the frontline employees cannot be emphasized enough. The

brand is strengthened or weakened at the touch points in the everyday interaction with customers. “Brand-right” behavior becomes more important when the brand promise is complex.

- **Perishability** – unlike goods, services can not be stored. Service organizations need strategies to cope with a fluctuating demand.
- **Inseparability** – services are typically produced and consumed at the same time, with customer participation involved in the process. There is no second-hand resale value.

The unique characteristics of services require different business strategies and ways of thinking compared with the exchange of physical goods, although the basic mechanisms in human customer behavior remains. According to Lush & Vargo (2014, 87-116), the core ideas of the service-dominant logic is captured into foundational premises (FPS) or axioms. It seems clear that two of the foundational premises are fundamental:

- that service is the fundamental basis of exchange
- that value is co-created

	<b>S-D logic axioms and foundational premises</b>
Axiom 1/FP1	Service is the fundamental basis of exchange.
FP2	Indirect exchange masks the fundamental basis of exchange.
FP3	Goods are a distribution mechanism for service provision.
FP4	Operant resources are the fundamental source of strategic benefit.
FP5	All economies are service economies.
Axiom 2/FP6	Value is co-created by multiple actors, always including the beneficiary.
FP7	Actors cannot deliver value but can participate in the creation and offering of value propositions.
FP8	A service-centered view is inherently customer oriented and relational.
Axiom 3/FP9	All social and economic actors are resource integrators.
Axiom 4/FP10	Value is always uniquely and phenomenologically determined by the beneficiary.
Axiom 5/FP11	Value co-creation is coordinated through actor-generated institutions and institutional arrangements.

Table 1: S-D logic axioms and foundational premises according to Lush & Vargo (2014, 87-116).

At the core of the service-dominant logic is the idea that value is co-created through service-for-service exchange. Focus on service puts the attention to the process and benefits of exchange, rather than to the units that are exchanged. The first axiom (FP1) 'Service is the fundamental basis of exchange' is based on the definition of service as the application of operant resources (skills, knowledge) for the benefit of another actor (individuals, businesses, organizations, nations). All economical actors must become good at using a combination of mental and physical skills to develop specialized service offerings. The second foundational premise (FP2) 'Indirect exchange masks the fundamental basis of exchange' means that the real nature of the exchange is concealed, money can for example be viewed as a right to a future service but masks the fundamental basis of exchange. (Lusch & Vargo, 2014, 92-96).

The third foundational premise (FP3) 'Goods are a distribution mechanism for service provision' stresses the ideology that underlies the service-dominant logic. Value is created through an exchange trading cycle where goods are used as means to provide the service. The fourth premise (FP4) 'Operant resources are the fundamental source of strategic benefit', admits that physical resources are important to survive the competition, but not without the right knowledge and skills to transform the resources into service offerings. Foundational premise (FP5) 'All economies are service economies', aims at describing the development of the increasing exchange of specialized knowledge needed to exchange the services (Lusch & Vargo, 2014, 97-104).

The second axiom (FP6) 'Value is co-created by multiple actors, always including the beneficiary' suggests that value is created through the interaction of actors (customers), not solely by the service provider. This statement argues that the beneficiary's participation is needed in the

process of value creation. The foundational premise (FP7) 'Actors can not deliver value but can participate in the creation of value proposition', explains the fact that value is created in the process when the service is used by the customer. 'A service-centered view is inherently customer oriented and relational', foundational premise (FP8), is a logical continuation of the second axiom. Value is co-created with the customers and the process is developed over time, this is a clear contrast to the goods-dominant logic, according to which the value is attached to the product through distributing and marketing (Lusch & Vargo, 2014, 104-110).

The third axiom (FP9) 'All social and economic actors are resource integrators', highlights the networked nature of value co-creation, the process through which customers, companies and society combine public and private resources. The fourth axiom (FP10) 'Value is always uniquely and phenomenologically determined by the beneficiary', reinforces the fact that all value propositions are experience-based and perceived differently by each actor in the service exchange context. The fifth axiom (FP11) 'Value co-creation is coordinated through actor-generated institutional arrangements', draws attention to the institutional frames for the value creation processes. Humanly devised rules, beliefs and norms both enable and constrain social life, and constitute service eco-systems consisting of actors specializing in providing ever more sophisticated combinations of resources for each other (Lusch & Vargo, 2014, 110-116).

Many of the concepts underlying this mindset, and thus the foundational premises, are neither exclusive nor invented by the service-dominant logic itself. Rather, service-dominant logic captures a shifting contemporary thought, which should enter the consciousness of business leaders in service organizations. The service-dominant logic is a framework for explaining ongoing processes of voluntary exchange through

collaborative, value-creating relationships among actors such as individuals and organizations in our societies of today.

## **2.4 The value proposition**

Most industries have originally been built around products and have been investing in logistics and production. Today, a deeper understanding of the customer's perspective is crucial. New strategies are needed to enable genuine differentiation from the competition and retain profit growth in a mature market (Kaario et al., 2003, 15-27).

A value proposition is a statement that a company uses to convince a customer to use a service or buy a product. A successful value proposition communicates the key benefits of the service based on the customer's needs and decision-making processes. Benefits alone will not help you understand the value around what you do or provide an insight into the issues your customer experiences. Benefits focus on the transaction, dispensing reasons as to why a customer uses a service. A more holistic approach, based on insights on the customer's chain of value, is needed to create a successful business strategy (Fogelqvist, 2017, 68-73).

The development of a compelling value proposition goes through three stages:

1. Identification of the customer benefits
2. Linking the benefits to the mechanisms for value delivery
3. Mapping the basis for differentiation from other similar companies

Customers experience value while interacting with a service, and this perspective on the value proposition differs from the company's perspective. The customer's role as an interactive participant and a co-creator in the service process is becoming more important. Service providers must therefore take this diversity into account when formulating conclusions of customers' needs (Lush & Vargo, 2014, 114).

All businesses deliver value propositions in a combination of cost, technology and service. The value itself is co-created with the customers. Value delivery mechanisms in the service process, such as performance or accessibility, can be identified and innovated with the help of service design methods. The value proposition differentiates the company from its competition (Lush & Vargo, 2014, 107-109).

## **2.5 Branding in the service economy**

The strategic management of a business is very similar to the concept "strategic management of the brand" since service companies constitute brands in themselves. If the company wishes to achieve growth, it is inevitable to look at the markets from the customer's perspective. The brand thinking has become increasingly important as a result of the change from the production perspective to a service-based view on markets. When the markets became ever more saturated with products, the importance of branding and marketing grew among suppliers who wanted to survive the competition (Kotler, Berger & Bickhoff, 2010, 96-98).

According to Hammond (2008, 29-50), all brand purchases are emotional. There are two keys of branding, the first is the understanding

that the brand is not only about the customers' heads, but about their hearts too. Seeing the brand as a whole experience for the customer is vital. Then, and only then, can you begin to appreciate the second part: The influence of your customers' experience of your business.

Against the background of the changes in the business area, it is no surprise branding is becoming ever more important and challenging. According to Österlin (2011, 22-30), every company has three dimensions of their brand; The true identity - what you are, the profile - what you want to be and the image - what you are perceived as. These core values build the corporate image. The ideal situation is consistency between these dimensions.

According to Lindberg-Repo, Mehra, Gupta, Dube & Kaul, 2009, a brand is the entire set of images, ideas, activities, and symbols that catapults a product from being only a commodity. The word brand is derived from the old Norse word *brandr*, which means "to burn". A company's brand is the same as a promise to the customers. It tells them what they can expect from the products and services, and it differentiates the company's offering from that of the competitors'. An effective brand strategy can contribute to a major edge in competitive markets. The meaning of branding has evolved over the past decades. The new conceptual logic views brand in terms of collaborative, value co-creation activities of companies and their stakeholders and brand value in terms of the stakeholders' collectively perceived value-in-use. This new logic reflects the evolving service-dominant logic in marketing.

A vital key to creating a strong visual brand identity is consistency. When identifiable patterns of visual stimuli are presented in a consistent, repetitive manner, they work as passive reminders of the brand (Hammond 2008, 83-87). Like the graphic, visual identity manual, a vocabulary brand



lexicon will ensure that everybody in the company uses the same language to communicate with the customers. Reasonable accepting of responsibility and an appropriate linguistic approach will often solve a problem situation.

Brand-right behavior also consists of meeting customers on their current emotional level, avoiding making promises that can't be kept or transferring clients to other people or departments (Hammond 2008, 115-117). It is important to achieve a positive interaction with the customer, building trust and gaining long-term commitment. Half the battle in leading customer relationships and creating a successful business strategy is to define and understand the impact of these service brand related challenges on the business.

## **2.6 The service design approach – analysis, innovation and reformation**

Since it is increasingly difficult to stand out with your products alone, you need to make a difference by providing customers with a valuable service and meaningful experiences. While service design aims to ensure that the service is more efficient for the service provider and stakeholders, it also focuses on producing well designed experiences for the end user. Efficiency, effectiveness and usability are desired results from any service design project for the business, but these aspects are also very important from the customer's point of view (Stickdorn & Schneider, 2011, 30-31).

In our highly connected digital age, customers are spoiled for choice. The digital area and smart use of data makes it possible for companies both to design new kind of services and know more about their customers and analyze the effectiveness of the service process. They can,

therefore, target and personalize the service offering to a greater extent (Tuulaniemi, 2011, 16-22).

Service design is the process that helps brands transform from commodities to loyal partners that support customers in living a meaningful life. The aim in service design is to engage customers so that their needs are met more effectively in sustainable, new and unexpected ways. Service design aims to ensure that service interfaces are useful, usable and desirable from the customer's point of view and effective, efficient and distinctive from the service provider's point of view. In service design, aspects from psychology, user experience and design creativity meet to help brands rethink their entire ecosystem to focus on adding value to the service and the customers' experiences (Miettinen and Koivisto, 2009, 34-35).

### 3. RESEARCH METHODS AND IMPLEMENTATION

The initial kickoff for this project was held in May 2017 with all participants to review the objectives and approach of the case. The communication requirements for the project were set up and the goal for the project was determined. The key stakeholders were in this case the customers participating in the project, they also represented the project team, in the sense of participation in the co-creation work-shop and interviews. Based on the first meeting and briefing, it was possible to decide what methods and tools for analysis to use in the project.

Since the aim of this project was to investigate the service design approach as a strategic resource for business management, different tools and methods were needed to examine and map the current service process in the company and the needs and expectations of the customers. Service design as a discipline offers effective means for an increased customer understanding. The strategic use of service design is explored in this qualitative study to gain a better understanding of the potential value of these methods for managing customer relationships and developing the service process in a company.

Strategic evidence-based tools, such as the SWOT-analysis, Stakeholder Map and Business Model Canvas, were used at the initial stage of the project to map the starting point and needs of development. The understanding of all parts of the business environment was crucial in the initial phase of the service design process. Co-creation and in-depth interviews were methods used in the second phase of the process to gather insights regarding the experiences and expectations of CC Me's customers. Methods for visualization such as Personas, Expectation Mapping, Customer Lifecycle Map and the Service Blueprint supported the innovation and

ideation of solutions in the strategic part of the process. The collaborative nature of the study made it possible to identify critical elements in the service process of CC Me, and based on these insights, new business opportunities were noticed and implemented. A concrete result of this study is the creation of a toolkit for leaders in service organizations; The Service Design Compass for Strategic Decision-Making, presented on page 52.

The following methods and tools for analysis were used in the project:

- Business Model Canvas
- SWOT Analysis
- Stakeholder Map
  
- Empathy interviews
- Co-creation
- Personas
  
- Customer Journey
- Service Blueprint
- Expectation Mapping
  
- Customer Lifecycle Map
- Experience Hierarchy

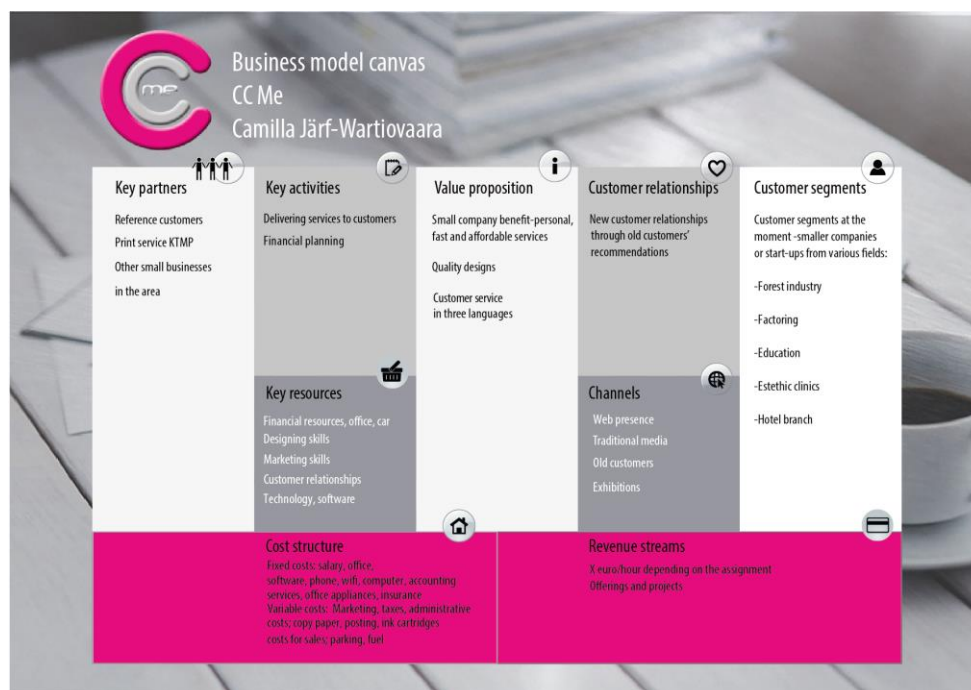
### 3.1 Business Model Canvas

The company's business strategy, actions and service process can be mapped and analyzed with the help of the business model canvas, stakeholder map, service blueprint and customer journey. The Business Model Canvas is a strategic management template for documenting or developing business strategies. It describes the infrastructure, finances, activities and value proposition of the company as a visual chart. Through this canvas, the customer segments, revenue streams, value propositions and resources can be mapped and analyzed (Tuulaniemi, 2011, 176-179).

The current business model for CC Me is described in Fig. 2. The key activity is to produce high quality graphic design services to the clients. Financial planning is a necessity to create a running business. The fixed costs for CC Me consist of payments for design software, computers, phones, office and salaries while the cost for marketing and administration varies. Marketing efforts and branding would be important key activities in the company to execute the value proposition, but these activities are neglected. Key resources, such as financial, intellectual and human capital, are important assets for the company to create value for the customer. For an advertising company, the innovative ideation capacity is crucial.

Key partners are part of the company's infrastructure, and are usually needed for buyer-supplier relationships, co-operation or as means to optimize operations. CC Me co-operates with KTMP, a printing house from Vaasa, to be able to provide customers directly with the final products.

Figure 3: Current business model canvas CC Me



Reference customers and other small companies from the area are important of marketing purposes. CC Me's value proposition is of a qualitative nature. CC Me focuses on customer experiences and outcome through elements such as customer service in three languages, high quality designs and affordable prices.

The customer segments consist of start-ups or smaller companies. What they all have in common is that they became customers through old customers recommendations, not through traditional marketing. New customers are sporadically contacted directly by phone or e-mail. The typical customer is a small size (2-5 employees) company in need of digital or printed marketing material. CC Me is a value-driven company, less concerned with costs. Focus lies on creating value for the services, the cost structure is light. Revenue streams comes from selling the graphic

design services and the income might vary depending on the number and needs of customers.

By mapping the current key activities and value propositions in the case company, it was possible to identify the obstacles in the service process. No efforts were put on marketing and branding activities, and the company lacked a clear mission statement. A leader for a service company needs to think in terms of continuous innovation, analyzing the company's core values and future direction. Time management was in this case a problem, since day-to-day demands did override all other activities in the company.

### **3.2 The SWOT-analysis**

To develop a strong business strategy, it is important to consider all traits of the company in the context of the current marketplace. In the process of identifying key performance issues for the company, it is useful to classify them as strengths and weaknesses or opportunities and threats. It is important to understand the degree to which each of these key issues affects the performance of the company, because they can be the primary guideline to develop a tactical marketing or business strategy (Best, 2005, 411-413). The current strengths, weaknesses, opportunities and threats for CC Me are mapped in Figure 4. A SWOT-analysis is a useful technique for understanding a company's situation on a holistic level, how to renew the business strategy and identify both the opportunities and threats the company is dealing with.

Strengths and weaknesses are internal issues to the company, for example the reputation or the location of the firm. These can be changed

over time, but not without some efforts. Opportunities and threats are external aspects such as prices and competitors for example, depending on the market context. These factors can't be changed, but awareness of the threats in the environment helps the company respond more proactively.

Figure 4: SWOT Analysis for CC Me



The internal resources, value adding aspects and intangible assets for CC Me consist of customer service in three languages, intellectual capital and small company benefits such as personal service and customized deals. These strengths could be used to a greater extent in the promotion of the company. The largest threats and weaknesses in this analysis is the lack of marketing and competition from other companies. A small company is also more vulnerable to personnel absence because of sickness, or other unexpected reasons. The main opportunities consist of renewal of the business strategy, development of the brand and the service process.



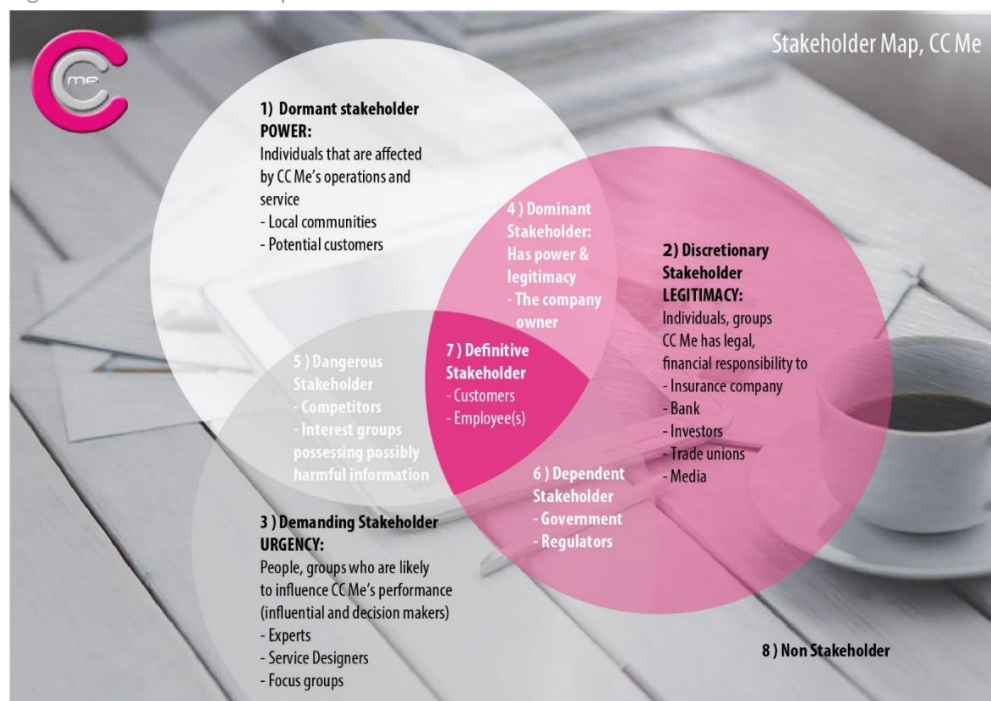
### 3.3 Stakeholder Map

Stakeholder mapping is an effective tool to identify important relationships for a company and based on that make a strategic communication plan. A stakeholder map is based on the level and type of influence a stakeholder has on the company. Internal stakeholders are entities within a business, for example employees, managers and the board of directors. External stakeholders are shareholders, government, society, suppliers and customers, in other words entities not within a business itself but who care about and are affected by its performance (Stickdorn and Schneider, 2011, 150-153).

- **Dormant Stakeholders** have no direct involvement with the company since they lack urgency and legitimacy, but still an important group because it can consist of potential customers.
- **Discretionary Stakeholders** possess legitimacy, but lack the power and urgent claim to influence the company.
- **Demanding Stakeholders** have urgent claims, but no legitimacy or power to affect the company, for example experts in the field.
- **Dominant Stakeholders** with power can influence and even disrupt the company's core business operations, so they are a very important group. An example of a dominant stakeholder could be the members of a company's board, but CC Me does not have a board so the dominant stakeholder would be the owner in this case.

- **Dangerous Stakeholders** are usually competitors, in CC Me's case other similar companies in the area.
- **Dependent Stakeholders** have legitimate and urgent claims, but they often rely on other stakeholders to carry out their will.
- **Definitive Stakeholders** are the core group within a business, such as employees, managers and active customers.

Figure 5: Stakeholder Map CC Me



In service design, the relationships to all stakeholders are relevant to create brand value. Stakeholder mapping provides an analytical overview regarding the engagement of different stakeholders in the service. This tool is important for identifying and visualizing the influences of the relationships around the service provider and facilitates the building of meaningful, value creating connections.

### 3.4 In-depth interviews

Looking at the service from the customer's point of view can uncover obstacles in the service process and create a more valuable brand experience for the future. Qualitative interviews were used in the research phase of the project to gain a clearer picture of the needs of development from the customers' point of view. To define the problem, information gathered from the target group is needed. Empathy interviewing is an ethnographic approach to finding out as much as possible about a person's experience as a "user", it is a way to understand the choices that people make and why they make them (Tuulaniemi, 2011, 146-148). This interview method was used in this project to identify current and future expectations of the customers.

People rarely know what they want, which makes traditional interviews unsuccessful when you want to measure customers' experience and satisfaction. To overcome this barrier, in-depth interviewing focuses on the emotional and subconscious aspect of customers' actions by revealing why they behave in a certain way. The interview is conducted as a normal conversation, which helps ease tensions and encourages participants to relax and speak freely. The idea is to get subjects to talk about what's really important to them, rather than what fits into the interviewer's agenda. The information extracted from the interviews will show where your customers are coming from and how they experience the studied phenomenon. An in-depth interview is used when the researcher need a holistic understanding on the perspective and viewpoint of the target group (Dawson, 2002, 27-30).

The questions should be quite neutral in empathy interviews and the environment for the interview relaxed. It's important to ask why even if the answer seems obvious, because the answers will sometimes be surprising. Stories should also be encouraged in empathy interviews since they reveal how people think about the world. The benefit of in-depth interviews is that inconsistencies in what people say and do can be found. Nonverbal cues can be seen in body language and emotions. Silence can also be a good thing, because the persons might reflect on what they've just said and then reveal something even deeper. Leading questions should be avoided (Dawson, 2002, 27-30).

During an empathy interview, there is usually a moderator (question-asker) and a note-taker, but since I was working alone I recorded the interviews instead. These interviews are usually conducted one by one for 30 minutes to an hour in person (3 customer), over the phone (3 customers) or video chat (1 customer). In person is of course the best choice to conduct the interview, as it allows you to see the customer's reaction, body language, and hear their tone of voice, excitement and frustration.

The structure of the interview process in short:

1. Introduction
2. Build rapport
3. Evoke stories
4. Explore emotions
5. Question statements
6. Thank and wrap-up

The questions:

- Tell me how you approach a situation when you need graphic design?
- What important features should a marketing agency have?
- What's the most important things for you in customer service?
- Tell me as a story what the ideal customer journey would look like?

- Describe a situation when you search information about a company's services?
- Think about an instance in which you choose a certain service provider, what helps you in the decision?

Interviews with five representatives of CC Me's customers and two customers using other service providers in the area, were used in the research phase of the project to gain a clearer picture of the needs of development. CC Me's target group consists of various kinds of smaller companies. The person who makes the work order is usually the CEO or sales manager of the company. The in-depth interviews shed light on how different customers feel about the service process in the company and how they would try to correct possible shortcomings if they could.

By interviewing your competitors' customers, it was possible to get an external perspective of the company. Knowing the competitors' perceived strengths and weaknesses is valuable for differentiating in the market and at the same time get information on the experiences customers value. I contacted representatives for two companies in the Ostrobothnia area, who I know use marketing agencies Buorre and C2 in Vaasa.

By asking lots of open-ended questions and doing far more listening than talking, I could learn some valuable insights from real customers. 7 customers were enough for patterns to emerge in this case, because they all gave similar answers even though their backgrounds were very different. The group consisted of 4 men and 3 women, in the age between 40 and 60. Four of the customers were CEOs in their own companies and the other three sales executives.

Based on the results, the main obstacles in the service process for CC Me seem to be found in the initial phase of customers contacting the company. The visibility of the company suffers from the lacking marketing strategy and inconsistency regarding the content and visual appearance in different media channels. CC Me has a weak corporate image and problems related to the brand.

All participants would search for a service provider online. The customers using other service providers in the area preferred to use a reliable, well-known marketing agency with more than one employee and a broad service variety. The most important features for an advertising agency were related to innovativeness and efficient customer service. CC Me's customers emphasized the importance of service in Swedish and affordable prices.

### **3.5 Co-creation**

Co-creation is based on the belief that users' presence is essential in the creative process, as the users, as creative human beings, provide insights into what is valuable to them. In co-creation, users, shareholders, managers and designers work together towards a shared goal. The purpose with the workshops is to identify problem areas and generate ideas. Co-creation allows the customers to co-construct the service experience to suit their context, and the possibility to affect the service development leads to loyalty towards the service and the service provider (Stickdorn and Schneider, 2011, 198-201).

Co-creation is a useful method for exploratory research, not only for designing and prototyping. In the early stages of a design process, the focus is on understanding customer needs, and a well-crafted co-creation session can shed light on customers' perceptions and expectations in an effective way. Once the real problem is identified, new co-creation sessions can be hosted to get feedback on specific solutions. Co-creation can in other words be used both to map customer experiences and to solve problems through ideation and prototyping. Completely new and radical ideas can be born, when the end-users participate in the creation and development of a company's services (Miettinen, 2014, 84-93).

Co-creation is a technique that can help companies and management to define the right experiences for their customers since the customer will be thoroughly integrated into the exploration and creation process. It provides critical information that supports human-centered design. In co-creation, the customer perspective on the service provided through active co-creating of value, and this is a great tool not only to find innovative solutions in the service process, but also to improve customers' loyalty and get knowledge of their experiences of the service. Customer needs can be validated and user experiences gathered through co-creation as an initial part of the development process. The end goal of co-creation in workshops is to identify a solution that provides customers with better experiences, and the company with improved and innovative services (Miettinen & Koivisto, 2009, 37-38).

The following methods were used in the co-design workshop:

- **Method 635:**  
Six participants gain an understanding of the task and then separately writes three rough ideas for solution, these ideas are then passed on to one of the other participants who add three additional ideas to the original one. This continues until all participants have expanded all original ideas, in five rounds.
- **Scamper:** A brainstorming technique that uses seven words as prompts: Substitute, Combine, Adapt, Modify, put to Another Use, Eliminate, Reverse.
- **The Disney Method:** A group uses four specific thinking styles in turns to analyze a problem, generate ideas and create a plan of action.

The workshop was organized in Helsinki in June, 2017. The participants consisted of only four customer representatives, since the rest of them live elsewhere and couldn't participate. My task was to lead and facilitate the process, manage the co-design methods and summarize the results. The group was heterogenous to its nature, it consisted of persons with different personality types, backgrounds, skills and ages.

The first method used in the workshop was the Disney method. "If you can dream it, you can do it", Walt Disney's ability to connect his innovative creativity with successful business strategy certainly qualifies him as a genius in the field of entertainment as well as in business management. The Walt Disney Company is an example of a company that enjoys the



reputation of having great business practices. Through the Disney Institute, a global professional training arm of the company, The Walt Disney company offers learning experiences in developing business strategies to operational excellence and at the same time, inspiring leaders to examine their business issues in an entirely new light. *Magic* is not a word often used in the corporate world, but it constitutes a key concept in the Disney way of thinking (Kinni, 2011, 4-10).

The benefits of service design thinking appear in the creative ways The Disney Company consistently delivers quality service and exceptional customer experiences. The Disney method, is a creativity strategy in which a group uses four styles of thinking to analyze a problem, generate ideas and construct a plan of action. The method emphasizes the importance of various perspectives on a problem.

1. **Outsider** - In the first thinking style, the group thought as outsiders to gain an analytical, external view of the situation.
2. **Dreamer** - The second stage is acting like dreamers to brainstorm ideal solutions.
3. **Realizer** - In the third phase, the group adopt a realizer viewpoint to review the ideas left by the dreamers. They select the best idea and construct a plan for it.
4. **Critics** - The fourth viewpoint is that of critics. The group review the plan made by the realists in order to identify risks, obstacles and weaknesses and in that way, improve the plan.

The theme or statement in the workshop was: “CC Me – how to accomplish a smooth service process and better customer experiences”. The outcome of testing this method, was different ways to convert fantasies to reality. As Outsiders, the participants stated that CC Me lacks in differentiation from competitors. The ideal solution would be to spend money and efforts on marketing and brand building. The conclusion was that the corporate image has to be renewed in order to find and keep new customers. The obstacles identified by the Critics consisted of limited resources, both regarding the marketing budget and timetable issues.

We continued by using Method 635, which is a brainstorming technique, aimed at aiding innovation processes by stimulating creativity. The benefit of the 635 method is the possibility for people with different point of views to build on each other ideas privately. The grounding of the method is the belief that the success of the idea generation process is dependent on the degree of integration and contribution to each other’s suggestions. The co-creative nature of the method is supposed to eliminate creativity barriers due to interpersonal conflicts or different social and cultural backgrounds (Rohrbach, 1969, 73-75).

Clear obstacles in the current service process were found. Major development areas seemed to be the visibility of the company, the functions regarding customer service online and the diffuse price list. Three of these customers had found the company through mutual friends and emphasized that they would probably have chosen another service provider based on the content of the webpage and social media. The customer who found CC Me through the webpage chose the company because of the language question. She wanted service in Swedish. CC Me seems to suffer from an inconsistent brand and undefined target group, but the positive

aspect is that once a customer relationship is established it is likely to last thanks to affordable prices and fast customer service.

The third method we tried out was the SCAMPER method. The method is an active thinking process method, based on seven words. The participants are using the SCAMPER words to develop a given topic (Eberle, 2008, 3).

We used the following questions:

- **Substitute:** Can you use this service in another situation?
- **Combine:** Could you combine this service with another service?
- **Adapt:** Could you adapt this service to serve another purpose?
- **Modify:** How could you change the appearance of the service?
- **Put to another use:** Who would find this service useful?
- **Eliminate:** How could you make the service simpler or more effective?
- **Reverse:** What roles could you change?

This technique turned out to be very helpful to get new point of views regarding the marketing of the service. One idea was targeted marketing online directed to people who could be interested in the service. Another idea to promote the company would be to do charity work and help organizations that are based on voluntary work inputs, such as Nordic Wildlife Center or shelters for abandoned animals. Cooperation with other small companies in the area was another idea. The visual layout of the

website and printed brochures could be renewed to enhance the brand. The user friendliness should be more effectively executed, for example through contact forms and clear price lists online.

### **3.6 Personas**

Personas is a tool for the creation of a shared knowledge about the service users that are the center of the design activities. Character profiles can be used in service design to find patterns in customer behavior. Personas help to create a realistic picture of the functionality in the service process and map key audience segments for reference. Effective personas represent a major user group and describe customers' expectations and needs as they interact with your business. It is a quick and inexpensive way of testing features throughout the development process (Stickdorn and Schneider, 2011, 178-179).

Customer profiles should be based on the regular service users to capture relevant attitudes towards the service. Personas is a tool to reflect on the customers' needs when mapping and developing a service. The process to create suitable service solutions becomes easier if the motivational drivers behind customer behavior are analyzed (Tuulaniemi, 2011, 154-156).

Figure 6: Personas: The typical customer.



The main thing customer segments for CC Me has in common, is that they are start-ups or smaller companies (2-5 employees) in need of all kinds of marketing services. The most typical customer or contact person a CEO or CFO for a growing, private owned company.

### 3.7 Customer journey and Service Blueprint

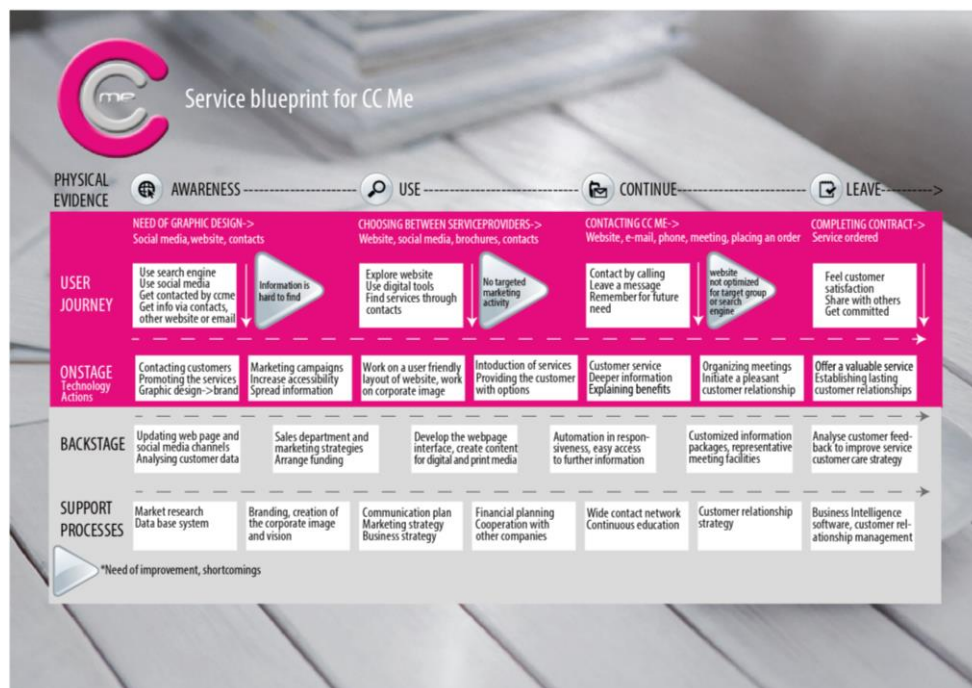
Service design is based on a user-centered approach that puts the users of the service in the center of the design process. Every service consists of encounters where the production of the service and the interactions between a customer and service provider happen. These episodes, which together constitute the service entity, are called touch points. When the service moments are connected over time, the customer

journey is formed both by the service provider's actions as well as by the customer's choices. (Miettinen & Koivisto 2009, 142).

Mapping of the customer journey is done to analyze the touchpoints from the customer's perspective. Customer touchpoints are the different ways customers experience your service. By mapping the journey, it's possible to find the weak spots and develop the concept to be seamless throughout all channels (Stickdorn and Schneider, 2011, 158-161).

A service blueprint works as a planning tool for the structural change and renewal of the service process. The main benefit of the blueprint is that fail points in the chain of service activities can be identified and strategic development stimulated in the company. Customer journey mapping helps to identify operational inefficiencies, discover opportunities and understand your customers better to create a winning brand experience (Stickdorn and Schneider, 2011, 204-207).

Figure 7: Service blueprint



In this service blueprint, weak spots are identified immediately in the beginning of the customer journey since information about the company is hard to find. The awareness of the company is low as a cause of a lacking marketing strategy. The service provider does not actively contact customers at any touchpoint in the customer journey. The lacking communication is a clear obstacle in the service process for the company. The line of interaction between customers and company demonstrates where the customer experiences quality and provides an overview so it's easier to see the service as an integrated whole and strengthen the quality improvements. This service blueprint provides a basis for marketing as well as for identifying costs, revenues and capital invested in each element of the service for CC Me.

### **3.7.1 Expectation mapping**

A creative approach for understanding customers' experience is mapping the customer expectations by taking the service blueprint and customer journey to the next level. When we have come to a point where customer "needs" are largely met, it's time to switch focus toward dynamically changing customer expectations of what a quality experience should feel like. Expectation mapping is a tool to capture diverse emotional elements to reinforce the existing customer journey. The study of customer expectations helps you visualize and interpret irrational buying behavior and develop an achievable plan to improve customer satisfaction (Stickdorn and Schneider, 2011, 176-177).

For example, when customers make purchases online, they expect the items to arrive in the stated time and be of a certain quality. Wildly exceeding or failing to meet these expected pictures of the product

results in emotional reactions that shape the customers' perception of the quality of the experience (Best, 2005, 6-9). Language and cultural aspects also have a very powerful influence on customer expectations, something to be aware about if pursuing customers outside the home market. The results from the empathy interviews was added to the service blueprint and customer journey map to help the service provider:

- **Interpret irrational behavior.** Most of our purchase decisions are made with no active consideration at all. Expectation mapping can lead to a better understanding of buying behavior-linked emotions that affects decisions.
- **Better visualization of the customer journey map.** Conventional customer journey maps fail to capture customer emotions at key inflections.
- **Creative localization.** Expectation mapping provides the framework to allow a company to create services that will resonate with local customer segments.

Despite an ever more sophisticated view of the customer, the changing face of the customer has become harder and harder to predict and keep up with. In a day and age when customer "needs" are largely met, it makes sense for professionals to shift focus toward engagement and expectations of what a quality experience should feel like (Mossberg, 2015, 56-60). When making a purchase online, for example, the "need" is for the item to match up to the description of it and get to the address provided in the time stated. It gets emotional when there's a mismatch between the picture of the product purchased and the actual item received. Wildly exceeding or failing to meet expectations cause emotional reactions that shape customer perceptions of the quality of a given experience. In this case,

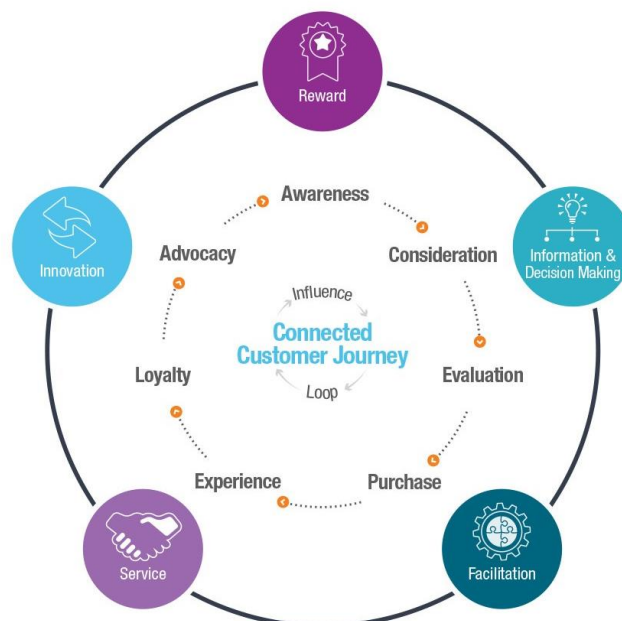




### 3.8 Customer lifecycle map

A customer lifecycle map is a tool to explain and understand the customer experiences with the help of a diagram of the multiple stages that a customer goes through from before they become customers to after they terminate their relationships with a company. In this diagram, which is a good complement to the customer journey map, customers move in loops, backwards and forwards, not necessarily from “start to finish”. Customers who quit using the service might be back later and rejoin the cycle. Mapping the customer experience involves examining all of the stages in the cycle and analyze how you can prevent customers from exiting or change the methods to transition customers to the next phase in the cycle. Lifecycle maps can be very useful finding suitable strategies in marketing and sales (Stickdorn and Schneider, 2011, 210-211).

Figure 9: Customer lifecycle map



- **AWARENESS** – The customer becomes aware of the brand thanks to different kind of marketing methods. Customers usually find CC Me through the website or recommendations from other customers.
- **CONSIDERATION** – The customer starts comparing your company to other ones, providing the same services. The visual layout of the website, the interface and information content determine whether the customer finds it to be a good alternative as a service provider. For CC Me, this is a phase where many possible customers exit the cycle according to the interviews and the result from the co-creation workshop. CC Me's website should be renewed and the service promoted in more targeted ways.
- **SELECTION** – The customer is ready to make a purchase when enough research is done or the need becomes pressing enough. The customer service in three languages might be a factor that makes the customer choose CC Me.
- **PRODUCT EXPERIENCE** – The customer gets familiar with the product and decide if it meets the expectations or not. The customer service has been proven to be a strong side at CC Me.
- **LOYALTY** – If satisfied, the customer might become loyal to the product or brand. This is a strong phase in the cycle, CC Me's customer relationships are usually quite long.
- **ADVOCACY** – The most satisfied percentage of CC Me's customers has recommended the service to others.
- **ENGAGEMENT** – Customers who recommend the product might become engaged and feel emotionally connected to the brand.

Many markets are well below their full market potential because of problems or obstacles in different stages of the customer lifecycle map. A service or a product are often complex and experiential, which means that many of the benefits are understood only after a period of use. The customer might be unaware of the service's potential value to them. According to Best (2005, 69-72) availability is another force that can restrict market demand beside awareness. The lack of services to support a product's use might lead to a reduced demand. The ability to use a service can also be restricted by the customer lacking a certain level of education. For some customers, the benefits of service are not compelling enough due to different lifestyle needs. Affordability is also a factor that restricts the entering of a market for many people.

### **3.9 The experience hierarchy**

The customer experience hierarchy presents the idea that to build a holistic customer experience, companies must support several layers of customer needs. Until you have enabled trust and competence, it is inappropriate to worry about higher level branding issues. Bad customer experiences can cost brands huge sums in lost revenue. Customer experience is a hierarchy, in order to engage the customers in the business, they must first pass through the lower levels, consisting of building trust for the company (Interaction Design Foundation, 2017).

Figure 10: The Customer Experience Hierarchy (2017, September 20). Retrieved from

<https://www.interaction-design.org/literature/article/customer-lifecycle-mapping-getting-to-grips-with-customers>



In any customer experience, the customer is trying to satisfy a set of needs, and the expectation of the service is based on earlier experiences (Wanger, 2002, 198-199). The primary level of the hierarchy is simply about whether or not these needs were met by the company. For example, if a customer wants to buy a product and it's out of stock, then nothing else in the experience matters because this basic need was not met and the experience does not move beyond this level.

The middle level of the hierarchy is about how easy it was for the customers to have their needs satisfied. If it was hard and took a lot of time and effort to get the service, the needs were not met as they should be. Based on the results in the workshop and from the empathy interviews, the problem in CC Me's customer journey lays somewhere between the primary and middle level in this hierarchy. If the company

is hard to find or features regarding the services unclear, the customer easily gives up and choose a more user-friendly service provider.

The top levels of the hierarchy are all about enjoyment. The expectations of the customer are met or even exceeded. If you can make the customer genuinely enjoy the experience on an emotional and personal level, will you have a chance of gaining a returning customer. Experiences matter (Mossberg, 2015, 54-56). Successful companies today have worked hard to provide the skills for customers to have the experiences they value. Apple, for example, consciously designed the customer journey that their new phone buyers would have. The customers learned the features of the phone in advance of the sale to make the activation and use of the phone easier.

Many people are even willing to pay more for brands that reinforce their image of themselves and they expect experiences that support their values, whether it's a concern for the environment or preference for vegetarian food. Technology is today a key differentiator in service delivery. People also co-create their experiences of services as a cause of increased interaction, and in that sense, customers actively participate in the design process today.

#### 4. RESULTS AND ANALYSIS

The changing service market situation demands a continuous reassessment and reevaluation of the business strategies to survive the competition. The process of organizational change is highly dependent on the quality of the leadership. The implementation of new business ideas that involves user oriented solutions cannot succeed until the management of the company is involved in the development process (Miettinen, 2014, 88-91).

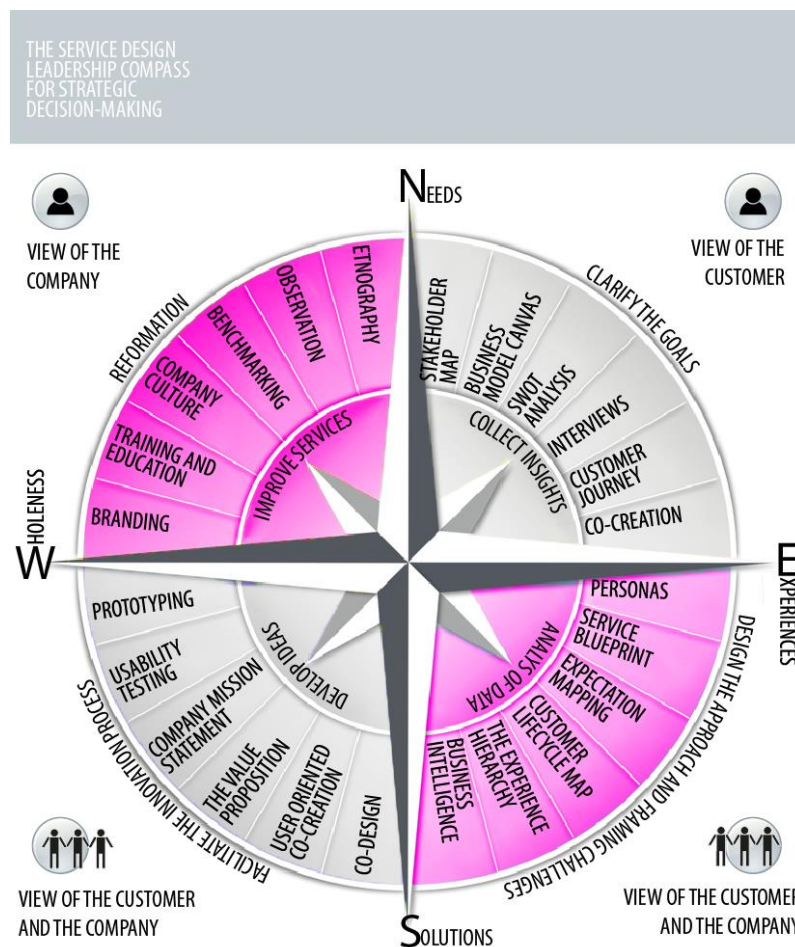
The strategic use of service design was explored in this qualitative study to gain a better understanding of the potential value of these methods for managing customer relationships and developing the service process in a company. The aim of this thesis was to investigate the service design approach as a strategic resource for leaders in service organizations. Various tools and methods were used to develop the service process for the case company CC Me, and at the same time, the tangible result from this project was a concrete toolkit for leaders to use to develop any kind of service business.

The Service Design Leadership Compass, a tool created for leaders in service organization to help them navigate through the process of using service design methods for strategic decision making, is presented in this chapter. Service design might still be an unknown concept for many people in leading positions. A practical tool to use the methods makes the service design methodology more easily approachable. The Service Design Leadership Compass is a tool, created to increase the user friendliness of the service design methods for persons in charge of innovation projects or basically anybody responsible for transformation or management in service organizations.

#### 4.1 The SD Leadership Compass for strategic decision-making

In the Service Design Leadership Compass, the aim was to gather the methods and activities that leaders in service organizations need to be aware of and use to be able to make strategic decisions regarding the future of their companies. The compass is a tool to develop the service process in the organization, seen from the user perspective. This service design compass covers all methods needed by the management to map customer needs, analyze and develop user experiences, and ultimately improve the service on a holistic level. This tool makes the use of service design methods more easily approachable for leaders in service organizations or any person in charge of development work in their company.

Figure 11: The Service Design Leadership Compass





#### 4.1.1 N - Needs

The directions of the leadership compass consist of the customers' **N**eeds in north, **E**xperiences in east, the development of **S**olutions in south and the **W**holeness of the service process analyzed in west. The most natural starting point for a development project is in north, when the goals need to be clarified through methods for collecting insights about the target group's needs. The view of the customer is in focus.

In the north direction of the compass, insights on customer needs and experiences are collected through visualization tools such as the customer journey, SWOT-analysis, stakeholder map and business model canvas. The target group and potential problems in the service process are identified through customer profile analysis, interviews and initial stage co-creation. In this phase, the goals of the project or of the renewal of the business strategy are clarified.

The key concept of service design is an in-depth understanding of the customer. Service design is service development, based on a profound interest and empathy for the users. The methods to gather information about the customers are of ethnographic nature, designed to explore cultural phenomena based on the point of view of the subject of the study (Tuulaniemi, 2011, 146-147).

The methods needed to gather information on customers' experiences and the processes of value creation in the service might vary depending on the context of the study. All of the methods listed in the NE direction of the Service Design Compass might not be needed to define the

conditions of every development project. However, they form a basis for recommendation on what tools to use for reaching a holistic understanding of the problems that the service improvement should be solving.

#### **4.1.2 E - Experiences**

In the east direction of the compass, the challenges in the development work are framed, and the collected data can be analyzed through different mapping methods. The experiences of the customers are put into the service context, combined with the capabilities and operational conditions of the company. The analysis of the gathered insights is conducted further through methods such as expectation or customer lifecycle mapping, the service blueprint and analysis of the experience hierarchy. Based on the contextual and evidence-based research methods, critical elements in the service process can be identified.

In the SE direction of the compass, the view of the company is combined with the view of the customer. It is not about learning insights from the customers, it is about learning together with the customers. The value co-creation process is open for mutual influence. In service innovation, value co-creation aspects need to be connected to managerial practices (Mossberg, 2015, 156-157).

The service does not exist without the customers and their interaction with the service provider. In user centered design, personas can be created from data collected from mapping methods and interviews. A customer profile is a representation of the needs and behavior of a hypothesized segment of customers, and the method is useful when considering the direction in which the service should be developed. In

service design, the understanding of everyday life is crucial to the service provider (Tuulaniemi, 2011, 154-155).

#### **4.1.3 S - Solutions**

Moving to the south direction, the company is aware of the possible value propositions and the innovation process is facilitated. Solutions are developed and tested through co-creating, usability testing or prototyping. This process can lead to the statement of the company mission or renewal of the company culture and brand.

Design thinking and innovative service design methods work as means for creating value propositions for a service. The focus on value in business transactions has shifted from a product-centered view to an experience-based view, where customers are actively co-creating value with the company (Miettinen & Koivisto, 2009, 11-13).

In this ideation and innovation phase of the development work, elements of the concept can be tested collaboratively with the end-users of the service. Alternative solutions can be developed and the stage is open for imagining. Co-creation is a useful method for exploratory research, but also a beneficial method to get feedback on specific solutions or design or prototype completely new ones (Miettinen, 2014, 84-93).

#### **4.1.4 W - Wholeness**

The gained results and ideas for improvements, are implemented in the west direction of the compass. The development of services is, however, a continuous process, that needs refinement and adjustments based on

feedback from customers, market and business operations. This is a phase where the effects of the development are evaluated, which can lead to the rising of new needs to evolve or standardization of the changes in the service process.

The introduction of a renewed company culture or reformation of the company's service process might demand some level of training or education of the personnel. Change in the company culture must be communicated by the management to the employees to help them deliver "brand right" behavior to the customers. Collaboration between all departments of a company is needed to change the way of thinking in an organization, and above all, excellent leadership skills are required (Kaario et al., 2003, 90-91).

The company's value proposition and brand are continuously recreated through the interaction between service provider and customers. Change is the only constant thing even for a design driven company. The key to sustainable leadership and the creation of successful business strategies today is the ability to adapt to design thinking and the awareness of the characteristics of the service economy.

#### **4.2 Evaluation of the project**

When building a new service or redesigning an old one, it is essential to investigate what the user expects of the service. The analysis of customer behavior forms the foundation of a well-designed service process and encourage users to return. An intelligently designed service can cut costs and improve the company's efficiency. In this project, different customer-centric service design methods have been used according to the service

design compass, to gain a clear picture of the needs of development for the advertising agency CC Me.

In the initial stage of the project (the north direction of the compass), the company's service process was mapped and analyzed through the stakeholder map, SWOT-analysis and business model canvas. Insights on the needs of the customers were gathered and the goals with the development project were clarified. Obstacles were found in the key activities in the company. No efforts were made in the areas of marketing and branding, and the management was unaware of the value propositions related to the service. According to Lindberg-Repo et al. (2009, 20-21), marketing originates from customer needs. If there is no need, there can be no demand for a service. The whole value chain starts from the expectations of the customers. Thus, for any service to be successful, the first step is to identify the added value the customer is expecting.

Interviews with customers were also used in the research phase of the project to shed light on how customers experience the service process in the company (moving towards the east direction of the compass). Interviewing is an ethnographic method, and the ethnographic contribution to service design is based on the understanding of the social life of humans and consist of creating customer insights based on analysis of real life situations. Ethnography is used to explore cultural phenomena where the researcher observes society from the same point of view as the subject of the study (Tuulaniemi, 2011, 146-147).

The interviewees were all in leading positions within their own companies, of both genders and different age-classes and backgrounds. Although the interviewed group was heterogenous by its nature, the answers to the questions were quite similar. Through the empathy

interviews, deeper insights into the factors that have an impact on the customer satisfaction were gained. The user friendliness, content and visual layout of the website make people contact the company in the first place, while the quality of the customer service and affordable prices seemed to be the most important factor in their choice to continue to use the service provider. The speed of the service and co-operation with the printing house were other factors that seemed valuable to these customers.

Interviewing is one example of an ethnographic tool to collect experience based insights. The same information can be retrieved from methods such as surveys, design games, diaries, shadowing, online ethnography methods or other relevant background material on the customers, but the benefits of interviews are the possibility to ask follow-up questions, notice non-verbal cues and eliminate distracting factors (Tuulaniemi, 2011, 146-148).

After the co-creation workshop, I realized that the main problem for CC Me is that the corporate image is not tempting or even visible enough to attract new customers. CC Me clearly has a brand problem. The first customer touch points online should be positive, convincing and consistent with CC Me's brand promise. The current customers choose CC Me mainly based on verbal recommendations from old customers. The brand values need to be communicated in a consistent manner throughout the company, in every channel. The digital image of CC Me should speak to what the target audiences care about and value when it comes to graphic design. A clear definition of the CC Me brand and target group must be made according to the expectations of the customers. If people do not like what they see or find the content unreliable, they will investigate further and go elsewhere. Potential customers judge a company initially by the appearance

online, that is why it is important to aim for differentiation and offer immediate answers to people's questions regarding the service.

Branding itself is based on the identification of a need and the value of the offered service. No organization affords to stagnate today. Firms need to keep innovating new ideas and concepts in order to stay competitive. The key in is to add the customer voice to the process (Lindberg-Repo et al., 2009, 22-24).

Through the analysis of the customer lifecycle map, experience hierarchy, personas and service blueprint, the need of change was only reinforced. The line of interaction between customers and company demonstrates the obstacles in the service-process. Weak spots were identified immediately in the beginning of the customer journey, since information about the company was hard to find. CC Me does not actively contact customers and the marketing activity is non-existent. In the experience hierarchy, very few of the customers make it even to the first levels of trust and competence, which means they have no chance to reach the level of enjoyment or experience of value. In the customer lifecycle map, CC Me has problems in the areas of awareness and consideration, which also indicates a need of marketing and enhanced corporate image.

Based on the results of the mapping methods, empathy interviews and workshop, ideas for improvements could be developed (the south direction of the compass). The main obstacles in the service process for CC Me were found in the phase of customers becoming aware of the company. People usually search for and compare service providers online, which is a pitfall for CC Me. The content on the website should be more informative and approachable, so that potential customers easily can decide whether they are interested in the service or not. A clear price setting online would encourage decision-making in the initial stage of the customer

journey. The visual layout should be improved and consistent in all digital channels so people immediately recognize the brand.

The language question was an important opportunity noticed from collecting customer insights. CC Me gives service in three languages, Finnish, Swedish and English, but there are already a lot of Finnish speaking service providers and the English quota of customers is quite small. This fact was used as basis for differentiation from competitors in the area. The Swedish speaking companies in Ostrobothnia became the new target group to pursue. The web site and presence in social media are often the first touch points the customer has with a potential service provider. Most people who search for graphic design services, do it on internet and find different options to choose from. This is where CC Me, through branding and marketing, could make a difference in the competition against other companies providing the same kind of services.

The results from the analysis and mapping methods from the Needs- and Experiences-directions in the compass were used to define the CC Me brand. Branding is the encapsulation of a company's mission statement, value propositions, objectives and corporate soul as expressed through the corporate image. According to Österlin (2011, 22-30), the brand DNA is found in the answers to the following questions:

- What are you?
- Who is your target group?
- Why would customers choose you?
- What are your advantages?
- What is your brand personality?



The company's mission statement:

*"CC Me is a service design driven advertising agency, offering high class services at affordable prices and provides customer service in Swedish"*

CC Me's service concept was adapted to this ideal mission statement. At this point in the project, prototyping of the web page was carried out (moving to the west direction of the compass). A model of the webpage was sent to the customers to get their opinions on the improvements. Prototypes or usability testing are useful for quickly testing an idea, design or other features of a service to gather early feedback and avoid expensive mistakes (Tuulaniemi, 2011, 194-195).

The renewed Business Model Canvas shows that CC Me now has incorporated service design thinking in the key activities and as a part of the leadership strategy of the company. The service process is now more efficient due to analysis of the value proposition of the company. The new target group will be in the center of the marketing strategy and all content in digital media adapted to the points of differentiation the company has in relation to the competitors. All marketing activities will be based on the underlying company mission statement. Branding is the core of the marketing strategy and an ongoing process mediating the company culture and development to the customers. With the help of service design methods, identification of the brand personality and key values could be done, having a direct impact on the business strategy and the leading of customer relationships.

Figure 12: Renewed Business Model Canvas



The need of development in the CC Me case concerned the service concept on a holistic level. The aim with the project was to provide the management of the company with tools to increase the experienced sense of value for the customers and redesign the service to better meet the customer expectations. To enable strategic decision-making, different service design methods were used to encourage engagement among the customers and map their expectations of the service. The management of the company needed a toolkit to find the profitable position in times of change. Clear choices had to be made regarding the target customers and service concept. User orientation, availability and interactivity were keywords in this context.

The project has at this point reached the south-west direction of the service design compass. Insights regarding the needs of development have been collected, the gained data has been analyzed and solutions ideated and implemented. The reformation-process of the project remains

for the future. The effects of the development work might lead to standardization of the changes or evolvement of the solutions due to feedback from customers, market and business operations. Through benchmarking and observation, further insights can be gained into practices and performance that would improve the customer journey, achieve innovation or breakthroughs and accelerate change. Benchmarking is a research method to compare a company against other similar companies. With the help of benchmarking we can compare companies and their services and customer experiences to identify the best practices (Curedale 2013, 49).

Paying close attention to how customers approach, consider, and decide to buy a product will help understanding their frame of mind. People do not always know why they do certain things, but you can get valuable information by observing their actions. When customers call or contact the company, they ask questions, what kind of questions, do they want additional information or compare prices? Identifying trends in buying behavior can help you understand customers better. User activity can be measured online, there are sophisticated tools to show you exactly where customers click, how long they stay on a page and what parts of the information they're most interested in. Google's In-Page Analytics is for example one tool that enable you to monitor customer behavior online.

Solutions to innovate the services for CC Me were developed in this project. Implemented so far, is the renewal of the CC Me website, to make the company more easily approachable. The content on the web page and other digital channels was adapted to the new primary target group and translated into Swedish. A marketing strategy will be created for the company according to the basis of differentiation, in this case mainly the

language factor. A graphic manual was made for CC Me, limiting the amount of colors and the use of graphics in all marketing materials, and in that way increasing the recognizability of the brand. Call-to-action points, search engine optimization, AdWords and Cost-per-Click Campaigns will be used to target the marketing and promote the site to the new target group. In evaluating this project, the most considerable result is, however, the new awareness in the company of the interactive role of the customer and the adaption to a leadership style based on design thinking, enabling an innovative development environment for the company in the future.

## 5. CONCLUSION

With the help of service design methods, customer needs and expectations can be transformed into innovation and sustainable solutions to problems in the company's service process. By visualizing the customer journey and ideas for development, practically applicable and concrete improvements could be made in this case study. There are many advantages of linking design thinking to leadership in the innovation process. The whole organization gets more empathetic towards customers' needs. CC Me is a small company, but the adapting to service design thinking must be even more relevant in larger organizations to unite all employees with the mission of the company. Radical collaboration between different occupational groups leads to creative use of existing knowledge, this fact was noticed already in the co-creation workshop of this study.

Service design brought CC Me a new kind of mindfulness and curiosity in allowing experimentation and testing of ideas. The company got more interested in feedback from users, which led to constructive solutions to the problems in the current service process. The fundamental influence of service design methods on the development of dynamic and operational capabilities in a company is now considerable, and can only be limited by the competences of the management. Leaders can control organizational processes and outcomes, which means they are in a key position as drivers and enablers of business innovation through design thinking.

In the service design approach, you focus on the motivational drivers in human behavior to manage and create sustainable customer relationships. The objective is to improve the customer satisfaction by creating valuable experiences in the service. According to Tuulaniemi (2011, 26-29), service design is a systematic and human-centered way of

developing the business in a holistic manner. Services are complex, time bounded and interactive systems. The purpose with service design is to engage all participants in the service-process, and through co-operation create competitive and efficient services.

The research question 'How can service design methodology benefit leaders of service organizations' was answered in this study. The ability to understand what motivates customers is valuable to company leaders. The methods used in service design enable the acquisition of in-depth customer understanding that eventually guide the design of new service concepts or serve as tools for leading customer relationships. The success of the implementation of service design in the business strategy is ultimately dependent on the participation and awareness of the value of design thinking among the leaders in the company.

This study shows that organization leaders can benefit from service design thinking to gain a competitive advantage by applying the methods to create innovative services. Service design principles helped the management of CC Me to identify opportunities and ultimately improve the business on a holistic level. Service design thinking makes companies more flexible and responsive to the needs of their customers and leads to better decision-making regarding the service process as a whole.

All companies need tools to analyze, improve and manage the service on a holistic strategic level to survive the competition today. Service design methods were proven to be useful in this context, as diagnostic tools to brainstorm solutions to service lapses and as means to identify and develop effective approaches to creating service moments. The quality of the leadership is a key driver for innovation and business improvement in an organization. Many companies today are, however, not prepared for the changes in the business environment and service design is still an unknown

territory for the majority of people. Leading for business excellence and innovation today, involves more than challenges related to behavioral, relational and situational aspects of leader-subordinate interaction. The aim with the creation of the Service Design Leadership Compass, was to make the service design process and methods more easily approachable to the management.

To create a service design-centric culture and achieve innovation objectives at a deeper and more sustainable level, broad commitment to design thinking is needed on every level in a company, starting with the management. The most essential element to change the strategic intent in an organization, is having leaders who value and realize the benefits of service design. Change is impossible if the person in charge is unaware of crucial factors in the business environment. By orienting innovation towards the customers, as done in the case study of CC Me, the company is better able to create a competitive advantage and new market opportunities in the service-based economy of today.

There are many ways to approach a service design mentality that focuses on producing well designed experiences for the end user. Through service design thinking, and now with the practical Service Design Compass tool, it is possible to innovate, design and develop all kinds of services to new levels and lead a business with a holistic adoption of the customer's perspective as the starting point.

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