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Creating Customer Focused Service Descriptions



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Creating Customer Focused Service Descriptions

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Customer's perception of service quality is formed during the service delivery. Customer compares the service delivery against the expectations he or she had about the service. These expectations are formed, for example, based on previous experiences and/or service providers marketing efforts. The expectations can be formed also in many other ways, for example, based on peer reviews or suggestions from friends. There are many ways, easier and harder, for service provider to try to manage the expectations. One way of managing the expectations is simply telling the customer what the service is about. Service descriptions (or specifications/definitions) are commonly used for this purpose. The challenge is to create a good service description that works the way wanted.

This thesis is about creating customer focused service descriptions for the case company's internal service unit. Theoretical framework draws the basis - the purpose and benefits of service descriptions, mainly leaning on the Gaps model of service quality originally presented by Zeithaml, Parasuraman and Berry in 1985. It also explores the needed characteristics of service descriptions in general. In the empirical part, different service design methods were used to find out how the case organization's services should be described. The empirical research followed the service design process and mostly the methodology presented by Stefan Moritz (Moritz 2005).

As a result of the thesis study, a service description template was created for the case organization. The service description template was formed by combining both customers' and organization's viewpoints. It is important that services are described in the receiver's language. This means that it is important to know to whom the services are described to. On the other hand, it is important to understand the motivation for doing it: What is the wanted effect? In this thesis, a simple process was followed to find out that motivation and to create customer focused service descriptions to pursue the wanted effect.

Keywords: service descriptions, describing services, gaps model of service quality, communication gap, internal services, internal customers, service design, customer expectations

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1 Introduction

Services are everywhere. They surround us, and we are all using services daily even not noticing them so much. Especially when the service is working as we subconsciously expect it to, we don't give so much thought about it, but when the service is not working as expected, we notice it easily. Either we have clear idea in which way the service did not meet the expectations we had about it, or we just feel uncomfortable knowing something is wrong, but we don't know what it is - we just know it didn't go right. How do we as customers know what to expect from a service? How can the service provider meet the expectations? How can the service provider know what we as customers expect? Can service provider somehow manage these expectations for their benefit?

Customer expectations are the reference points that the customer is comparing the service experience against for: what the customer believed would happen and what actually happened (Zeithaml, Bitner and Gremler 2009). Expectations are formed, for example, based on previous experiences and/or service providers marketing efforts, but they can be formed also based on peer reviews or suggestions from friends (Zeithaml et al. 2009). Expectations can also be formed based on what competitors offer or how they have succeeded in matching the expectations. Authors like Grönroos (2007), Zeithaml et al. (1990, 2004, 2009), Grönfeldt & Strother (2006) and many more, claim that knowing what customers expect is one of the most critical factors in delivering good service quality. Grönroos (2007) underlines well that consumption of a service is process consumption rather than outcome consumption. When customer uses (or consumes) a service they "experience" the service (Grönroos 2007). Service experience is the customer's direct experience of the service process, and it is good to remember that the experience is always individual and thus subjective (Johnston and Clark 2005, Grönroos 2007). When considering the diversity on how the expectations are formed the task to know what customers expect seems unachievable.

One of the conceptual frameworks for service marketing is "The Gaps Model of Service Quality" created in 1985 by Zeithaml, Parasuraman, and Berry at Texas A&M and North Carolina Universities (Zeithaml et al. 2009). The Gaps Model of Service Quality describes five major gaps of service quality that needs to be closed: The customer gap and the four provider gaps (Zeithaml et al. 2009). The gaps model focuses on meeting the customer expectations by identifying and closing the gaps that cause the service experience to fail. It all comes to the difference between what customer expects and what they perceive. Several authors (Zeithaml et al. 1990, 2004, 2009, Grönfeldt & Strother 2006, Grönroos 2007) raise the importance of managing the customers' expectations and allege that closing the gap between the expectations and the perception of the service is critical in delivering quality service. In a

perfect world, the customer expectations and perceptions would be identical, but in practice this is rarely the case (Zeithaml et al. 2009).

One provider gap in the gaps model is the gap of not matching the performance of a service to the promise made about it (Zeithaml et al. 2009). Promises made by the service provider are one of the key factors against which customers assess the quality of the service. Managing the service promises (or customer promise) is also important for the employees of the organization (Zeithaml et al. 2009). Grönroos (2007) agrees by saying that all employees need to have the clear mission and the customer promise in the back of their heads. Grönroos (2007) points out that often the company mission or vision is too far away from the everyday life of the employees, and it is hard to keep those as daily guidelines when serving customers. Clear customer promise works as guideline how the daily work should be performed and what is the important factor in it from the customers' point of view (Grönroos 2007, Zeithaml et al. 2009). Grönroos (2007) presents a notion about *integrated marketing communication*. The concept of integrated marketing communication (also referred as *the total communication concept*) accept the importance of various communication methods and efforts alongside the traditional planned communication efforts like an advertisement in TV, print, direct mail, etc.. According to the definition of integrated marketing communication (Grönroos 2007), communication messages can originate also from the service process itself, or they can be so called unplanned messages like word-of-mouth or articles in newspapers or even from fellow customers during the service process. The challenge in this kind of integrated approach is the integrity of the message (Grönroos 2007).

Describing the service is an essential part on ensuring the integrity of the communication message (Grönroos 2007). Clear and accurate service descriptions are a way to communicate to the customer, as well as to the service employees, what the service delivery includes and what the customers should expect from the service (Grönroos 2007). Service descriptions offer the potential of reducing the gap between what customers expects and what is then actually provided and are one practical tool in the pursuit for closing the customer gap. There is not so much information available in the literature on how to create effective and good service descriptions. Authors like Grönroos (2007), Zeithaml et al. (1990, 2004, 2009), Johnston and Clark (2005) and many more agree that defining the service concept and managing the customer expectations about it are important in meeting customer expectations, but no clear examples about service descriptions are given. O'Sullivan, Edmond and ter Hofstede (2002), believe that rich and accurate service descriptions would be applicable in the areas of service discovery, substitution, composition and management. They also think that service requestor would be able to have more thorough decision-making if there would be increased level of service property information available. O'Sullivan et al.

(2002) point out, *“the need to describe a service is analogous with the requirement for labeling goods or products.”* (O’Sullivan, Edmond & ter Hofstede 2002)

The primary objective of this thesis is to create customer focused service descriptions for the case company’s internal service unit. Secondary objective is to test service design process and methods in creating of the service descriptions. Service descriptions should be formed so that they serve the key customers as well as to the service employees so that it would help both parties understand what the service concept consist of and what are the key characteristics and benefits of the services provided.

The thesis begins with an introduction and the purpose of the thesis with the research questions. The second chapter constructs the theoretical framework for the thesis with a literature review on the subject. The aim of the theoretical framework is to draw the reasoning for creating service descriptions. The literature review starts by defining the basic concepts like service and logistics as a service. Literature review then continues by narrowing down the research subject to internal services in the organization to its internal customers. The key framework for the study is the Gaps model of service quality by Zeithaml et al. (2009). Other concepts described in the literature review are service culture, internal marketing, service descriptions and service design process and methods. Literature about service descriptions provides concrete characteristics or components that proper service description should include, but also ideas about the process of creating the service descriptions and how this process itself can be used in benefit of the organization. It also explores the needed characteristics of service descriptions in general.

The chapter three describes the empirical research done for the study. What was the motivation behind the study, how the research was carried out, what methods were used and why? In the empirical part, different service design methods were used to identify the key customers for the service unit, what the key customers value in general and more specific in the services provided, how the key customers see the service process “as-is”, what services the unit offers to the identified key customers, and finally what would be the best way of describing and presenting the services. The study takes a customer centric approach to the development of the service descriptions by interviewing the unit’s key customers on what they value and how they would like to see the service offering presented to them. The empirical research follows the service design (SD) process and methodology by Stefan Moritz (Moritz 2005).

Thesis study structure and timeline

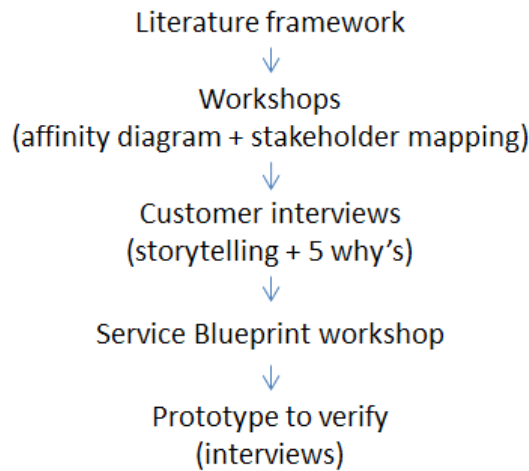


Figure 1: Thesis study structure and timeline

Chapter four presents the results of the study. In this chapter, the results are discussed and analyzed, and based on the results conclusions are drawn. Based on the interviews and empirical research, a service description prototype was created, and customer feedback was collected. As a result of the thesis study, a service description template was created for the case organization. The service description template was formed by combining both customers' and organization's viewpoints. The suitability of service design process and methodology for creating service descriptions is also discussed in the results. Chapter also contains further discussion and managerial implications for the case company and development ideas and suggestions are presented.

1.1 Development need and research questions

The case organization for this study has gone through a huge change including personnel and position changes all around the organization. At the same time, the case company's logistics department has grown fast from "trucking" to a holistic service for "article lifetime management". During the year 2012, another organization change was introduced which brings pressure for the unit to re-define and describe their doing.

From service marketing perspective, the problem is that, for most of the people in the organization, it is not clear anymore what all tasks the logistics department takes care off, and why these tasks are given to the department instead of doing them decentralized in the product lines. While teams have been growing they have also been moving around the building after increased space needs. It seems that today the logistics unit's or teams' internal customers don't know what the unit or teams "really" do or offer, what the service

includes, what is the customer promise, and where to get the service they “think” the unit or teams provide.

Based on discussions with the unit’s management, this problem derives from the fact that the services of different teams or in general the logistics unit are not clearly communicated in any way. The need to describe the services and the service processes is easily identified. The minimum requirement would be to list all the different services in the intranet for the organization to find. Any additional description about each service and how the services are linked to the service entity of logistics unit would most probably be appreciated. This originates clearly from the fact that even the unit itself doesn’t really have a clear list of these services. The goal of this thesis study is to create customer focused service descriptions for the logistics unit. Service descriptions should be formed so that they serve the key customers as well as the service employees so that it would help both parties understand what the service concept consist of and what are the key characteristics and benefits of the services provided.

Expected benefits of good and clear service descriptions include customers understanding more easily what is the total service offering of the logistics unit and what they should expect from each of the services provided to them. Like Congram and Epelman (1995) point out, clear and accurate service descriptions are a way to communicate to the customer, as well as to the service employees, what the service delivery includes and what the customers should expect from the service. Congram and Epelman (1995) include that good service descriptions offer the potential of reducing the gap between what customers expects and what is then actually provided. So service descriptions are one practical tool in the pursuit for closing the customer gap. One aim is also to help customers to contact more easily the correct team for needed services. This happens by customer finding more easily the information what each logistics team does and what not. Clear and open communication of the service process and characteristics helps also each team inside the unit to understand what other teams do and what not. So proper service descriptions can also help in closing the communication gap (provider gap 4) described in the gaps model of service quality by Zeithaml et al. (Zeithaml et al. 2009). Like authors (Grönroos 2007, Zeithaml et al. 2009) say, the customer expectations are partly formed based on what the service provider communicates about the services.

To address the development need by creating customer focused service descriptions following research questions need to be answered:

1. Questions related to the target audience of the service description
 - 1.1. Who are the key internal customers for the case organization?
 - 1.2. What services the unit offers to the identified key customers?

- 1.3. What does the key internal customer value in general and more specific in the services provided?
- 1.4. What is the best way of describing and presenting the services for the key customers?
2. Questions related to the desires of the case organization
 - 2.1. What is the wanted effect of the service description?
3. Questions related to the characteristics and form of a service description:
 - 3.1. What kind of information should service description include?
 - 3.2. How should the information be presented in the service description?
 - 3.3. How should the service description look like?

1.2 Scope of the thesis

The case company operates in eight countries. However, the thesis research was limited to the Finnish logistics unit due to the fact that the key customers were identified operating in Finland and interacting mostly with the Finnish logistics teams. Second important notice is that this thesis is not a logistics development project but rather a service development project. Meaning that the goal of the research was not to analyze and find things to develop in the logistics process itself. The aim was to research and develop how the logistics services are offered and marketed to the internal customers. It is also important to notice the limitation of the customer group. Even the service descriptions are essential for any service provided to any customer group this study was limited to internal services to internal customers because of the role of the case company's logistics unit as internal service unit. This characteristic had a direct impact to the result e.g. in the form of presenting the price of service to customers.

One more limitation concerns the objective of the study. The theoretical framework draws a wide background about concepts like service culture, integrated marketing communication, and customer and communication gaps of the gaps model of service quality, to mention few. The framework then draws a role for clear and customer focused service descriptions in pursuit of better customer service in this framework. It is important to make the limitation that this thesis study tries not to verify this linkage. The thesis tries not to verify if service descriptions help in closing the customer or communication gap, or if service descriptions help to maintain service culture with better internal communication. This thesis was about creating customer focused service descriptions for the case company's logistics unit's internal services with the service design methodology. Measuring and proving the benefits of these service descriptions for above issues (if even implemented by the case company in proposed form) is another research subject for the future if so will.

2 Theoretical Framework

2.1 Definition of service and logistics as a service

When describing services, their characteristics are usually compared to products. Services differ from products in several ways, but the following four characteristics of services are often listed (Zeithaml et al. 2009): Intangibility, heterogeneity, simultaneous production and consumption, and perishability. Services are intangible, meaning they have no physical form, and they cannot be touched. Services are heterogeneous, meaning that each service is an individual process of actions between the service employee (or tool) and the service consumer. Production and consumption of service occur mostly at the same time, and thus services are expected to be available most, if not all the time. Service has no value unless it is used. Service cannot be stored or inventoried. Service cannot be owned. (Zeithaml et al. 2009)

Zeithaml et al. (2009) define service as “deed, process, and performance provided or coproduced by one entity or person for another entity or person.” Services are not tangible like physical products, but services can also be productized. Service can also be looked as derived service meaning that products or physical goods are valued for the service they provide for the customer (Grönroos 2007, Zeithaml et al. 2009). For example, a car navigator is not valued just as the physical high technology product but for the service through which it saves the users time and money by guiding the driver the shortest, quickest and the most efficient route from point A to point B. No matter how you define service one of the key features of service is that services are usually produced and consumed simultaneously in real time (Zeithaml et al. 2009). Because produced and consumed simultaneously, the service provider and customer are both playing an important role in the service delivery process. This feature makes services really vulnerable in the sense for feelings and moods for both the service employee and the customer. (Grönroos 2007, Zeithaml et al. 2009)

Logistics as a term is quite young but still really old as one basic function in companies (Collins, Henschion & O'Reilly 2001). Based on Collins et al. (2001) the term logistics is quite often conceptualized referring to the coordination task of moving material flows from industry to the customers. However it is much more, and it has been during the past two decades when companies and academics have started to refer to logistics more when talking about matching the customers' expectations in a value-added way (Collins et al. 2001). Karrus (2005) have put it quite frankly: “*Logistics has direct impact to the functionality of company's internal and external value-chains, company's effectiveness and through those it has direct impact to the customer satisfaction and profitability of the operations.*” This makes totally sense because like Gourdin (2001) says, logistics deals with satisfying the

customer. Practically this means that logistics is *“a systematic management of various activities required to move benefits from their point of their production to the customer”* (Gourdin 2001). Logistics, however, needs to be understood as much wider concept than just moving goods. It is about timing, quantity, location, cost and all the supporting services included - that is managing the demand-supply chain (Gourdin 2001).

As one service example logistics can be replenishment planning integrated to inventory management, where goods are ordered on the right time in the right quantity and through the most cost effective logistics model and route at the moment of the order, to make the goods available for the customer when required, but still keeping the inventory costs as low as possible. In this example, it is not the sole benefit that the goods are transported to the customer but the fact that they are transported just in the right time through the right channel to minimize the cost. If a produced service, internal or external, the benefit is that this happens without intervention of the store owner or manager or the employees in the store or department: Benefits being saved time in the “back office” activities and thus more time for selling and customer service to create more income.

Based on Gourdin (2001) customer service is the most important component of the logistics system. For example, an order entry clerk receives a pick list from the order entry department; a warehouse loading clerk receives cases of goods to be loaded on a truck from an order picker. In other words, certain tasks must be satisfactorily completed before the next person can do his or her job. Management wants to minimize the opportunities for internal service failures because these mistakes can increase the likelihood of external customer dissatisfaction. By satisfying the needs and wants of internal customers, the firm upgrades its capability for satisfying the needs and wants of its final buyers. (Gourdin 2001)

Logistics service providers offer more advanced supply-chain solutions than earlier. The range of services is considerably broader than usual transportation and warehousing. Through this also the logistics management has evolved to a strategic factor which provides competitive advantage (Soinio, Tanskanen and Finne 2012, Chapman, Soosay and Kandampully 2002). Based on recent studies (Wagner and Franklin 2008) customers are demanding more value-added services from logistics service providers which support the need of more complex service concepts. Chapman et al. (2002) discuss innovation in logistics services and draw a picture of logistics services as a classical new service-development process: A process where logistics has transformed from a classical transport service toward the aim of meeting all of the logistical needs of a client. Chapman et al. (2002) emphasize the importance of information (knowledge) for logistics service providers. Information is a service feature that assists customers and stakeholders. Chapman et al. (2002) claim, that partnering with customers to develop services that truly help the customers will allow firms to excel and

become the innovators of tomorrow. Mason, Lalwani and Boughton (2007) also argue that new superior business models are created with collaboration between parties on vertical and horizontal levels.

2.2 Service mind-set, service culture and customer centricity

George Aveling (2008), the CEO of an international consulting and training company TMI, defines service very simply “*as a feeling that the customer receives from the service employee*”. It is really simple definition but exactly because of this definition Aveling (2008) says the employees should be always put first. Only the employee delivering the service can control the feeling the customer receives. If employees feel good about themselves, they are more likely to deliver the desired feeling to the customers also. Aveling (2008) sees a link between an employee’s personal confidence and quality of service that he or she delivers: Employees feeling confident about themselves, feel more inspired to make changes in their private and work lives. At a work level, this approach results in a significant change in service attitudes and service behaviors and the “want to” of service. (Aveling 2008)

Service mind-set, as a consultant and author Joanne Smikle (2002) put it, “*is a clear, relentless, unwavering focus on the customer. It is a demonstrable understanding of the customer’s needs, wants and expectations. It’s an obsessive desire to satisfy! And it extends to internal customers (co-workers), as well as external customers.*” According to Smikle (2002) you have a service mind-set when you talk about positive customer interactions more often than negative, you see negative customer interactions as opportunities to learn even more about the customer’s needs and expectations, you create opportunities for customer contact, and you define your function and view your work from the customer’s perspective. Based on Grönroos (2007) service culture exists when everyone in the organization stands behind good service and giving good service is one of the most important values in the organization. Grönroos (2007) defines, “*a service culture exists when a service orientation and an interest in customers are the most important norms in the organization.*”

One more concept is needed to be defined when discussing service culture. This is customer centricity. Shah, Rust, Parasuraman, Staelin and Day (2006) compare the Product-Centric and Customer-Centric Approaches in a table 1 shown below, compiled based on as they put it “an eclectic collection of research insights, theories, and methodologies offered by past researchers” (Shah et al. 2006).

Table 1: A Comparison of the Product-Centric and Customer-Centric Approaches (Shah et al. 2006)

	<i>Product-Centric Approach</i>	<i>Customer-Centric Approach</i>
Basic philosophy	Sell products; we'll sell to whoever will buy	Serve customers; all decisions start with the customer and opportunities for advantage
Business orientation	Transaction-oriented	Relationship-oriented
Product positioning	Highlight product features and advantages	Highlight product's benefits in terms of meeting individual customer needs
Organizational structure	Product profit centers, product managers, product sales team	Customer segment centers, customer relationship managers, customer segment sales team
Organizational focus	Internally focused, new product development, new account development, market share growth; customer relations are issues for the marketing department	Externally focused, customer relationship development, profitability through customer loyalty; employees are customer advocates
Performance metrics	Number of new products, profitability per product, market share by product/subbrands	Share of wallet of customers, customer satisfaction, customer lifetime value, customer equity
Management criteria	Portfolio of products	Portfolio of customers
Selling approach	How many customers can we sell this product to?	How many products can we sell this customer?
Customer knowledge	Customer data are a control mechanism	Customer knowledge is valuable asset

Shah et al. (2006) defines the essence of the customer centricity: *“The true essence of the customer centricity paradigm lies not in how to sell products but rather on creating value for the customer and, in the process, creating value for the firm; in other words, customer centricity is concerned with the process of dual value creation.”* Based on Zeithaml et al. (2009) there is no one easy tool or way to create a service culture or customer centricity in an organization, but it requires collective actions throughout the whole organization. Zeithaml et al. (2009) say that to pursue customer centricity the organization needs changes in the management mind-set, changes in the culture, changes in the ways people work and are rewarded, and it needs new ways of implementing customer solutions. According to Smikle (2002), to create the mind-set in question, organization have to have strategic intent. *“No matter what type of remanufacturing business you run service matters. Outstanding service delivery should be a purposeful component of your business model”*. Changing a service mind-set happens person by person but changing a service culture you need to involve all employees from senior managers to the front line employees in the process (Aveling 2008).

Taking a service business approach in the manufacturing business takes at least three fundamental changes in the business logic; Company or organization needs to redefine the business mission and strategies from a service perspective, redefine the ‘product’ as a service and it needs to servitize the critical elements in the customer relationships (Grönroos 2007). As an example, the business mission should not be focusing to provide customers the best products available in the markets, but rather it should be defined *“to provide customers with excellent support to their processes, so that value is created in them and in the customers’ business processes”* (Grönroos 2007).

LaSalle and Britton (2002) look at the same dilemma from a product point of view. How should the company change the way they look at their products. LaSalle & Britton (2002) proposes that companies should recognize the value their product offering represents. One,

maybe the easiest, way to do this is to change the perspective from what a product or service is or what it does to what it offers. For instance, a potato peeler isn't just a kitchen tool, it's a convenience. The Pentium processor isn't just a microchip; *"it's a high-performance pathway to the digital world wrapped in a reputation for quality and excellence"* (LaSalle & Britton 2002). After the company starts to see their products and services in terms of the types of value they provide, there is a real possibility to review them from the customers' aspect. Next step is to think about what else they could offer if some adjustments were made (LaSalle & Britton 2002). This is the same logic in looking at ones offerings when Zeithaml et al. (2009) speak about derived services where all goods and physical products are valued based on the service they provide to the user. Prahalad and Ramaswamy (2004) also point out that the nature of value has changed. Value is now centered in the experiences of customers when using products or services rather than being embedded to the products themselves. The firm can no longer unilaterally determine the value of their products (Prahalad & Ramaswamy 2004).

As it comes to service culture and customer focus, Shah et al. (2006) proposes a road map to achieve customer centricity. They identify and discuss four elements on that road map shown in figure 2: Organizational Culture, Organizational Structure, Processes and Financial Metrics.

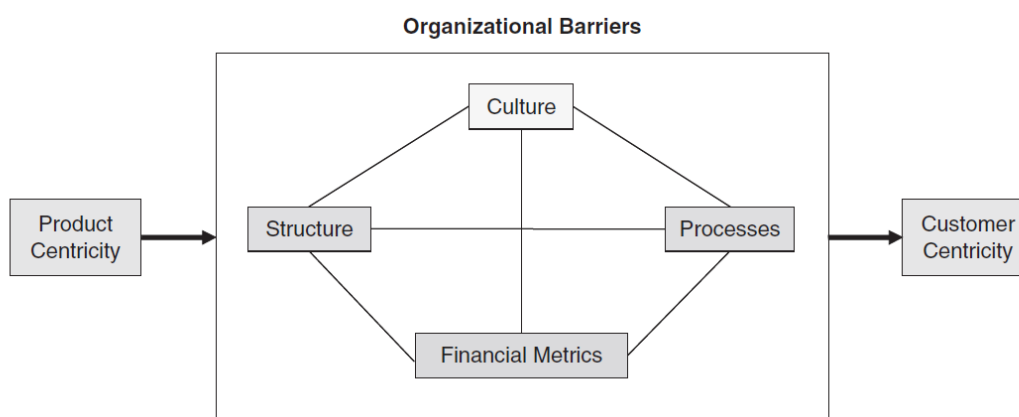


Figure 2: A Path to Customer Centricity: Potential Roadblocks (Shah et al. 2006)

Shah et al. (2006) explains the four roadblocks mentioned above starting from the organizational culture. Only way to even try to succeed in changing the organizational culture to customer centric is to have the senior management commitment and persistence behind the change. Cultural change follows from behavioral change, and behavioral change is led by management with personal example and intense communication. Shah et al. (2006) point out that the top management's tool to start a change and communicate it through the organization is the strategy. The will for change needs to stand out from the strategy and

then it is possible to justify a change in the organization's structure and processes and base the incentives on customer-centered metrics. Shah et al. (2006) however reminds that no evidence exists that direct efforts to change an organizational culture are likely to succeed.

Authors like Shah et al. (2006) and Mason et al. (2007) propose that to conceive a customer focused organization it needs to set up and adopt a horizontal process view rather than a vertical function view. Shah et al. (2006) point out "*the horizontal mind-set is essential to be able to include all processes and activities that contribute toward value creation for the customer.*" Shah et al. (2006) argue that processes for developing and sustaining customer relationships differ from those aimed at the execution of efficient customer transactions. Survey made in 2005 (Shah et al. 2006) points out five generic processes that are essential for a firm to be customer-centric:

1. the strategy-development process that includes not only a business strategy but also a customer strategy,
 2. the dual value creation process that is at the heart of the exchange process,
 3. the multichannel integration process that encompasses all the customer touch points,
 4. the information-management process that includes the data collection and data analysis functions, and
 5. the performance-assessment process that ties the firm's actions to firm performance.
- (Shah et al. 2006)

Also Prahalad & Ramaswamy (2004) discuss that new strategic capital can be obtained by challenging the traditional approach to competition and value creation: "*It entails new ways to think about opportunities, access competence, leverage and reconfigure resources, engage the whole organization, and compete to co-create value based on experiences*" (Prahalad & Ramaswamy 2004). Mason et al. (2007) emphasize also the need of collaboration, both internally and externally, in pursuit of new, often superior business models.

Measure and Reward

Shah et al. (2006) point out that also the financial metrics needs to guide the operations and employee actions towards more customer focused approach: "Financial metrics are not only important in motivating individual employees to be more customer-centric, they also are useful in helping marketing managers measure the financial implications of their decision making" (Shah et al. 2006). Authors underline that the realignment of an organization and its processes will help infuse a customer-centric decision making within the organization, but this has to be supported with customer-centric metrics "*because what gets measured gets done*" (Shah et al. 2006). Firms should include some of the most important customer metrics among the key performance indicators to be reported to the top management and to the board. (Shah et al. 2006)

Aveling (2008) point out employees must not only want to provide service at a high level, but also have the motivation to do so. So measuring should also be linked to the reward system of the organization. Smikle (2002) emphasizes also the meaning of measuring the service quality and linking the results of the measurements to bonuses and compensation. Organization should gather regular feedback from customers, as with formal tools like surveys and focus groups, but even more with using more informal methods like conversations and observations. According to Smikle (2002) these informal methods will alert about patterns of complaints, problem equipment and questionable practices. Smikle also reminds that managers should not remove themselves from customer-related issues because “revenues come directly from customers” (Smikle 2002).

While the organization is measuring customer satisfaction, it should take the pulse on employee satisfaction as well. Company should listen to its employees: Are people grumbling and complaining? If they are, what is it about? Organizations should invest time and energy fixing the things also internally. Companies create strategies and plans for every other important business initiatives. Smikle urges to do it also for customer satisfaction by linking customer satisfaction goals with other business imperatives. Smikle (2002) argue that the results of service measurements should be linked to bonuses and compensation. Many companies link their bonus plans to measures of customer satisfaction. This requires systematic and regular measurement, but that kind of bottom-line approach makes everyone take notice of customer satisfaction. It also requires on-going internal communication about the results of those measures. According to Smikle (2002) company should overhaul its reward and recognition programs so that the emphasis on the customer is clearly reflected. *“Behavior that gets rewarded gets repeated”* (Smikle 2002).

Setting correct and useful performance indicators for measuring can be a challenging task. More challenging it becomes if the nature of the service process or the customer promise is not clear for the service organization. How can you measure when you don't know what to measure?

Communicate

One key tool, when creating and maintaining service culture in an organization and service orientation among personnel, is communication. It is important to communicate to everyone in the organization the common service standards. To do this, the organization needs working internal marketing process. In this concept the objectives of the internal marketing can be defined as creating and maintaining internal relationships between people in the organization so that everyone in the organization can feel motivated to provide services to customers, internal and external, in a customer focused and service minded way. (Grönroos 2007)

Smikle (2002) urges the firm to build a dialogue in the organization about acceptable levels of service. Internal communication should not be spared and the message should be repeated and varied “*so that it sinks in*”. E-mails, staff meetings and general conversation should be harnessed to keep reinforcing the high standards that are set in the organization (Smikle 2002). Grönroos (2007) lists some useful hints when thinking about internal communication methods; no memos must be used, as little one-way information as possible, as much personal contact as possible and as much dialogue as possible. Intranets can be used for key information and e-mails can be used, but overload needs to be avoided and if possible response to the e-mails should be enabled (Grönroos 2007).

Because frontline employees are closest to the customers, they are most likely to understand customer concerns. To build new strategic capital, companies will need to bridge the gap between managers and consumers (Prahalad & Ramaswamy 2004). In the gaps model of service quality (Zeithaml et al. 2009), one of the provider gaps is the listening gap. This is the difference between customer expectations of service and company understanding of those expectations. One key factor related to the listening gap is lack of upward communication. Management is usually distanced themselves from the frontline employees. However the frontline employees often know a great deal about the customers so the management should be more in contact with them. More communication between management and frontline employees will shrink the listening gap and helps management to understand their customers (Zeithaml et al. 2009). Smikle (2002) also urges organizations to build more communication between the management and the front line employees. *“If you’re really building dialogue that flows both ways, employees will be coming to you with ideas and solutions. The positive energy is contagious”* (Smikle 2002).

Prepare for service failure

Inadequate service recovery is also part of the listening gap in the gaps model of service quality (Zeithaml et al. 2009). Even the best companies sometimes fail, so it is critical for an organization to understand the importance of service recovery. It is beneficial for the organization to understand why people complain and what they expect when they complain. Organizations need to develop effective service recovery strategy to deal with inevitable service failures. (Zeithaml et al. 2009)

From time to time, there will be situations when a service failure occurs. This is the real test of the customer orientation of the organization. When a service failure happens, regardless of the reason for the failure, the service provider needs to solve the situation in a way that satisfies the customer. If the company fails to do so, the customer will most likely feel unsatisfied about the whole relationship with the company (Grönroos 2007). Zeithaml et al.

(2009) defines service failure as *“service performance that falls below a customer’s expectations in such a way that leads to customer dissatisfaction”*.

Organization needs a good and clear service recovery plan for these failure situations. The plan is needed because the employees, who will be encountering those unsatisfied customers, will need to be well prepared for those situations. However no matter how prepared they are the every case is individual and thus the service employees needs to be also empowered to make quick decisions by themselves. Good service recovery can even make angry and frustrated customers more satisfied with total service quality than they would have been without the service failure in the first place (Grönroos 2007). If service failure is left unfixed it can result in customers leaving and the worse telling other customers about their negative experiences (Zeithaml et al. 2009). On the other hand, resolving customer problems effectively and in a timely manner has a strong impact on customer satisfaction and loyalty. As bad service experiences, also well-handled customer claims, will cause word-of-mouth communication. Customers, who experience service failures but are ultimately satisfied by the firm’s service recovery actions, will be more loyal to the company than those whose problems are not resolved (Zeithaml et al. 2009). If customers don’t know what to expect from a service, the service is more likely to fail. This is why it is so important to communicate the elements of the service package to the customers. On the other hand if the service package and the process are not definitely clear for the service employees they are in a challenge to act in case of customer complaint. How to analyze the situation if you don’t have the reference point against what it should be analyzed?

Grönroos (2007) raises up also the need for internal service recovery process: Customer contact or support employees need to encounter and interact with customers, external or internal, who are disappointed for the service quality. Customers might be emotionally upset, frustrated and even angry. To keep up the service mind-set, the firm must have a process to actively address these issues and help the employees, suffering from this kind of stress, to recover from these situations. (Grönroos 2007)

Empower and enable

When a service failure occurs it is important that the problem is taken care of, and customers are served in quickly manner. Empowering employees means to give the authority to make decisions and take action in problematic service situations (Grönroos 2007). Grönfeldt and Strother (2006) define the term empowerment as the management’s efforts to involve employees in decision making. Enabling means the employees are prepared to take the responsibility that goes with the new authority. For example, in authority to make individual decisions in service situations, the employee is more likely to succeed making these decisions if there still are clear limits on how far this authority can go (Grönroos 2007). Grönfeldt and

Strother (2006) remind that empowerment should not be limitless. It is still the management who should set the tasks, determine the relevant resources and tools, and assign people to the job.

In service recovery situations empowering the service employees will benefit the customer by quicker and more direct response to their needs. Customers will not have to wait for a superior decision before getting an answer to the problem or claim. According to Grönroos (2007) empowering the employees will also be seen in the level of job satisfaction and make the employees feel better and more confident about themselves when confronting the customers in a service failure situation. Thus, employees will also treat customers more enthusiastically (Grönroos 2007). Grönfeldt and Strother (2006) suggest also gains from empowerment like greater employee enthusiasm, increased morale and creativity, higher quality products and services, improved teamwork and to mention one more, improved customer service and competitive position. In empowering service employees, it is important that they know the customer promise by heart and accurate description of the service details are available. Otherwise there is the risk that the employee feels too unsecure to act for customer's behalf.

2.3 Internal marketing and internal customers

Internal marketing is not a new phenomenon, in fact, over 20 years ago internal marketing was first proposed as a solution to the problem of delivering consistently high service quality (Ahmed & Rafiq 2002). Whether the company or organization is large or small, providing good customer service begins with the internal environment. However, despite the rapidly growing literature, very few organizations actually implement the concept in practice (Ahmed & Rafiq 2002). This is because does not exist a single unified concept or definition of what is meant by internal marketing (Ahmed & Rafiq 2002). Nowadays, there are still several forms of internal marketing, but what they all share in common is the notion of internal customers (Baron and Harris 2003).

In highly competitive service industries, where service innovations get quickly copied, only the attitude and behavior of employees can provide a key point of difference, so it is highly recommended investing in internal marketing, branding and promotion (Bruhn 2003). Bruhn (2003) points out that human resource management (HRM) and internal marketing is not the same thing although they have a lot in common. Therefore successfully implemented internal marketing requires that marketing and HRM work together. HRM offers tools that can be used in internal marketing, such as training, hiring and career planning while internal marketing offers guidance on how these tools should be used (Bruhn 2003).

Grönroos (2000) define internal marketing as a concept which emphasizes that employees are the first market. The term, in fact, was originally derived from the notion of the internal market of employees and has been widely used by academics in portraying an emphasis on viewing employees as partners to an organization's efforts at achieving organizational success rather than as a cost. It is the management philosophy of treating employees as customers. Ahmed and Rafiq (2002) define internal marketing as *"a planned effort using a marketing-like approach directed at motivating employees, for implementing and integrating organizational strategies towards customer orientation"*.

Baron and Harris (2003) list two basic ideas that underline the concept of internal marketing:

1. The notion that every individual in a service organization should know that they have customers to serve both inside and outside the organization.
2. All internal customers (employees) must be convinced about the quality of the service being provided and be happy in their work

Also from the analysis of the key conceptual and empirical literature, five main elements of internal marketing are identified:

- Employee motivation and satisfaction
- Customer orientation and customer satisfaction
- Inter functional coordination and integration
- Marketing like approach to the above
- Implementation of specific corporate or functional strategies (Ahmed & Rafiq 2002)

Therefore, building supportive working relationships for employees should be a key issue when developing an internal marketing approach. Bruhn (2003) lists that employees should be able to provide each other with consideration, trust, warmth and support, which help to break down barriers within and between departments. Employees should feel satisfied with their job environment and relationships with their fellow employees on all hierarchical levels as well as with their relationship with their employer as an organization. Schneider and Bowen (in Grönroos 2000) have found that employee satisfaction in internal markets is, therefore, a prerequisite to customer satisfaction in external markets. It is the general consensus in the literature that the satisfaction of the internal customers (i.e. employees) is important to the success of a service firm. Gremler, Bitner and Evans (1994) point out that *"as with external customers, an internal customer's satisfaction with the firm can be significantly influenced by service encounters experienced with internal service providers"*. So if management wants its employees to do a great job with customers, than it must be prepared to do a great job with its employees. According to Grönroos (2000), it is not enough to have customer-conscious employees for effective service delivery; there must also be

coordination between front line staff and back office staff. Only this enhances internal communications and the likelihood of achieving internal and external service quality.

Some internal marketers have also argued that activities that have traditionally been thought to be the preserve of the personnel functions should be undertaken by the marketing function. For this reason Berry and Parasuraman (1991) extend the limits of internal marketing to include activities that are traditionally associated with the personnel function: *“Internal marketing is attracting, developing, motivating and retaining qualified employees through job-products that satisfy their needs. Internal marketing is the philosophy of treating employees as customers...and it is the strategy of shaping job-products to fit human needs.”* Also, according to Berry and Parasuraman (1991), the concept of internal marketing focuses on employees as internal customers and jobs as internal products. Jobs should be developed in order to satisfy employees’ needs and wants. Bruhn (2003) urges HR and marketing into co-operation in this task.

The service marketing literature has also highlighted the fact that is important to have the right personnel as far as the actions of the personnel themselves form part of the product that customers are buying. Employee satisfaction, customer loyalty, and profitability are all interconnected. Anyone who plays a role in your organization producing or supporting you and your product or service is part of the internal process from the person answering the phone, cleaning your bathrooms, supplying your office products, sorting your mail and fixing your computer, to the president or CEO and board of directors. Each one plays a role in the never-ending chain of activity that transpires on a daily basis. (Grönroos 2000)

As follows it has been noted (Booms & Bitner 1981, Ahmed & Rafiq 2002, Zeithaml et. al. 2009) that low job satisfaction has the potential to cause low quality service encounter performances on the part of the employee. Companies are coming to see the linkages that exist between quality, productivity, employee satisfaction and customer satisfaction. Unhappy employees will rarely deliver service that makes happy customers. For this reason managers should follow this five point important policy in order to enhance employee job satisfaction:

1. Service employees with high customer contact need to have a very clear understanding of their role within the organization. Managers in fact need to describe and communicate the job in detail explaining the action which employees can or cannot take and of course allocate each employee in a determinate role in order to avoid the amount of conflict between employees in the organization and reduce tension generally.

2. Service managers are advised to hire individuals who are highly empathetic. Employees have to be able to communicate feelings of empathy to the customer and so to take their viewpoint.
3. Employees need to be fully trained in how to deal with customers and need to have detailed advice about how to resolve issues. Many times employees are faced with customers who want solutions to problems caused by company policy and procedures, so, even if the individual employee is not responsible for the problem, they have to find an immediate solution to customers' problems.
4. Clear lines of command need to be drawn up and communicated between management and employees. It is important that employees know who to consult in order to resolve a problem or a difficult service situation.
5. Employees must be empowered by management to do whatever it takes to satisfy the customer. This means the company must create the right culture and climate for employees to operate in. This approach (empowered) enables, an employee dealing directly with a customer, to consciously shape the relationship and thereby effectively support its development and intensification. Under this approach employees are given relatively wide latitude to maneuver. (Baron & Harris 2003)

Bowen and Lawler (in Peck, Payne, Christopher and Clark 1999) have also argued that empowerment can improve employee motivation and job satisfaction, which can in turn improve customer satisfaction and retention. They also provide a more comprehensive definition to the term, including empowerment criteria's: Providing employees with the knowledge that enables them to understand and contribute to organizational performance, providing rewards based on the organizations performance, and giving them power to take decisions that influence organizational direction and performance. (Peck et al. 1999)

Based on Bruhn (2003) internal customer communication is also one of the core elements of Internal marketing: *"It can be perceived as a dialogue intended to convey managers' and employees' feelings, perceptions and intentions regarding different organizational issues."* Internal communication plays an important role in exchange transactions. At a basic level, internal communication can provide information, make employees/managers aware of organizational values and goals, and attempt to persuade employees to accept new policies and philosophies, remind employees of a need they might have or remind them of the benefits of transactions/exchanges they have with their employing organization (Bruhn 2003). Ahmed and Rafiq (2002) point out human resource managers already use a wide variety of techniques and media to communicate with employees, ranging from oral briefings and company newspapers to corporate videos. However, for effective communication what is necessary is a coordinated use of these various media (Ahmed and Rafiq 2002).

At the heart of the internal marketing concept is the notion that employees represent an internal market within an organization (Ahmed & Rafiq 2002, Baron & Harris 2003, Grönroos 2000, Zeithaml et al. 2009). This internal market can be regarded as a segment that needs to be informed, educated, developed and motivated in order to achieve the organizational goals. Gremler et al. (1994) put it quite frankly: *“The employees of an organization can be considered internal customers who, like external customers, are looking to get their needs satisfied.”* Gremler et al. (1994) point out that service encounters occur also within the service organization, not only with the external customers. As external customer can be dissatisfied with an encounter with the service provider, can these internal encounters be unsatisfactory as well. However, the internal dissatisfaction cases can lead to also the external customer being dissatisfied (Gremler et al. 1994).

As a summary, we can conclude that internal customer can be defined as someone who helps the organization serve the end customer. He is an integral part of the value chain. As profit is the main motive of an organization, the organization needs to take care not only of the end customers but also people who are serving the end customers so the internal customers. Failure or bad quality in internal service encounter has high potential to end up to dissatisfied end customer. For example, delay in internal service process can exude directly as delay in serving the external customer.

2.4 Customer expectations and perceived service quality

To develop services it is important to understand what the customers are looking for and how they evaluate it, and only through understanding how customers evaluate the service, it is possible to manage these evaluations and try to influence them in a desired direction (Grönroos 2007). Grönroos introduced in 1982 a concept of ‘perceived service quality’. This service oriented approach to service quality is based on the analysis of the service delivery compared to the customer expectations about it. This model seems to be still the foundation of most other service quality models.

Based on Grönroos (2007) the level of technical or functional quality dimensions is not the key for perceived quality. Instead the key is the level of total perceived quality determined by the gap between the expected and experienced quality. Zeithaml et al. (2009) call this “the customer gap”. Customer expectations are the reference points that the customer is comparing the service experience against for: what the customer believed would happen and what actually happened. Customer’s perception of service quality is formed during the service delivery. Customer compares the service delivery against the expectations he or she had about the service (Grönroos 2007). Grönroos underlines, that consumption of a service is

process consumption rather than outcome consumption. When customer uses (or consumes) a service they “experience” the service. Service experience is the customer’s direct experience of the service process (Grönroos 2007).

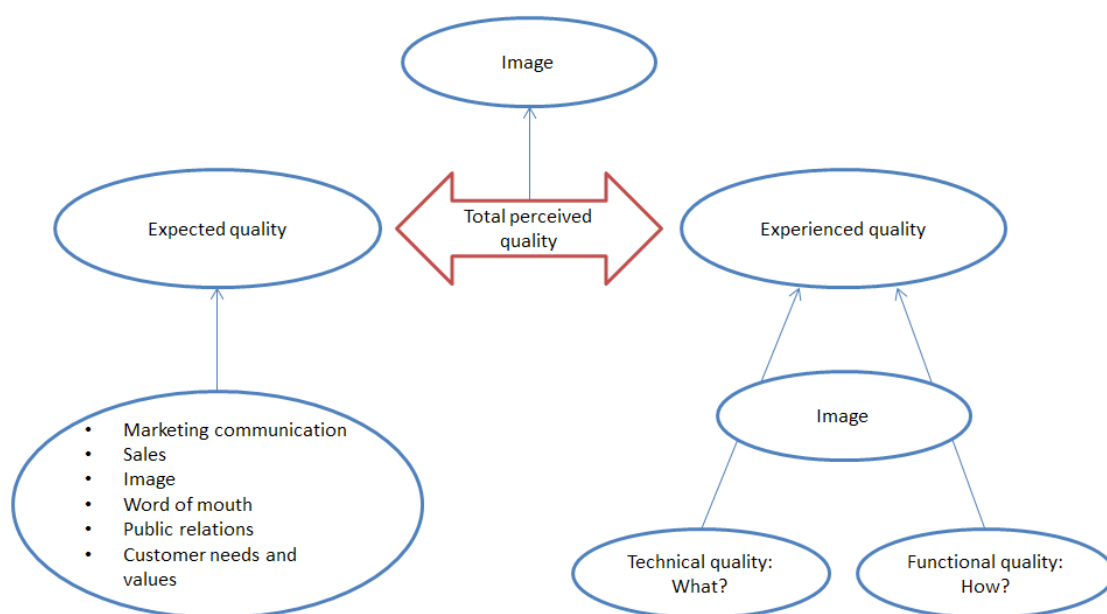


Figure 3: Total perceived quality (Grönroos 2007)

One conceptual framework for service marketing is The Gaps Model of service quality presented by Zeithaml, Parasuraman and Berry (1985). The Gaps model of service quality also stems from the Grönroos’ perceived service quality concept. It is widely referred (Zeithaml, Parasuraman & Berry 1990, Zeithaml & Parasuraman 2004, Johnston & Clark 2005, Grönfeldt & Strother 2006, Grönroos 2007, Zeithaml, Bitner & Gremler 2009, and many more) and used as one of the key concepts when talking about service quality. The Gaps Model of Service Quality describes five major gaps of service quality that needs to be closed: The customer gap and the four provider gaps. The customer gap (gap 5) is the difference between what customer expects and what they perceive. The provider gaps in the Gaps model are the listening gap (gap 1), the service design and standards gap (2), the service performance gap (3), and the communication gap (4) (Zeithaml et al. 2009). Figure 4 highlights the parts of the Gaps model that are mostly relevant for this thesis study.

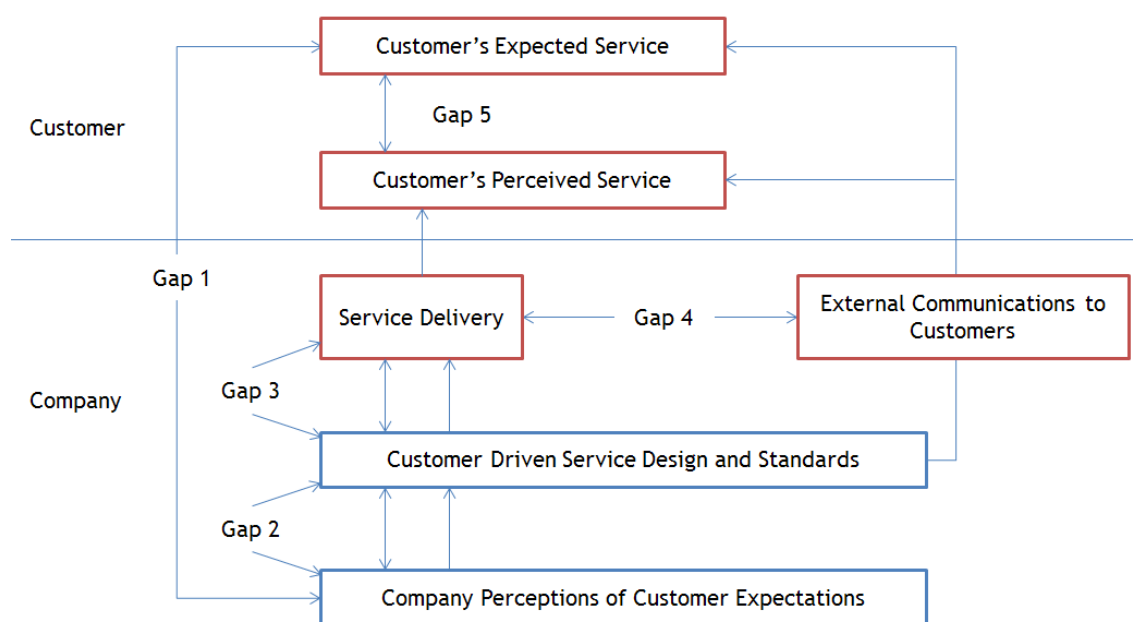


Figure 4: The Gaps Model of Service Quality (Zeithaml & Parasuraman 2004)

The listening gap is the inability of the company to understand the customer expectations. Primary cause for companies not meeting customers' expectations is that the companies don't truly understand what those expectations are. Based on Zeithaml et al. (2009) there can be several reasons why companies can lack that understanding: They have inadequate marketing research orientation, and the research is not focused to service quality; there is lack of upward communication, the interaction between management and customers, because insufficient communication between contact employees and management, and too many layers between contact personnel and the top management; there is insufficient relationship focus in the company because lack of market segmentation or because the focus is on transactions rather than relationships; or companies have inadequate service recovery. Zeithaml et al. (2009) suggest that this gap can be minimized through understanding customers through research, building strong relationships with customers to understand their needs over time, and by implementing recovery strategies for situations when things go wrong. (Zeithaml et al. 2009)

The second provider gap is the service design and standards gap. This gap is about not able to design the service process and set the standards to meet the customer expectations even understanding them. This can also be because several reasons: Poor service design due to unsystematic new service development process, undefined service designs or failure to connect service design to service positioning; absence of customer-driven standards due to process management not focusing on customer requirements and missing a formal process for

setting service quality goals; and inappropriate physical evidence and servicescape. Servicescape is the physical environment in which a service process takes place. Booms and Bitner (1981) defined a servicescape as "*the environment in which the service is assembled and in which the seller and customer interact, combined with tangible commodities that facilitate performance or communication of the service*". Bad design in physical evidence, which does not meet the customer standards, can happen because the company failed to develop tangibles in line with customer expectations, or due to bad design of servicescape that does not meet customer or employee needs. Servicescape can also not meet the customer standards because inadequate maintenance and updating. Zeithaml et al. (2009) propose appropriately developed customer-defined service standards, and physical evidence that meet customer expectations will help to minimize or close this provider gap as well as the customer gap. (Zeithaml et al. 2009)

Third gap is the service performance gap. This gap is about companies' inability to measure and enable that the service is actually delivered with the design and standards in place. Zeithaml et al. (2009) list several reasons for this gap as well: Deficiencies in human resources might cause the employee not clearly understanding their role in the service delivery process or just simply wrong person is in a wrong job; failure to match supply and demand because not able to smoothen peaks and valleys of demand, or because inappropriate customer mix; customers not fulfilling roles because not knowing their responsibilities and roles or customers impacting negatively to each other; and problems with service intermediaries like retailers or franchisees whose objectives and performance can be in conflict with the ones of the company and whose quality might be difficult to control (Zeithaml et al. 2009).

The fourth and last provider gap is the communication gap. It is the gap between the actual service delivery and the external communication about it. This gap can exist because the company lacks integrated services marketing communications and tends to see each external communication as independent, or doesn't have strong enough internal marketing program (Zeithaml et al. 2009). By not having strong internal marketing program Zeithaml et al. (2009) mean: There is ineffective management of customer expectations by not educating customers and not managing customer expectations through all forms of communication; company tends to overpromise in advertising, personal selling or through physical evidence; there is inadequate horizontal communication in the company between sales and operations, marketing and operations, or there are differences in policies across branches or units; and because service pricing is inappropriate and not tied to customer perceptions of value or too high by which customer expectations are raised too high (Zeithaml et al. 2009). As Grönroos (2007), also Zeithaml et al. (2009) argue that companies must manage communications to customers so that promises are not inflated to raise customer expectations unnecessary high.

2.5 Managing customer expectations

Zeithaml et al. (2009) allege that closing the customer gap is critical to delivering quality service. In perfect world, the customer expectations and perceptions would be identical, but in practice this is rarely the case (Zeithaml et al. 1990, 2004, 2009). Authors like Grönroos (2007), Zeithaml et al. (1990, 2004, 2009), Grönfeldt & Strother (2006) and many more, claim that knowing what customers expect is one of the most critical factors in delivering good service quality. On the other hand, the authors agree that one way of knowing what the customers expect is to manage the expectations. For example, the service provider should not over or under promise the outcome because it causes the customer to have wrong expectations for the service (Grönroos 2007).

Grönroos (2007) as well as Zeithaml et al. (2009) list various things that have an influence on the customer's expectations about the service: previous experiences about the service, service providers marketing efforts, peer reviews on the service or suggestions from friends, to mention few. Expectations can also be formed based on what competitors offer or how they have succeeded in matching the expectations (Grönroos 2007). On the other hand, it is good to remember that the experience is always individual and thus subjective (Johnston and Clark 2005, Grönroos 2007). Because services are heterogeneous in their nature, the performance may vary across providers, across employees from the same provider, and even with the same employee (Zeithaml et al. 2009). Customers are willing to accept this variation in some extent, and this variation Zeithaml et al. call the 'zone of tolerance'. The zone of tolerance is the zone between the desired service and the adequate service (Zeithaml et al. 2009). Customer will be dissatisfied if the service drops below the minimum level of service he or she considers acceptable. On the other hand if the service exceeds the desired level the customer will be very pleased, even surprised. (Zeithaml et al. 2009)

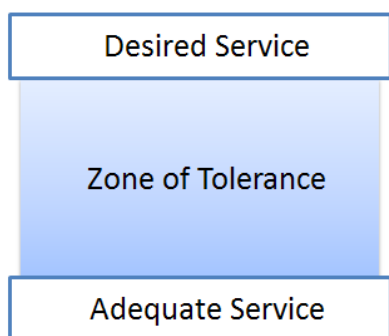


Figure 5: The Zone of Tolerance (Zeithaml et al. 2009)

As mentioned earlier the customer experience is individual, Zeithaml et al. (2009) also point out that different customers have different zones of tolerances. The authors also point out that customers can have different zones of tolerance for different dimensions of the service. For example, a busy customer is more critical about if the service is executed on time, but can tolerate more variance for example in the empathy shown towards him (Zeithaml et al. 2009). Zeithaml et al. (2009) explains the factors that influence the desired and adequate service and determine the size for the zone of tolerance. The next figure describes the variety of those factors but only the ones directly relevant for this study are described in more detail here, these being the ones on the right side of the figure. More information on the rest can be found from the book by Zeithaml et al.

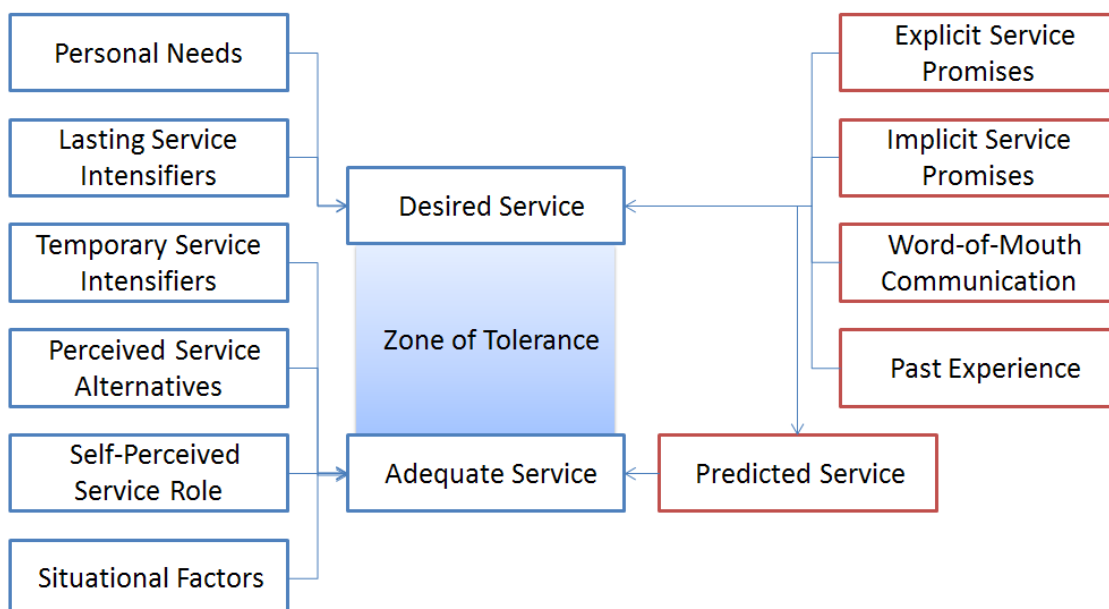


Figure 6: Factors that influence desired and adequate service (Zeithaml et al. 2009)

Predicted service is the level of service that customers believe they are likely to get (Zeithaml et al. 2009). The level of adequate service is likely to be higher if the customers are expecting good service and vice versa. Zeithaml et al. (2009) lists four sources for predicted service expectations. The same four factors influence also the desired service. Explicit service promises are the statements about the service the service organization makes to customers. They can be personal, communicated to the customer by e.g. salespeople or service personnel, or they can be non-personal e.g. what is told in the advertisement or internet pages of the organization (Zeithaml et al. 2009). Implicit service promises are other service-related cues that shape the expectations of the customers, for example, the price and the tangibles of the service. The higher the price and the more impressive the tangibles associated with the service, the more customers will expect from the service (Zeithaml et al. 2009). Third factor influencing the predicted service is the word-of-mouth communication. These are the statements made by other parties than the service organization itself. Lastly the fourth factor is the customers past experiences of the service. In this study context, the most interesting factor is of course the explicit service promises. It seems really logical that promising exactly what the service delivery will include would be an appropriate way to manage the customer expectations.

Ojasalo (2001) shuffles the pack of customer expectations by introducing a framework of managing customer expectations in professional services environment. Even his study was conducted in the professional services context, for example, Grönroos (2007) consider that it is valid for any types of service in customer relationships. Ojasalo (2001) divides the expectations of customers into three groups: Fuzzy expectations, implicit expectations and unrealistic expectations.

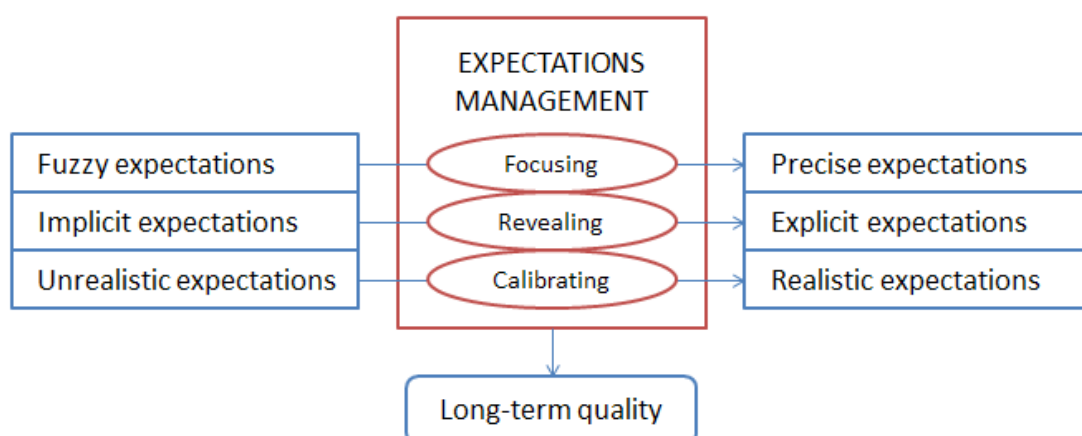


Figure 7: A framework for managing customer expectations (Ojasalo 2001)

Based on Ojasalo (2001) fuzzy expectations are expectations the customer cannot clearly formulate. Customer feels something is needed but do not have a clear understanding of what would fulfill this need. If the fuzzy expectations are not met the customer feels unsatisfied about the service without understanding why and the expectations still remain fuzzy. Implicit expectations, on the other hand, are the ones that are so self-evident that customers don't even think about them, or the possibility that they are not met. Implicit expectations however become obvious when they are not met. Explicit expectations are the customer's conscious assumptions about the service. These are the expectations the customer pays explicit attention if they are met or not. If these expectations are not met, the customer usually knows exactly what went wrong. There is the possibility that the explicit expectations of a customer are unrealistic. Such expectations are impossible or highly unlikely to be met. Ojasalo (2001) conclude that the more realistic customer expectations are the higher is the possibility that they will be met in reality. Meeting the expectations leads more likely to good customer-perceived service quality. (Ojasalo 2001)

Ojasalo (2001) propose in his model that the fuzzy expectations should be focused to be precise, the implicit expectations revealed to be explicit, and the unrealistic expectations calibrated to be realistic. Based on Ojasalo (2001) the fuzzy expectations become precise through systematic analysis and focusing by the service provider with the customer. Through dialog and communication are also the implicit expectations revealed and turned explicit and unrealistic expectations calibrated to realistic ones (Ojasalo 2001). Based on Ojasalo (2001) this requires effort from the customer and might decrease the short-term perceived quality, but doing so the customer will avoid unpleasant surprises later, and will increase the possibility of the service provider matching customer's expectations. This will have a positive effect on the long-term quality. (Ojasalo 2001)

Ojasalo (2001) explain the difference between short-term quality and long-term quality: the long-term quality does not emerge instantly but is more important for the longevity of a relationship than the short-term quality which provides immediate satisfaction. To make an example in the logistics context in the case organization: Product manager contacts the logistics department and wants to reduce the inventory costs of his product. He feels there is something wrong in how the product is managed but cannot formulate any clear expectations what should be done for it. He has *fuzzy* expectations. Logistics can take the quick short-term quality approach and decrease the stock level parameters so that the product is kept in the warehouse in reduced quantity. Product manager will see quick actions proposed and executed, and even see the inventory costs decreased in a relatively short period of time. Short-term service quality achieved. Such actions could however lead for example to availability issues and stock-outs for the product. Product manager however has *unrealistic* expectations that logistics could provide the same availability with the decreased stock

levels. Proper dialog and analysis of the customer's needs could have revealed that decreasing the stock levels have the risk of leading to availability issues and is something the product manager is not willing to tolerate with the product in case. Product manager had *implicit* expectations that logistics would consider this aspect on his behalf. Forward analysis could have revealed that the product characteristics and vendor characteristics fill all the prerequisites to be successful in some other logistics model, such as direct delivery from vendor to store where warehouse stocks would not be needed at all but still good availability could be offered to the stores. By proper analysis of the case at hand, together with the customer, logistics as a service provider could focus the fuzzy expectations, reveal the implicit expectations and calibrate the unrealistic expectations to come up with a solution considering more correctly customer's expectations of the service.

To turn focus to the next paragraph proposing service descriptions as a tool for customer expectations management, we can conclude the lessons learned from the service quality and management of the customer perceived quality. Service quality is what customer perceives. Customer compares the perceived service delivery against the expectations he or she had about the service. These expectations are formed in various ways from various inputs, but most importantly from what the service provider itself tell to the customer about what the service will include and what the expected result should be. Service delivery is a process, and service is produced and consumed simultaneously with participation of many employees, and the customer itself as a co-producer. For this reason, the integrity of the marketing message is important, and all employees should have the same understanding of the service process for them to speak and sell the service with "one mouth". The service employees, as well as the customers, should have the same understanding how the service process is designed and what will happen. All employees participating to the service delivery process should be educated to see the same process so they can execute the service jointly the way designed. On the other hand, also the customers should be educated to do their part in the process correctly and not to behave in a way that might have a negative impact on the quality. Customers should be educated about the true facts of the service so that they will not form unrealistic expectations about the service. Customers should also be helped in revealing and focusing the fuzzy and implicit expectations to more precise and explicit ones. Lastly the service employees should be empowered to handle situations when the service delivery fails. Employees should be able to accept that failure has happened, they should be able to see the needed actions to realign the service back to the designed track, but most important they should be empowered to do those needed actions when the situation so require.

Zeithaml and Parasuraman (2004) argue that managing service promises is the key to closing the gap 4 of 'not matching the performance to the promise'. If the service delivery is different to the promise, will the customer's service experience definitely be different from

expected. Like Zeithaml and Parasuraman (2004), also Grönroos (2007) urges companies to pursue integrated marketing communication (IMC) message throughout the organization and its customers. Grönroos (2007) indicates the concern of the integrity of the message in this concept and Zeithaml and Parasuraman (2004) point out that attaining the IMC in services is rather difficult because many of the most important communication exchanges happens between employees and customers. This means that each employee should spread the same message, and it should be in line with the rest of the communication of the company e.g. in the internet and advertising, etc. Could good, customer oriented service descriptions help in achieving the integrity of the message? Could these service descriptions also be used in integrating the employees' communications towards the customers?

2.6 Service descriptions

When considering the diversity on how the expectations are formed the task to know what customers expect seems unachievable. Service quality and management literature suggest many ways, easier and harder, for service provider to try to manage the expectations. Like told in the previous chapter one way of managing the expectations is simply telling the customer what the service is about. How this should be done, is left mostly untold. Commonly used tool to tell about a service is a service description (or specification/definition). Usually the service descriptions are used as part of a service contract between service provider and user to make it clear from the legal aspect what the service includes and what not, and what are the parties' rights and obligations concerning the ordered service. These service descriptions however tend to have only one target - to protect the service provider from legal consequences. In this purpose, the descriptions are hardly customer focused. The challenge is to create a good customer focused service description that works the way wanted.

Describing a service can be tricky due to the characteristics of a service and due to the fact that service experience is always individual. As discussed earlier, the customer gap is the gap between what customers expects from the service, and how they actually perceive the service. Zeithaml et al. (2009) say that the major cause of poorly perceived service quality is caused by given promises about the service are not redeemed by the service provider. There can be several reasons for this of course: The promises can be unclear for the customer, the promises are not in line with the actual service delivery, or the promises can be unclear for the service employees, just to mention few.

Congram and Epelman (1995) emphasize the role of service descriptions in delivering good service quality. Clear and accurate service descriptions are a way to communicate to the customer, as well as to the service employees, what the service delivery includes and what

the customers should expect from the service. They offer the potential of reducing the gap between what customers expects and what is then actually provided. Service descriptions are one practical tool in the pursuit for closing the customer gap. Congram & Epelman (1995) point out *“good service description is invaluable, whether we wish to improve an existing service or design a new one, train a new employee or cross-train a veteran, develop standard operating procedures or identify ways to customize our service”*.

Congram and Epelman (1995) talk more about the importance of a process description as service management tool to achieve service and organizational excellence. We can consider service description also as a process description. Good service description includes of course more aspects than just describing the service process but the authors' points about process modeling methodology suite well also in describing service in general. Congram and Epelman (1995) assert that employees must participate in the model development process both to leverage their experiences with the process and to involve them in process improvement efforts. Authors also argue that the model should help service employees become more effective in handling their responsibilities, and it should foster collaboration between different teams or functions. (Congram & Epelman 1995)

O'Sullivan, Edmond and ter Hofstede (2002), O'Sullivan (2006), and Oaks, ter Hofstede and Edmond (2007), all from Queensland University of Technology, have published a series of papers on describing services. Even their work is more focused on digital services like internet services etc. the characteristics of services are similar throughout the service field. Thus, the characteristics of a service description can also be considered similar for any service. O'Sullivan et al. (2002) believe that rich and accurate service descriptions would be applicable in the areas of service discovery, substitution, composition and service management. They also think that service requestor would be able to have more thorough decision-making if there would be increased level of service property information available.

O'Sullivan et al. (2002) say no standard currently exists that is capable of accurately representing services. Authors point out that the need to describe a service is however analogous with the requirement for labeling goods or products. Like product labels provide a summary description of the good to which it is attached a service should be labeled as well. This information in goods or services is used by prospective buyers together with the price, to make a rational decision about purchasing the product or service. O'Sullivan (2006) argues that product labeling occurs for the safety and benefit of purchasers. O'Sullivan lists some characteristics why it is challenging to provide descriptive service information:

- Services are heterogeneous on their nature.
- Services are inherently complex.
- There are no generic domain independent concepts for describing services.

- Service providers intentionally try to limit a service requestor's ability to compare services based on lower-order properties (e.g. price). (O'Sullivan 2006)

Oaks et al. (2003) discuss the capability of a service. They point well out that service description should state what the service can do, and the context within the service operates on. In other words - what the service is capable of and in which circumstances. O'Sullivan (2006) points out in addition that the description of the service capability must include also any pre-conditions and post-conditions. What inputs are needed by the requestor in order to provide the capability? O'Sullivan (2006) and O'Sullivan et al. (2002) recognize the importance of describing the functional properties like the behavior or capability of a service, but they make a distinction between the functional and non-functional characteristics of service. Authors argue that service description is only complete once the non-functional aspects are also expressed. Based on O'Sullivan (2002) the categories of non-functional properties of services include temporal and locative availability, payment, price, obligations, rights, quality, security, trust, penalties and discounts.

Grönroos (2007) presents service package model. Based on this model a service is a bundle of features and customer benefits, not just single action. According to the model, the basic service package is a bundle of different services, tangibles and intangibles, which are needed together to fulfill the customers' needs. Grönroos (2007) distinguishes three groups of services usually included in the package:

1. Core service
2. Enabling services (and goods)
3. Enhancing services (and goods)

The core service is the core service, e.g. for a hotel it is the lodging and for an airline it is transportation. However in order to make the service available and reachable for the customers, some additional services are needed. For an airline, these enabling services could be, for example, ticket booking, check-in, baggage drop and gate services. The third type of services is enhancing services. Enhancing services do not facilitate the consumption or use of the core service but are used as a means of competition. For an airline, these could be the catering during the flight or the inflight media system. Grönroos (2007) point out that it is important to distinguish between the enabling and enhancing services. Enabling services are mandatory, and without them the core service is not usable and the service package will collapse. Enhancing services are there only to increase the value of the service and/or differentiate the service from the competitors.

The elements of the service package determine what the customers receive. They do not say anything about how the process is perceived (Grönroos 2007). According to the quality models

of services, the service production and delivery process, especially the customer perception of the buyer-seller interactions, is an integral part of the service product. Grönroos (2007) argue that for this reason the basic service package has to be expanded into an augmented service offering before we have a description of the service as a product. The augmented service offering includes the service process and the interactions between the organization and its customers, that is, the service production (including delivery) process. Grönroos (2007) distinguish three basic elements which from a managerial point of view constitute the service process:

1. Accessibility of the service
2. interaction with the service organization
3. customer participation

Grönroos (2007) say, adding these three elements to the service description the service product is more likely to present the service process which the customers experience and evaluate. It is important the elements of the augmented service offering are geared to the customer benefits (Grönroos 2007). The augmented elements should of course be also presented in a customer oriented way. Grönroos (2007) sums up *“in service encounters the core service, enabling services and enhancing services of the basic service package are perceived in various ways, depending on the accessibility of the services, how easily and well the interactions are perceived, and how well customers understand their role in the service production process.”*

Managing communication is an integral part of managing the service offering. Based on the model of perceived service quality (Zeithaml et al. 2009) image has a filtering effect on quality perception. Because the intangible nature of services, communication activities have a direct effect on how the customer experience the service. Therefore, the firm has to manage its market communication so that they enhance the perception of the augmented service offering (Grönroos 2007).

Grönroos (2007) presents the service package and the augmented service offering and argues that the service product cannot be described without the elements of the augmented service offering. O’Sullivan (2006) goes more deeply to the elements of the augmented service offering by presenting 10 non-functional service properties which are needed in describing a service. These properties are temporal and locative availability, payment, price, obligations, rights, quality, security, trust, penalties, and discounts.

When is the service available? When can the service be requested by the customer? Some services are regularly on the move like taxis, busses or trains while in some services, the advertised availability can differ from the practical availability of the service (e.g. time the

customer need to reserve for cloak room services and seating before the start of a theater show). Availability of a service may also be specified with respect to another object or service (e.g. service 2 is available only after service 1 is accomplished). Representing the availability in the service description is challenging but important. The duration and approximate completion time of the service might also interest the service requestor. This information can be needed for example decision-making reasons or for accurate scheduling of multiple services together. (O'Sullivan 2006)

'Obligations' refers to the responsibilities of both the service provider and the service requestor. These nonfunctional properties should be available for discovery by interested parties. Obligations can also be functional like in the form of input required from the service requestor in order to receive the service. Services don't involve a transfer of ownership from the service provider to the service requestor like in the provision of goods. 'Rights' refers to the limited set of rights that service requestor is granted when requesting a service. "These rights provide a degree of control over the request and consumption of the service" (O'Sullivan 2006). For example using an internet-based service user gets a certain amount of time or accesses to the service against the fee paid. On the other hand, some internet services like streaming video services today require certain minimum internet bandwidth speed and sufficient enough computer performance in able to stream full video quality. These customer obligations need to be expressed explicitly in the service description. Grönroos (2007) points out that service package can be perceived in various ways, depending for example how well customers understand their role in the service production process.

'Quality' refers to the service provider's commitment to provide a certain level of quality. Service Level Agreements (SLA's) are often used as the formalized tool for agreeing certain level of quality. Penalties are normally imposed for non-compliance, but in case of internal services this is rarely the case. However, SLA's are still used for setting and measuring internal quality targets. Service providers can use also guarantees or warranties to express commitment to a service. This can be the case also with internal services. (O'Sullivan 2006)

'Security' and 'trust' are important if not mandatory components of services, especially electronic ones. Based on O'Sullivan (2006) security alleviates concerns relating to identity, privacy, alteration and repudiation of information transferred between parties. Trust, on the other hand, balances the perceived risk, cost and benefit. These same concerns are present in the service provision process. Based on O'Sullivan (2006) service requestors have to perspectives for trust. Whether they trust the intentions of a service provider and whether they trust the competence of a service provider. O'Sullivan (2006) aptly throws a question about the effect of past performance to the perceived risk of the service requestor: Would access to the data about past performance of a service provider reduce the perceived risk of

the service requestor? (O'Sullivan 2006). There is no need to discuss if security and trust would not be important also in internal services, however, those can be considered considerably obvious in that context. In the end, every employee is working towards the same goals and vision. However the question about the visibility of past performance should be valid also for describing internal services.

The other non-functional service properties by O'Sullivan (2006) are 'payment', 'price', 'penalties' and 'discounts'. These are not described more deeply here as in internal services (which this study is about) these properties do not play so big role in the context of describing the service. Different cost allocation methods allow organizations divide internal costs many different ways but presenting these rules, whatever they may be, in the service descriptions for internal services is questionable.

Based on Paul Huppertz (2012), an ICT and service consultant, any service can be specified by means of 12 standard attributes listed below:

1. Service consumer benefits
2. Service-specific functional parameters
3. Service delivery point
4. Service consumer count
5. Service delivering readiness times
6. Service consumer support times
7. Service consumer support language
8. Service fulfillment target
9. Service impairment duration per incident
10. Service delivering duration
11. Service delivery unit
12. Service delivering price

O'Sullivan (2006), as well as Huppertz (2012), has discussed the service description attributes mostly in the IT-service context. However, the characteristics they list can be seen mostly suitable for any service, IT or not. There are some same characteristics in their lists, but also some different aspects considered as well. Equality sign can be drawn for example between the characteristics like O'Sullivan's temporal and locative availability and Huppertz service delivery point, service delivering readiness times, service consumer support time as well as service delivery duration. These characteristics are included also in the Grönroos' (2007) accessibility.

In addition to the similar or equal characteristics of O'Sullivan (2006), Huppertz (2012) list as first the 'Service Consumer Benefits', the benefits for the service consumer of using the

service. Surprisingly O'Sullivan et al. (2002) or O'Sullivan (2006) do not list the consumer benefits in their attributes. Aren't exactly the expected benefits for the service consumer which triggers the use of the service? Huppertz (2012) point out that these benefits should be rendered for the customer the service is directed to. Meaning that the benefits should really be customer focused. The description of these benefits must also be phrased in the terms and wording of the intended service consumers.

Other attributes in Huppertz's list like 'service specific functional parameters', 'service delivery point' and the aspects of availability are same or similar to what O'Sullivan (2006) lists as the functional and non-functional characteristics needed for comprehensive service description. Few attributes in Huppertz's list are clearly focused in IT software or services. These are the 'service consumer count' and 'service consumer support times'. Service consumer count reflects the number of consumers allowed using the service, for example, it is usual to provide an e-mail service bundled with an internet access, but the number of e-mail accounts is limited to few. 'Service consumer support times' refer to the support of using the service (e.g. IT system), not the availability of the IT system itself. These attributes must be considered if creating service description for internal IT services.

Congram and Epelman (1995) emphasize the capabilities of the ready-made service description in service management but bring along also the aspect of the creation process itself as a tool for training and process development. Grönroos (2007) presents the service package and the augmented service offering for describing the service product. Grönroos (2007) reminds that the three elements of the augmented service offering (accessibility of the service, interaction with the service organization, and customer participation) are critical to describe the service process.

3 Empirical research

3.1 Case organization

The case organization is the logistics unit of Rautakesko Ltd. Rautakesko is a Finland-based company, which operates in the building and home improvement products trade in the Nordic countries, the Baltic countries, north-western Russia, Belarus and also in agro trade in Finland. The company is part of the Kesko Group. Rautakesko is a market leader in its operating area and the sixth biggest in the whole of Europe. With a turnover of €2,716 million (2011), Rautakesko has more than 450 retail stores in six chains: K-rauta, Rautia, K-maatalous, Bygghakker, Senukai and OMA. In addition, Rautakesko runs B2B sales (Rautakesko Yrityspalvelu) in Finland. Yrityspalvelu's customers include national construction and industrial customers and other business customers in the field. (Kesko 2013)

Rautakesko manages and develops its retail store chains and B-to-B Services. Rautakesko's international operating model combines the product group management, procurement, logistics, information system control and networking development operations of the chains in the various countries. In Finland, the stores are run by shopkeepers. In addition, Norway has approximately one hundred shopkeeper-run stores in the Bygghakker chain. (Kesko 2013)

The company's strength is its wide network and direct sourcing connections to domestic and international suppliers. Product lines are House building, HEPAC (Heating, Plumbing and Air Conditioning), Tools and small hardware, Home decoration, Home furnishing and household appliances, and Yard building and outdoor living. The stores offer a variety of 30,000-50,000 items. (Kesko 2013)

The case company's logistics unit has traditionally been responsible for logistics operations like efficient warehousing, distribution logistics, claims handling and development of logistics models. During the past two to three years, the company has gone through a huge change of mindset; from a network of locally managed country organizations to a "global" centrally led retail operator with joint global processes and approach. Substantial part of this change has been the project for building one common enterprise resource planning (ERP) system with global processes in all operating countries.

As part of this organizational change, and of course the new facilities given by the common ERP, the logistics department has been taking over new responsibilities like centralized master data maintenance and centralized replenishment planning for distribution centers and stores in all the operating countries. At the same time, the logistics department has grown together from small local departments to one big "global" logistics team with more than 80

employees. While the logistics department has been growing to be a global logistics team with new sub-teams and responsibilities, problems have emerged: How to get the strategic message to everyone and so everyone can focus their efforts to achieving the common goals? How to commit the people to the common goals? Not only how to communicate the common goals to everyone but how to change the mindset of the people to more service oriented? And even more importantly how to communicate this all to customers in an understandable way? How to form an integrated marketing communication message that would provide the same information about the unit's services and goals to both employees and customers in the new changed organization?

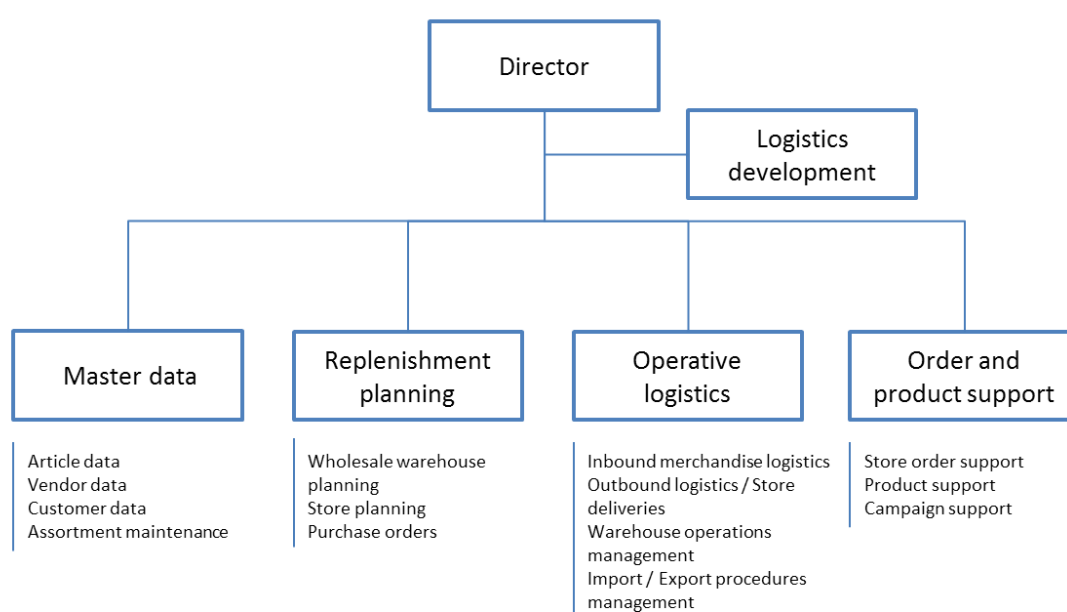


Figure 8: Case organization's structure

The logistics strategy has been traditionally formed by logistics managers from the basis of where the world of logistics is going. It has not had so much to do with commercial strategies of different chains or departments of the company. More or less it has had purely logistical approach. This has been a working approach in the past as logistics department has been quite small and local, so the execution of strategy has been easy and easily manageable. It has been easy to communicate the strategy and focus to the team members. Local country teams have also been more self-steering, and they have created their own action plans according to the local chain strategies.

For logistics strategy formation, the department has now tried one time a new approach. In this, the logistics strategy is not built separately and solely from the logistics perspective but it more springs from the company's overall strategy. This has been a change of mindset in the logistics; from egocentric "how we do the logistics the most effective way?" to service

oriented “how can we help the organization to achieve its goals?” The idea of this kind of approach was found working, but there still was a problem in taking the strategy to everyday tasks of the employees in different teams in different countries. The problem seems to be that the logistics units in different countries and even teams in one country unit do not have a common understanding about their place in the organization and even the reason for existence seems to vary from team to team.

More importantly, apart from the unit’s internal reasons, based on the unit’s management there has also been some negative feedback given by the unit’s internal customers. Feedback has been about not understanding what different services include, what should be the outcome for a service, and in which quality. Whilst the services have not been clearly defined earlier, the contents have been changing from customer to customer, based on the situation. This has confused the customers even more.

3.2 Service design

Service design has many methods created by designers over the years or drawn from other disciplines. An effective design method supports designers visualize concrete solutions to human problems (Goodwin 2009, Saffer 2010). Mager (2011) defines the goals for service design: “*Designing services that are useful, usable and desirable from the user perspective, and efficient, effective and different from the provider perspective*”. Service design process is about planning and organizing people, infrastructure, communication and material components of a service with the ultimate goal of improving the service’s quality, the interactions between a provider and its customers, and the customers’ experiences. Involving users, employees and other actors to the process is the driving force. Service design process looks in to details, but more importantly it should focus on the full customer journey, including the experiences before and after the service encounters.

Mager (2011) lists some basic statements about service design that she feels are, even they have been around for a while, still useful to get the first access to the field. Services should be looked at like products. Services like products are connected to strategy and when designing services it is about positioning and portfolio management just as with products. Focus should always be on the customer benefits. Service designer should dive into the customers’ world and explore the vivid world of emotions and experiences. Service designer should see the “big picture”. The service experience usually starts long before the actual service encounter and never ends to the “Goodbye”. This is why instead of designing just a service the whole service experience should be designed. To do this, the invisible service needs to be transformed visible through perceivable evidence and service touch points. Lastly

Mager points out that in many times, the success of service encounters depends on the people. This is why corporate culture plays a big part in service design, and thus cultural change is often part of the design process. (Mager 2009, 2011)

Stefan Moritz defines service design as “*methodology to help improve or innovate service experiences that result in more satisfied customers and more profitable enterprises*”. Moritz’s service design process is divided to six tasks that need to be taken in service design process. The process parts are described in more detail below.

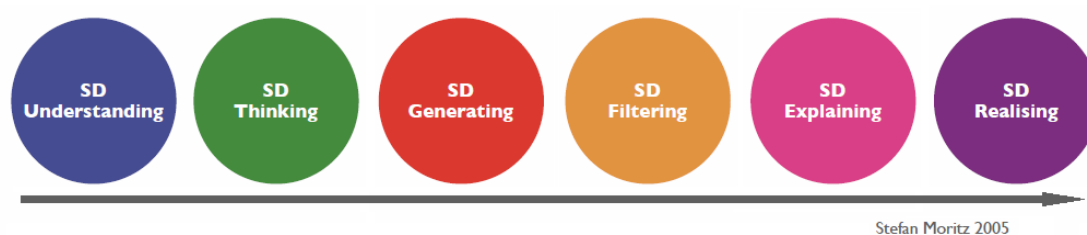


Figure 9: Service design tasks (Moritz 2005)

SD Understanding

The first step, SD Understanding is all about researching the clients’ latent and conscious needs by gathering data and insights about and from the users of the service. Goal is to find out about context of use, constraints of use and users behavioral models, motivations, attitudes values and dreams. SD understanding explores possibilities.

The goal of this step is to generate insights that identify the areas the company should be going for, according to what is right for the organization. SD understanding goes beyond things that people are already familiar with. (Moritz 2005)

SD Thinking

In the second step, the aim is to develop the strategic framework for service design. It is to identify problems, criteria and focus of the development, without forgetting to identify any possible underlying motives. During this step, the service design is set objectives, goals and vision. SD thinking has a transitional role between SD understanding and SD Generating. SD thinking turns complex data into insights. (Moritz 2005)

SD Generating

In the third step, in Moritz’s service design process, SD generating, the insights from step SD understanding with the objectives and vision from step SD thinking are turned to service ideas and solutions that are true to the needs of customers and are in line with the developed strategy. SD generating develops relevant and innovative ideas into alternative designs and concepts. In this step, it is all about doing, creating and coming up with ideas and solutions and then setting the processes up. Every detail and object of the service experience needs to

be designed, and spaces and other elements need to be developed. Moritz reminds that the SD Generating should not be just a random idea session, but it should always be based on insights and strategy. (Moritz 2005)

SD Filtering

Filtering step is to select ideas and combine concepts. The results and solutions from SD generating are evaluated, and the best and most relevant should be selected. The quality and performance of the new concepts are tested, measured and they are evaluated with different aspects like economic and legal. Key decision makers should be involved to his process as much as possible. (Moritz 2005)

SD Explaining

The goal of the explaining step is to enable understanding of the new service concept idea. Several methods like hand sketches, video montages or real life prototypes can be used to explain the new concept to decision makers and other stakeholders. In this phase, the last decisions about details need to be made so this step should be seen as a discussion platform for the whole team as well as to other stakeholders. SD explaining should have what-if perspective. (Moritz 2005)

SD Realizing

SD realizing makes services happen. In this step, the solutions and processes are specified and implemented. Realizing can mean either testing a prototype or the actual service. In this step often a business plan and service blueprint are provided. These will describe in every detail how the service system will work and look like. In this step also trainings for personnel are carried out and guidelines set up to ensure that employees are able to put the service in action. SD realizing takes a service to market, but Moritz emphasizes that it should not be considered as the end of service design process but rather as a new beginning. (Moritz 2005)

Where Moritz has divided his SD process to six steps, to guide the user through the service design process, Heather M.A. Fraser (2010) presents 'The three gears of design' model, which splits the design process into three parts. Fraser's model has, as the name refers, three top level process steps: Empathy and deep user understanding, concept visualization and strategic business design. Even with a quick look might seem, this is not a 1-2-3 clean and linear process, but rather an iterative process as messy as finger-painting. Fraser (2010) reminds that this methodology, even drawing from many tools and techniques in both the design world and the business world, is not the ultimate truth. However she proposes that design teams can get to bigger breakthroughs faster by cycling through these three gears starting from the user insights. Based on Fraser (2010) embedding following methods and mindsets into strategic planning practices "helps an organization to identify opportunities to

capitalize on new and unmet needs, explore possibilities outside its current activity system, and set strategies to evolve the business model toward a new level of competitive advantage.” (Fraser 2010)

Fraser (2010) suggests that before beginning the journey through the three gears, the business team should frame up its current operating strategy. The team should have a firm understanding of what the organization is doing today, what are the current business models, operational and strategic focus areas and market challenges and opportunities. This will help everyone to get grounded to the same view of the current state of the organization (Fraser 2010). The three gears are explained in more detail below.

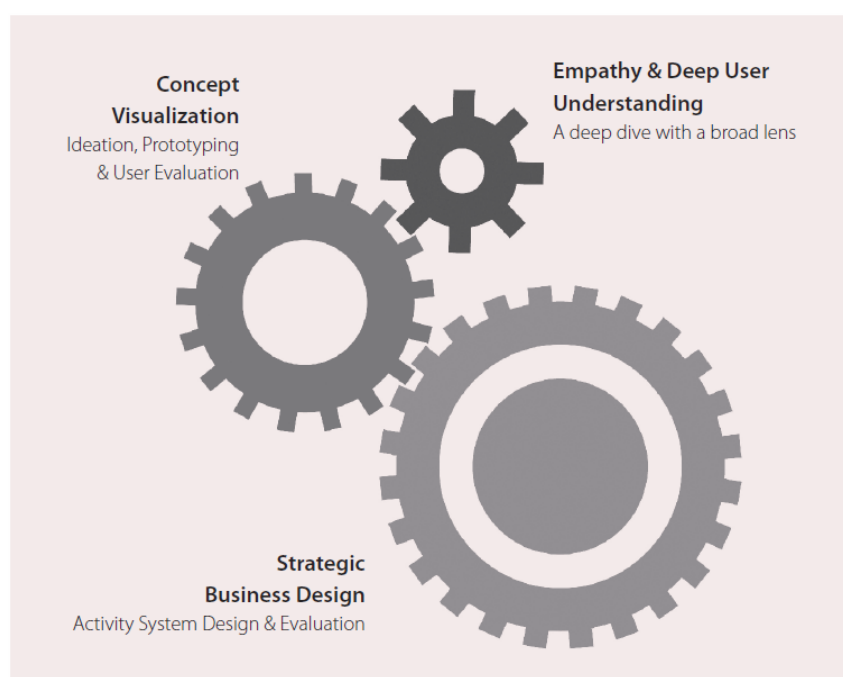


Figure 10: The Gears of Business Design (Fraser 2009)

Gear One: Deep user understanding

The first step is to reframe the organization and view its business wholly through the eyes of the ultimate end user or customer (or other critical stakeholders). The step is all about understanding the customer. It is necessary to look beyond the direct use of an organization’s products or services. It is necessary to dive in to the contexts in which they are used and reveal the activities and feelings surrounding their utilization. Doing this provides the possibility to gain deeper insight and broader behavioral and psychographic perspectives on reviewing the product or service at hand. Fraser (2009) emphasizes that it is critical to understand the “whole person” engaged in any given activity—not just what they do but how they feel and how their needs surrounding their activities link to other parts of their lives.

Fraser (2009) argues that companies are often good in measuring the human factor in their business in terms of demographics, habits, and segmentation, but are often lacking in broad and deep understanding of the customer. Fraser (2010) points out that it is this deeper understanding of needs that reveal important opportunities: *“A deep dive with a broad lens in Gear One helps to reframe the challenge, define criteria for innovation, and open up new opportunities to create value.”* (Fraser 2009, 2010)

Gear Two: Concept Visualization

User empathy unleashes creativity. After gaining a deep understanding of the customer and with renewed empathy is time to the concept visualization. This is done through multiple-prototyping and concept enrichment. Ideally this is done together with users or customers. It is vital to look beyond what is to what could be. Through understanding the deeper needs of the user, using imagination and searching multi-dimensional approaches to cover those needs, there is the possibility to generate altogether new-to-the-world solutions and strategies that had previously not been pursued. At this stage, there should be seen no constraints, only possibilities. Engaging as many functions and disciplines on the team infuse ideas into the process, fortifies team alignment, and prepares the traction that will lock down strategies and activate them later. (Fraser 2009, 2010)

Gear Three: Strategic business design

The third gear is to align previously well-defined, user-inspired solutions to broad concepts with future reality. The third gear is to explore what it would take to make the “Big idea” commercially viable by articulating the strategies and capabilities required. This phase entails prototyping the business model to integrate its parts and assess the impact of the activity system as a whole. It is critical to identify what will drive the success of the solution and prioritize which activities an organization must undertake to deliver these strategies. Also, it is important to define the relationships of those parts strategically, operationally, and economically because ultimately this will determine what net impacts the new business model will have. (Fraser 2009, 2010)

With above methodological framework, the success ingredient is the mindset of the individuals on the design team. Fraser (2009) lists some important emotional conditions that allow design thinking flourish: There needs to be open-minded collaboration so that everyone in the team will be receptive to new insights and ideas; team need to be able to think abductive to move from what is known to the exploration of what could be; there should be permission to risk early failure because great design does not come without risk taking; also imperfection and iteration should be allowed early in the process to explore lots of possible solutions without perfecting a prototype too early. (Fraser 2009)

Based on Fraser (2009) business design is at its core about combining the essential three gears with a design mindset. She alleges that a true design organization asks three questions of every opportunity: “What is the need driving this initiative?” “Have we pushed out on the possibilities to best serve that need?” “How can we embed that into our business model to create a sustainable advantage?” Fraser (2009) suggests embedding design methods and the power of all three gears into an organizations DNA and seeing “design thinking” as ongoing fitness program instead of one-shot vaccination. Ultimately this will result an enterprise to success by breakthrough strategies of developing new business models to better meet user needs and expectations. (Fraser 2009, 2010)

As we continue to the next design process definition, Cooper’s Goal-Directed Design process, presented by Kim Goodwin (2009) it starts to become clear that all processes described here have some general similarities. As well as in Moritz’s service design process and in Fraser’s three gears of design, also Goal-Directed Design model has the same main bodies or areas. In high level, there are however few differences in the Goal-Directed Design process.



Figure 11: An overview of the Goal-Directed process (Goodwin 2009)

Goodwin’s (2009) design process starts a bit earlier than Moritz’s or Fraser’s processes. It starts already from the project planning. Also, the process continues all the way to the actual implementation support. Otherwise Cooper’s Goal-Directed Design process has the same basic themes in it: Understanding customers and end-users through research, analyzing and modeling the findings to understandable format, defining the customer or user requirements,

defining the framework for new service design and the actual final design of the service or product (Goodwin 2009). As most of the phases are same or similar as in Moritz's or Fraser's processes, only the missing project planning phase and the implementation support phases are described more detailed in below.

Project planning

First process part, previously not described in Moritz's or Fraser's processes, is the project planning. In project planning phase, it is important to identify the key stakeholders for the project and the service process. Executives and stakeholders usually want at least a rough plan how the project will be structured and what can be expected as results. Goodwin (2009) states that as important it is to have a good project plan it is to have the correct members. Creating a project plan is usually an iterative process. Creating one helps the stakeholders, and project team itself to draw some guidelines for the project and to understand what kind of help or resources the project need in order to succeed. Very detailed timetable, for example, is quite difficult to build because service design process is usually quite mutable because based on findings during the process, but a rough one should be generated. (Goodwin 2009)

Implementation support

Second new process part is the implementation support. Goal-Directed model has not forgotten the fact that service designer should be there all the way to the implementation of the service. Design may head downhill if engineers or whoever implementing the actual service will have to start making decisions by themselves. It might seem that the designers work is done after final specifications have been delivered forward to the engineers or business to implement, but several pitfalls still remains on the road to the actual release of the service of solution. (Goodwin 2009)

Looking at the described service design processes it becomes clear that understanding the customer is the key in designing services. It is the customer to whom the service is created and who consumes it. This is why in service management and service design literature major part is about the customer focus. Stefan Moritz (2005) emphasizes that it is important to involve and integrate customers to the design process. Customers are anyway involved in the production and delivery of the service. There are excellent experiences in the market in designing details and human interfaces to make up the service touch-points that customers experience. However service design looks over these details with the big picture in mind. Service design brings together elements of managements, marketing, research and design (Moritz 2005). One of the key characteristics separating services from products is simultaneous creation and consumption. Customer as the service consumer is an essential part of the service. It is only when service is used when value is created. Customer co-creates

and co-produces the service (Grönroos 2007). So it is no surprise that understanding the customer is in a key role in all of the earlier described service design processes. Grönroos (2007) argue that developing a well-defined customer benefit concept, which states the benefits customers appreciate, can only be formed based on a thorough understanding of the customers' everyday activities and processes.

Even the design processes have differences the authors (Grönfeldt and Strother 2006, Grönroos 2007, Goodwin 2009) agree that it is important to align the service design with organizational strategies. Grönfeldt and Strother (2006) summarize the service design process into six steps:

1. Align the strategy and design of the service concept and service processes
2. Involve employees and customers in the design process
3. Map the process, because a mere written description has proven to be inadequate for such complex phenomena
4. Prepare people and tangibles for the change or adjustment being planned
5. Improve the design by testing and building in continuous improvement
6. Launch the service onto the market, then collect customer feedback to ensure and enhance the quality. (Grönfeldt & Strother 2006)

The empirical part of this study follows the Moritz's Service Design (SD) process (Moritz 2005). Moritz's SD process was selected because its clarity and practicality. It is a flow-through of tasks to be taken in service design process. Moritz suggests in his book (2005) different methods to be used in each task phase and thus is really practical on its approach. The thesis project's aim was not to invent or re-design a service process. Where for example Goodwin's (2009) and Frazer's (2010) design processes are more clearly focused in developing a service, the Moritz's task approach was seen more modifiable for more light weight solution in designing service descriptions, one small part of the service, but still following a clear development process.

3.3 Research methods

As presented earlier service design is much about understanding the customer. This means getting beyond the obvious to the real feelings and motivations of the customers. Qualitative research is more exploratory than quantitative research. Qualitative research provides descriptive, not numerical data. Quantitative research methods like surveys or structured interviews are good tools in describing the nature and behaviors of customers empirically, but especially to test specific hypotheses that a service marketer wants to examine (Zeithaml et al. 2009). Quantitative research provides numerical data. In quantitative research, the

challenge is to ask the correct questions. On the other hand, quantitative research usually requires large response group to create enough data to form any trustworthy patterns. Qualitative research, on the other hand, has the possibility to reach much deeper in understanding the real motivation or behavior of the target group. Qualitative research is more dynamic, and the approach can be adjusted during the research if needed. Qualitative interviews and, for example, the method '5 whys' are good examples what this means: The next question is formed during the interview based on the previous answer.

In this study, the nature of the case supported the selection of qualitative methods over quantitative ones. However in the semi-structured interviews the questions were partly formed so that patterns could be recognized and thus quantitative support for the analysis was gained. Various qualitative research methods were used during the study to answer the research questions. The methods used in the study are presented next.

Table 2: Research questions and methods

Research question	Data collecting / research methods
Who are logistics unit's internal customers?	Workshops, affinity diagram, stakeholder mapping
What services the unit offers to the identified key customers?	Interviews, workshops, service lists
What the key internal customer value in general and more specific in the services provided?	Interviews, 5 why's, directed service stories
What is the best way of describing and presenting the services for the key customers?	Interviews, workshops, service blueprinting
What is the wanted effect of the service description?	Service blueprinting, interviews, workshops
What information should service description include?	Service blueprinting, interviews, prototyping
How should the information be presented in the service description?	Prototyping, interviews
How should the service description look like?	Service blueprinting, prototyping

Affinity diagram

Affinity diagram is a very simple workshop method for gathering and organizing large amounts of data, ideas and insights by evidencing their natural correlations. The method starts with a statement of the problem or the goal. During the first short session, each participant should think of ideas and write them on small pieces of paper (cards or stickers). Then those stickers would become the physical instrument to work on their contents, find the correlations and identify the significant groups of sense. This is done simply e.g. by grouping the stickers with same or similar answers. These groups then form so called “super headings” which reflect the findings. The result is a sort of verbal and visual representation describing the first exploration of the given subject. (Bonacorsi 2008)

Stakeholder mapping

Services are systems that involve many different influential factors, so service design takes a holistic approach in order to get an understanding of the system and the different actors within the system (Mager 2011). Service ecologies and stakeholder maps visualize the system and make it an object to design (Mager 2011). Service ecology and stakeholder mapping describes the system of actors within a service and the relationships between them and gives all participants of service design process a good overview of all stakeholders, customers and suppliers relevant for the service system (Mager 2011, Moritz 2005). An interdisciplinary approach is a strong anchor for service design projects since it connects experts, users and stakeholders. Benefits of stakeholder mapping include better understanding of the whole service ecology through which designers are able to establish a holistic view of the service and the context it operates in (Mager 2011, Moritz 2005). Stakeholder mapping can reveal new opportunities and inspire ideas through finding new connections between stakeholders. It helps to find new ways to create value for the stakeholders and the whole service system. Stakeholder map also helps to create sustainable services, where the actors exchange value in ways that are mutually beneficial over time. (Mager 2011, Moritz 2005)

Storytelling

One more interview method is storytelling. It is a method where people are promoted to tell personal stories about their service experiences. Stories can be effective in communicating to others the problems or values in current service processes. In Directed Storytelling subjects are asked to tell stories on their service encounters or specific service experiences. Often the moments to ask are the first times the interviewed used the service or performed an action, a time when something didn't work as expected, and a time when they did something new. (Miettinen 2009, Saffer 2010)

Storytelling is also referred as a method to explain new service ideas. For example, Stickdorn et al. (2010) propose storytelling to share the insights and new service concepts through a

narrative context to make the service proposition more compelling. Often storytelling is combined with other tools like personas or scenarios or storyboards (Stickdorn et al. 2010). In this study storytelling is used as an interview method to give the interviewee a possibility to explain their opinions or insights in more open ended and flexible way.

Customer interviews

Interviewing is still the most widely used qualitative method of learning about the users and what they want. Interview is a face-to-face discussion with usually one person to collect information or opinions on a selected area of focus. Interviews can be recorded in video, audio or note format so that they can be analyzed afterwards. Usually questions are prepared before the interview, but additional questions usually arise during the interview. There are methods like 5 why's (described more detailed later) which helps the interviewer to structure the additional question to dig through the layers to gain a deeper understanding behind the answers. Interviews can be used in different phases of the design process: context of use analysis, definition of user requirements and evaluation at different phases. (Heinilä et al. 2005, Maguire 1998, Moritz 2005)

There are different types of interviews where the type, detail and validity of data gathered vary with the type of interview and the experience of the interviewer. Unstructured interview don't have so much as constraints on the agenda and thus can be conducted in practically any human endeavor. It is useful for identifying possible areas for more detailed analysis. Semi-structured interview is useful when broad issues may be understood, but the range of respondents' reactions to these issues is not known or suspected to be incomplete. Structured interview is used when the respondents' range of replies is already known, and there is a need to understand the strength of each shade of opinion. In an elicitation context, the semi-structured interview is generally most fruitful. Maguire (1998) lists the typical four phases in the semi-structured interview:

1. The "nurturing" phase. This is the initial warm-up to the interview with pleasantries exchanged, and introductions made.
2. The "energizing" phase. Here, the area of discourse and any existing problems are identified.
3. The "body" of the interview. This is the peak phase of activity, where the interviewer is continually probing, and ideally asking open-ended questions about issues to understand the range of responses the users produce. It is important at this stage for the interviewer to remain analytical and neutral.
4. The "closing" phase. Also referred to as the relaxing phase, where summaries may be given as to what has taken place. Subsequent actions are noted, and future planning is made. (Heinilä et al 2005, Maguire 1998)

In contextual interview, the clients are interviewed as close as possible where the customer is in contact with the relevant service. The interview takes place while the customer is using a service. In this way, the interviewer can find out why customer is doing certain things or what their expectations are. Contextual interviews are really good way to get qualitative data about the actual usage of the service. This kind of combining observation with interviews will allow gathering more rich and useful information quickly. Spending time in the users own environment enables the user to demonstrate their typical activities and helps the interviewer to understand *why* people do something in addition to usual questions *what* and *how*. The interviewer may need to acquire domain knowledge in order to know what questions to ask. What people say differs often from what they really do. (Goodwin 2009, Moritz 2005)

Interview method: 5 Why's

5-Why's is an interview analysis method used to move past the outward symptoms of a defect or problem in order to find its ultimate root cause. It is a method to drill down through the visible symptom of the problem; it's a pathway to the real root cause (Ptacek & Motwani 2011). 5-Why's is a simple and effective tool and seems like common sense. The technique was originally developed by Sakichi Toyoda and was used within Toyota Motor Corporation as part of their manufacturing methodologies. The basic idea of the method is quite simple: ask "Why?" whenever a problem is encountered. Typically, the initial response will not trace back to the root of the problem thus it will only be a symptomatic representation of the overall issue. By repeating why at least five times, the nature of the problem as well as its solution usually starts to clarify itself. While there is no hard rule that you must ask "Why?" five times, it is usually a good idea to go at least that far. In many cases, one will need to ask "Why?" more than five times in order to find the real root cause. The reason for making this such a priority is to identify the real problem of an issue in order to fix the problem in all of its permutations once, instead of fixing many different surface problems that the major underlying problem is causing (Samalionis 2009). The tool has seen widespread use beyond Toyota and is now used within models like lean manufacturing and Six Sigma. (Miettinen 2009, Samalionis 2009, Ptacek & Motwani 2011)

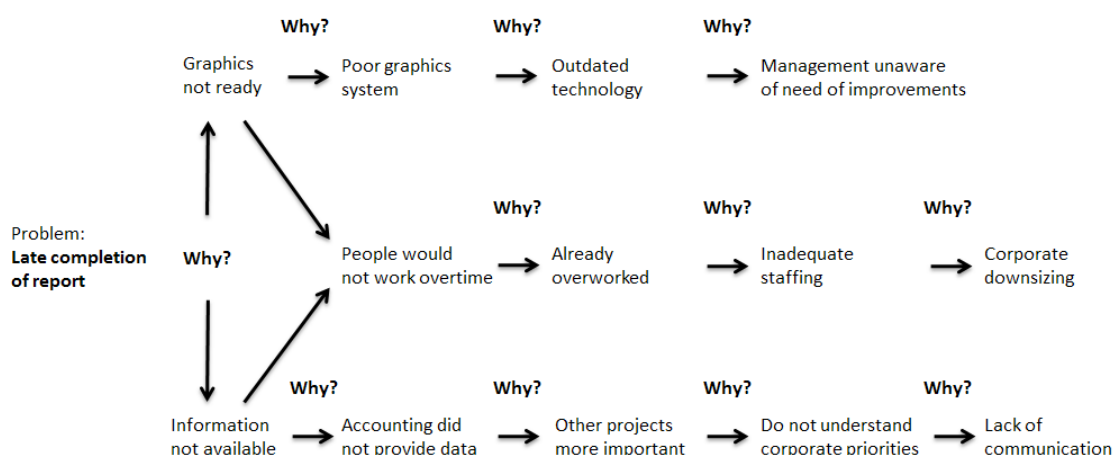


Figure 12: Diagram example of 5 why's in practice (Ptacek & Motwani 2011)

Service Blueprint

Service blueprinting is a service process analysis methodology which allows for a quantitative description of the critical service elements, for example, the time used for logical sequences of actions and processes. Service blueprint specify both actions and events that happen in time and place of the interaction and actions and events that are out of the line of visibility for the users, but are fundamental for the service. Service Blueprints consists of typically five components from which the customer actions should have the focus. Customer actions are the customer's steps during the service delivery process. (Bitner, Ostrom and Morgan 2008, Miettinen 2009, Morelli 2002)

Service blueprint differs from typical process flowcharts approaches because, in this, the customer's actions are in the central of the blueprint. Other components are onstage/visible contact employee actions, backstage/invisible contact employee actions, support processes and physical evidence. Onstage/visible contact employee actions are separated from customer actions with the line of interaction. These are the actions of frontline contact employees that occur in direct contact with the customer. Every time the line of interaction is crossed a moment of truth has occurred. Next significant component of service blueprint is the backstage/invisible contact employee actions. These are the actions taking place behind or below the line of visibility and are not visible for the customer. For example if service employee needs to prepare the actual service encounter, the step is described below the line of visibility, but it has an important role in the service delivery. The fourth component is the support processes which are separated from the backstage or onstage contact employees with the line of internal interaction. These are the actions that need to happen in order to deliver the service, but they are done by any other employees or persons who are indirectly involved to the service delivery process but are not contact employees. Final component is the physical evidence at the very top of the blueprint. Physical evidence are all the physical

tangibles that the customer sees or experiences during the service. Physical evidence is, for example, web site, letter, e-mail, system interface etc. (Bitner et al 2008, Miettinen 2009, Morelli 2002)

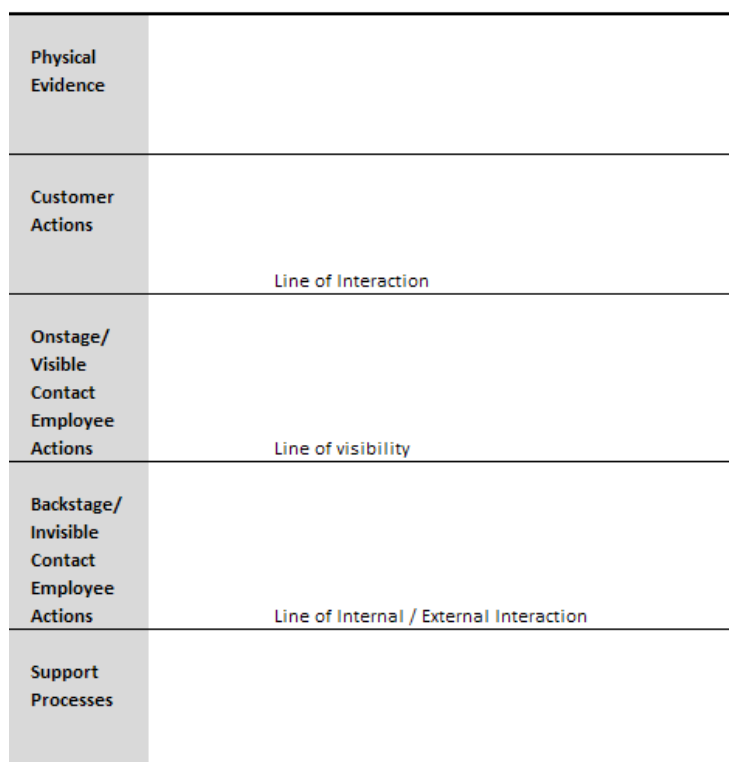


Figure 13: Service Blueprint Components (Bitner et al. 2008)

Cross-Functional Teams

Cross-functional teams, as the name implies, consist of members from different organizational units. Sometimes these types of teams are called also multidisciplinary teams (Parker 2003). Cross-functional teams are used to improve and coordinate a work process that crosses organizational lines and to accomplish tasks that require varied levels of skills and experience brought together (Naumann & Giel 1995). Based on Parker (2003) effective cross-functional teams have many advantages like reducing the time it takes to get things done, bringing together people with different experiences and backgrounds. Parker (2003) also argues that cross-functional teams improve the organization's ability to solve more complex problems as well as they increase the creative capacity of the organization, but most importantly in the service design context, they "*focus the organization's resources on satisfying the customer's needs*" (Parker 2003). Naumann and Giel (1995) bring up one important benefit of employees experiencing a high degree of organizational commitment when they are actively involved in problem solving or making changes into customer service processes. Congram and Epelman (1995) also argue that employees should participate in the

process modeling, both to leverage their experiences with the process and to involve them in process improvement efforts. In cross-functional team, this would mean learning over the organizational boundaries.

Prototyping

Like in any development, tangible products or new services, some testing is needed on the way and in the end. It is important to experience some aspects of the service idea, for example, touchpoints, with customers or professionals in order to improve the solutions before they are realized (Zeithaml et al. 2009). Prototypes can be used to test ideas quickly and cheaply before getting to the costly development of a new or improved service (Zeithaml et al. 2009). Holmlid and Evenson (2007) point out that the type of prototype can differ based on the purpose of the prototype. Different prototype method can be used if it is created to test a solution or to explore possibilities. Prototypes are often used to try and test how ideas work in the context of real life. Prototype can be used to test a new idea on users or customers (Moritz 2005, Zeithaml et al. 2009). Prototypes help to iterate design solutions through quick incorporating and testing ideas and refinements they may provoke (Stickdorn et al. 2010).

Templates

Templates can be used to implement a service consistently. Templates can be documents or tools that help, for example, writing multiple service descriptions for different services in the designed way. Template is stricter than just guidelines. Templates are easier to use than guidelines while leaving less flexibility. However templates can also be formed so that they provide the structure but still allow some flexibility and individual adoptions. (Moritz 2005)

3.4 Collection and analysis of the empirical data

The empirical research follows the service design (SD) process and methodology by Stefan Moritz (Moritz 2005). Moritz SD process is divided into six different tasks that need to be undertaken during the service design process.

3.4.1 Task 1: SD Understanding

The first task in Moritz's design process is to understand the customer: What are the customer's latent and conscious needs? Goal is to find out about context of use, constraints of use and users behavioral models, motivations, attitudes values and dreams. The first task is also about learning the operating environment. (Moritz 2005)

Like presented in the literature review one key factor in delivering quality service, is to know what the customer wants or expects. One way of knowing what the customer expects is to manage those expectations. It is clear that to succeed in this task, organization needs to understand who these customers are. In the case organization, this aspect had not been addressed earlier. The logistics unit had not clearly and openly acknowledged who their key customers are. First task in this study had to be recognizing and deciding who these customers are. Second task, after recognizing the key customers, was to understand what services the logistics unit offers to them, and what does the customers value in those services and in general. Like already mentioned this part consisted of:

1. Identifying the logistics unit's key internal customers
2. Identifying and collecting the services offered to these key customers
3. Understanding the customer perspective to the services offered to them

This part started with logistics management team in spring 2012. During normal monthly management team meeting, one point of the agenda was to identify the key customers for the logistics unit. A workshop method called 'Affinity diagram' was used as a tool to identify the key internal customers and customer groups. Affinity diagram was used in this study to quickly combine the insights of logistics managers about who they see as the key customers for the unit. The method was selected because it was easy and fast to conduct as part of the weekly team meeting. There was no need to separately organize any workshop for the task and method was easy to conduct with pens and sticky notes. Reason to use a method like Affinity diagram was to avoid the team members to affect each other's thoughts. The goal in the meeting was to list all customers, internal and external, to whom the unit provided services to. Task was to write one customer to one sticky note paper. 5 minutes were given for this task. Then these sticky notes were put to the wall and same or similar answers were grouped together, after which the findings were discussed. This method was used to reveal common perception about who the customers are and which of them are seen the most important. Everyone wrote their answers to the sticky notes individually in silence, so the participants were not interfered by each other's answers.

Affinity diagram revealed clearly two customer groups: employees in the company's product lines and employees in the chain stores or other customers the company sells and delivers goods to. The findings came not as a surprise for the management team members but during the discussion it was noted that the unit had not previously really coherently identified or decided who the key customers are. This task gave all the management team members a shared understanding about who the key customers were. More precisely from the internal customers (employees in the product lines) two clear roles were identified as the key customers. These were the international category managers (ICM) who are in the end responsible on the sales of the own product category, and the product managers who are

responsible on the more daily task in their product group. When considering these two roles even further it was understood that the product managers are the persons who more closer use the logistics services for their products, where the ICM's are more dealing with the bigger picture for the category.

The second main customer group was the external customers, i.e. the chain stores etc. to whom goods were sold and delivered. However, the focus of the study was limited to the internal customers of the unit. This is why this second customer group is neglected in the further research tasks with the remark that any findings and end results from the study could be used or further developed for this customer group's benefit as well. Before ending the meeting and discussion, a further task was given to the logistics team leaders. This task was to collect and list with their teams the different services they produce to these customers.

In the next workshop, there were again the team leaders from the logistics teams. This meeting was a follow-up meeting to gather the service lists from each team but also to create a stakeholder map from customers and other stakeholders. Reason for the stakeholder mapping was to draw a visual picture about the role of logistics inside the different actors. This task worked also as confirmation for the previous affinity diagram findings about the key internal customers and logistics coordinating role between them and the other stakeholders. Creation of stakeholder map was done with sticky notes to the wall. Logistics was put in the middle, and a circle was drawn to separate internal stakeholders from external ones to get a visual about the proportion. Then each participant used some 5-10 minutes to write down one customer or stakeholder to one sticky note and these notes were put to the wall to the stakeholder map in or outside the internal relations ring. Picture 1 shows the result.

Once again it came not as a surprise for the participants that the logistics unit has significantly more internal relations than external ones. After all, logistics is an internal service unit. This exercise strengthened the vision of ICM's and product managers being the key two customer groups. The other logistics teams were identified as internal customers, as well as other units in the company, but above two groups, were identified as the key customers. Stakeholder map gave a good view also to the other stakeholders for the logistics unit. Other internal stakeholders like finance department and legal services, as well as, the product advisers in the field were identified. Itella Ltd., the company who operates Rautakesko warehouses, and other service providers like forwarding agents, as well as, the replenishment planning software provider, were identified as external stakeholders. During the discussion, it was noted how central role logistics unit has in integrating all these stakeholders together to serve its customers.

quite randomly, but so that there were two customer groups represented: Three of the selected respondents were working as ICM's and the rest three in different positions in the logistics teams in the logistics unit. In the letter, the respondents were asked to tell freely a story about any service experience with any of the logistics teams. It was told in the letter that it was a try-out if this kind of method would work in the context. Unfortunately, the concerns were justified, and no answers were received from any of the respondents. After the second round of reminding the respondents, one service story was sent back. This was over one month later than the original deadline for the response. The reasoning for not answering (after asking for it from the respondents) was about the lack of time for this kind of additional task aside of daily work. The one story got back was amazingly good and exactly what was hoped for. However it was obvious that the remote approach was not working.

It was clear from the beginning that customers needed to be interviewed. Interviews were needed to get some insights about how customers see the logistics services and what are the most important aspects on them. After the try-out of the remote open storytelling, it was decided to combine storytelling somehow to the face-to-face interviews. In this study, the contextual interview was opted-out. The service happens mostly without direct employee interaction, and the usage of the service process is scattered possible for a long period of time so following the customer using the service process was seen too difficult to pursue. Instead, the semi-structured interview with open ended questions was selected. This could be done more effectively, and still relevant insights could be retrieved from the interview.

The challenge with the interviews for the study was that with the resources and time reserved for the study the number of the respondents would stay low. There were not enough time to carry out very thorough interview round throughout the over 40 product managers and category managers. On the other hand, it would not be good to exaggerate the use of resources for the task. Sufficient information could be retrieved also with fewer respondents.

It was decided to go forward one interview after another until some common trends could be seen in the answers to make conclusions about. A semi-structured interview method was selected because it wasn't so clear what would be the correct questions for which answers were looked for. The hope was also to find some previously unthought-of insights from the interviews. One concern was that the person carrying out the interviews was a representative of the logistics unit, and it was wanted to be made sure that the answers were not guided even a little. The questions for the interview were formed really open trying to get insights about what the customers' value in general in their work, and then how they see the services of the logistics unit. The "5-why's" method was decided to be used to dig in to the answers during the interviews. The storytelling method was included to the interview so that during

the interviews the respondents were asked to tell examples about their experiences to support their answers to the open-ended questions.

The structure of the interview was formed so that it started really open about what is the most important in the respondents work and how they feel the logistics unit is helping in this. Then the interview continued to questions about different logistics team separately. One aspect of the questions was to ask about the services the respondents knew the different teams provided. Reason for this was to verify if the knowledge about the teams' doing were as bad as expected.

The interviews started with two ICM's continuing to two product managers. After these four interviews, there could already be seen some pattern in the replies. Few more interviews were decided to be carried out to confirm the patterns. In total six internal customers were in-depth interviewed, from which two were ICM's, three were product managers and one was sourcing coordinator working daily in close contact with logistics teams. The aim with the interviews was to understand how the internal key customers see and experience the logistics services. Secondly there was hope to find some similarities, patterns, in the answers to have some quantitative support for the results.

As a result of the interviews, we could identify some key processes the customers saw from their point of view. One need was clearly uncovered: It was the need to see the end result of the whole long process instead of separate middle task results. To better understand the meaning, it needs to be described in more detail. Product managers felt the most important thing in their job was to find new good articles for the stores to sell. This was their key competence: to find articles the customers needed, wanted, or otherwise would buy if available for them. After finding this kind of article from the market next goal was to get it to the store shelf for end-customers to buy it. This is where logistics unit steps in to the picture. Where logistics unit and its services are divided strongly to separate teams providing specific steps in the process, the product manager had only one goal: getting the article to the store assortment and available. Majority of the respondents mentioned the feature that the end result the product manager was aiming to, was provided to them in separate steps by the separate teams. It is also the product manager who needs to be the "coordinator" of the process in order to get it forward. From the customer point of view, the service of getting an article created and opened to the system is not yet a result for them. For the master data team, this is the end result of their service process of opening the new article, but for the customer this is just the first step in pursuing the end result of the article being in the store available for the end customer.

Second major finding was the lack of knowledge and understanding what everything is available from the logistics teams. The role of the teams were more or less well known and understood, but the interviewed customers would like to see more information about what is available and understand the possibilities how the logistics teams could help them in their daily jobs.

Interview revealed also several service development areas and ideas, but those are left for the organization to pursue outside of this thesis study. From the service description perspective, the findings from the interviews were:

1. Service description should draw a picture of longer service process instead of/in addition to separate services
2. It should describe the end result of the process from the customer point of view
3. It should have training perspective about what services or help is available
4. It should guide the customer more easily through the long service process in pursuit of the ultimate end result
5. It should describe clearly the customers role and responsibilities in the process

The results from the interviews were used in identifying the key service processes from the customer's point of view. One of the key processes was further analyzed in the next phase SD Thinking.

3.4.2 Task 2: SD Thinking

In the SD Thinking step, the aim is to identify problems, criteria and focus of the development, without forgetting to identify any possible underlying motives. During this step, the service design is set objectives, goals and vision. SD thinking has a transitional role between SD understanding and SD Generating. SD thinking turns complex data into insights. (Moritz 2005)

Task 2 consisted of:

1. Analyzing the interview results and identifying the logistics unit's key services from the customer point of view
2. Understanding how the identified key services are today
3. Understanding the wanted effect of the service descriptions
4. Understanding what should a service description include and how should it be formed

In the thesis study service blueprinting was used to blueprint one key service process together with logistics team members. The key service process was found based on interviews and previous workshops. This key process was adding new, previously not existing article to the

sales assortment. The key service process revealed itself during the interviews through several, if not all, respondents referring to it or some parts of it. To cite one product manager: *“The key in my work is to find good products and get them to the market quickly and cost effectively”*. The goal was to have the new product in the market.

Several authors point out that employees understanding by heart the service contents and customer promise is key for providing quality service to customers. Based on Congram and Epelman (1995) employees should participate in the process modeling. Parker (2003) and Naumann & Giel (1995) have good arguments for doing service or process development in cross-functional teams. These arguments included the higher ability of the cross-functional team to get things done and to solve complex problems, but also the possibility of increased organizational commitment through participating collaborative problem solving. It was also identified earlier that many of the logistics unit’s service processes flow through several if not all the teams in the unit. For these reasons, a cross-functional team for process blueprinting was selected. Participants to the workshop were selected so that there were representatives from each team participating in the delivery of the selected key process. These teams were master data, replenishment and operative logistics. From each team, the team leader and one team member actually executing the service delivery were invited to the workshop.

The blueprinting workshop target was to:

1. Create a blueprint of the current service process as we know it
2. Discuss about the current process and identifying possible problem areas/steps
3. List development ideas for the identified problems
4. Draw a chronological flow of the process through teams and identify different individual services provided to customer during longer process
5. Gather insights how the service / services should be presented to key customers in a service description

The blueprinting work was prepared so that a large white sheet was taped on a large table in the middle of the meeting room. On the sheet, there was drawn the service blueprint components ready. The components were otherwise exactly the same as in the example by Bitner et al. (2008) with one addition: in the very bottom of the blueprint there was one line added where participants were requested to mark any concerns or problems identified in the current process. Also if there were some variations in certain process step in some cases, e.g. based on customer decision etc. those were instructed to be marked on the bottom line. Participants were asked to blueprint the pre-selected process as it was on that day. Sticky notes were used to mark the process steps or other elements on the blueprint. This enabled moving the elements around during the session.

During the blueprinting session, there were also four flipcharts put on the wall for writing down key points from the discussion:

1. First flipchart was for listing development ideas/wonders raised up during the session.
2. Second flipchart was for listing different variations from the main process which would be another discussion alone. Bigger variations that only a mark on the blueprint would not be enough.
3. Third flipchart was for listing all things that are wrong or doesn't work in the current process.
4. Fourth flipchart was for listing other key processes from logistics point of view that should be described for us and for the customer for marketing and training purposes. (Better quality in these processes would probably decrease deviations/mistakes in the later processes.)

Content of those flipcharts is not presented in this thesis study. They are for the case organizations own use and process development. The approach with the flipcharts is presented here because it is important to recognize the opportunity for internal process development during a blueprinting session. Authors like Congram and Epelman (1995) urge using the opportunity for employees to leverage their process understanding and to involve them in process improvement efforts.

Service blueprinting together with employees from several teams involved to the same service process was a good learning for all participants. During the session, the participants from different teams practically taught to rest of the group the steps they made in the process. It came clear that all the participants did not have so good understanding about the actions of other teams in the process. The results from the workshop were exciting, and key findings from the blueprinting workshop were:

1. Logistics unit has no defined process or service for providing intelligence help for decision making for the product managers
2. In the blueprinted process customer itself has a strong role as the process coordinator, logistics teams act merely as "receive and reply"
3. After the purchase order has been created and sent to the vendor, the product manager does not get any feedback from the logistics. It is up to the customer itself to follow up the goods arrival to the warehouse if so wanted.
4. Logistics teams have a critical role in the long process integrating the customer needs and 3rd party service providers to a fluent process
5. Bad quality from the customer in the beginning of the process causes challenges in later phases

Otherwise, the blueprint gave a clear picture on how the process flow goes and what steps there are included in it. It also gave good understanding how big role logistics teams have in controlling the whole process but, on the other hand, how little there are visible actions towards the customer. No wonder the interviewed customers felt they don't know that well what different logistics teams do for them, or that they feel that they as customers need to work as a coordinator of the process flow through the different teams.



Picture 2: Group working with the service blueprint

From the service description perspective, in addition to the findings from the interviews, the findings from the blueprinting workshop were:

1. Service description should integrate logistics teams as one entity to serve the customer
2. It should describe the intelligence services (analysis available) logistics has to offer for the process
3. It should have customer training perspective about what services or help is available
4. It should describe clearly the customers role and responsibilities in the process and guide the customer to fulfill their role in ensuring good quality through the process
5. It should work as training and marketing material for own employees to provide better service to the customer

The findings of the group participating the blueprinting were strongly in line with the Grönroos' (2007) service package model, where the service is not just the core service but the enabling and enhancing services are included. The findings also included the idea of

trying to describe the process more to the customer and what is the customers' role in it. The group discussed also about the importance of knowledge about the process of each employee contributing to the service process. Idea of service description working also as own employee training tool was endorsed.

One good point from the workshop was the customer training perspective as well. Like several authors and the service quality model refer it is important that the customers' understands their role, obligations and rights in the service delivery process. The group had several practical examples where the customer did not fulfill their role with sufficient quality and thus causing challenges to the service delivery. An idea about a "business-case" existing for leveraging the importance of customers' role in the process was raised. As there are many product managers and ICM's in the organization, there are also many ways of doing things. Service descriptions were seen a good way to orientate both the service employees, but also the customers to follow the service process as designed to reach the best possible quality.

3.4.3 Task 3: SD Generating

In the steps SD Understanding and SD Thinking, different qualitative methods were used to get insights and ideas about what should good customer oriented service description include and how should it look like. Before the empirical part concrete characteristics or components were provided by the literature. Literature presented also ideas about the creation process itself. These ideas were taken into consideration in the steps one and two.

In the third step, in Moritz's service design process, SD generating, the insights from step SD understanding with the objectives and vision from step SD thinking are turned to service ideas and solutions that are true to the needs of customers and are in line with the developed strategy. (Moritz 2005)

Task 3 consisted of:

1. Deciding the components and format of the ideal service description
2. Creating prototypes of a service description for the logistics unit

The service description prototype was formed based on the findings from the empirical study combined with the elements picked from the literature. Literature gave a good baseline to build the description from, but the empirical study with the customer interviews and service blueprinting gave really important insights about how to present the service.

Based on the findings from the interviews and different workshops, next are presented the characteristics the service description should include and what are the wanted effects from both customers' and case organization's point of view.

1. Service description should draw a picture of longer service process instead of/in addition to separate services.

It was found out from the customer interviews as well as from the service blueprint that logistics teams had been independent teams with independent goals and measurements. Teams work in "silos": They serve the customer and measure the success only from their own perspective. This was one of the key factors that were raised during the interviews. Product managers pointed out that, from their perspective, the service is delivered only after the products are in the warehouse available for customer stores to order. However, the logistics teams considered the service delivered after they had delivered their own parts of the process. It came clear that one of the goals of the service descriptions should be that they would visualize to the customers, but even more importantly, to the employees of the logistics unit, the longer service process as the customer sees it.

2. Service description should integrate logistics teams as one entity to serve the customer.

In addition to visualizing the longer service process, the service description should somehow link the different teams together in serving the customer towards one common goal. One of the questions in the interview was if the respondent saw the logistics teams as separate teams or as one entity. Most respondents reported that it had been made clear from the logistics unit that the teams work separately. One ICM replied that there was "a glass wall" between the teams. Merging the teams together as one logistics unit was also one of the unit's management's goals.

3. Service description should describe clearly not only the core service but should also include enabling and enhancing services relevant for the customer in the specific service process.

Like Grönroos (2007) presents, the service package includes the core service, enabling services and enhancing services. These are all important parts of the service package. One of the unit's management's goals was to increase the appreciation towards the unit. During the study, it was noticed how long is the list of enabling and enhancing services the unit produces in the background to deliver the core service, or to fulfill the role assigned to them in the organization. Meanwhile, the employees felt irritated how little the product lines appreciated them when considering how much the teams are doing on their behalf. Making the enabling and enhancing services visible might increase the appreciation towards the logistics teams.

4. Service description should describe the end result of the process from the customer point of view.

Like already described in point one, customers and service teams saw the end result of the service differently. As it was decided to visualize the longer service process from the customer point of view, it is self-evident to indicate also the end result of the service from the customers' point of view.

5. Service description should guide the customer through the long service process in pursuit of the ultimate end result.

Product managers pointed out in interviews that they had to themselves work as coordinators in the process. Without active role from product manager, the process would not flow. Service description should visualize the process flow chronologically and guide the customer, as well as the service employees through the long process.

6. Service description should describe the customer's role and responsibilities in the process and guide the customer to fulfill their role in ensuring good quality through the process. Service description should instruct the customer to act in the process in the most effective way for smooth service delivery. Several product managers expressed during the interviews that they would like to understand better what is expected from them, in order to get the service delivered as smoothly as possible. Today they felt that too often the service teams expect something from them, but they didn't realize that. On the other hand in the service blueprinting workshop, the service employees realized several challenges in the process, originating from the fact that product managers, who requests the new articles, did not provide sufficient information in the beginning, or the information was wrong. Describing the customer's responsibilities clearly might increase the quality and the effectiveness of the long process. Gap 3 in the Gaps model of service quality (Zeithaml et al. 2009) is the company not able to deliver the service according to the design and standards in place. Zeithaml et al. (2009) note that one reason for this can be customers not fulfilling their roles in the service process because not knowing their responsibilities.

7. Service description should have customer training perspective about what services or help is available.

Several product managers were keen to know more about what help they could get from the logistics unit in order to succeed better in their own job. It was also the unit's management's challenge to get all the competence and knowledge the unit possess visible.

8. Service description should work as training and marketing material for own employees to provide better service to the customer.

It is important to tell the customer about the service, and what they could expect from it, but even as important is to tell the service employees how the service process is designed to be. Based on Zeithaml et al. (2009) one reason for the service performance gap is also employee not clearly understanding their role in the service delivery process. The fourth gap in the gaps model is the communication gap. It is the gap between the actual service delivery and the external communication about it. As presented earlier, this gap can exist because the company fails in the marketing communications to the customers. Zeithaml et al. (2009) argue that organizations should manage the customer expectations by educating the customers through all forms of communication. According to the definition of integrated marketing communication (Grönroos 2007), communication messages can originate also from the service process itself. They can also be so called unplanned messages from the service employees, for example, answers to questions related to the service. Based on Grönroos (2007) the challenge in this kind of integrated approach is the integrity of the message. Service descriptions should definitely be used also in training of employees, to ensure the integrity of the marketing communication, planned or unplanned.

9. Service description should describe the intelligence services (analysis available) logistics has to offer for the process as enhancing services.

During the interviews, several product managers raised up the desire to receive more information and knowledge from the logistics unit. They were hoping different kind of pre-packed reports combinations for different needs. Today they didn't know well enough what was available, or what they should even ask in different situations. Not to mention from whom they should ask it from. The message was interpreted so that logistics should express more proudly that this knowledge is for them to use. Different reports or analysis relevant for each described longer service process, could be listed like enhancing services under a process step called, for example, "Decision making support". This step could always be put as first step in the service process.

10. Service description should describe the customer benefits or value to the customer.

Service is about creating value for the user. The value proposition is used to reason to the customer the usage of the service. In internal services this is hardly the case. Usually the internal service is the only service the customer can select. No alternatives are available. This is the case also in the case at hand. However, the change happened during the past three to four years, have caused a lot of change resistance in the product managers. Lots of tasks have been moved from the product managers, or product departments, to the centralized logistics teams. Still today, after all of the teams being in operation at least

for two years, its common to hear comments like “it was a lot better when we did it ourselves” or “the change was too extreme, we can’t work with all this bureaucracy”. Service descriptions should be used to market the customer benefits and value to the organization. It is also the management’s goal to increase the appreciation towards the logistics unit and its teams.

11. Service description should describe the functional and non-functional characteristics relevant for the customer like when and where the service is available, how the service is ordered, what are the quality targets of the service etc.

Process is a series of actions or steps taken to achieve an end. Processes are usually visualized with a flowchart as a sequence of activities in chronological order. Like the old saying “a picture is worth a thousand words”, it was decided that the service process is somehow visualized as a picture in the description. A simple arrow flowchart was selected to present the different main steps in the process. The process flow picture was included to the description to draw the required longer service process through the different teams. The picture felt also as a good way to integrate the logistics teams together as one entity serving towards the common customer. It was decided that the steps performed by different teams should somehow come out from the picture, but the teams as such should not be emphasized. This was done with different color codes in the process flow. The relevant enabling and enhancing services were included to the picture as a simple list to give a quick look to the reader about the peripheral services related to the process. Below is the formed process picture. The picture was formed in Finnish language as the key target customers are Finnish speaking, but it still gives the idea how the picture works:



Figure 14: Visualization of the key service process and the related peripheral services.

The textual content was formed so that it contained many of the properties or attributes reasoned in the literature by academics. Following table demonstrates some examples which different attributes were presented and in which content.

Table 3: Examples of characteristics included to the created service description prototypes and template

CHARACTERISTIC	HOW IT IS PRESENTED IN THE DESCRIPTION
Availability	Time of day/week the service can be requested. Service request methods and places. Service delivery time from request (SLA) Support times for e.g. additional questions.
Capabilities	SLA of service. Maximum capacity for service requests on normal situation.
Rights and obligations	Request to provide sufficient information in the service order for better and faster service.
Quality	Past performance expressed in the text. Expressed in the text and in the enhancing services that quality checks are done in different stages. Fact list of figures about the units past performance and volume
Customer benefits	E.g. no need to involve the product manager to handle deviations in vendor delivery. Quality assurance.
Functional parameters	Instructions how service is requested and how the service is delivered. Information about the flow of the service process.

Two prototypes were formed for asking opinion from professionals. The same process picture was embedded to both the versions, but the layout of the textual description about the service process was different. Version 1 was with simple chronological description of the two main steps in the process, opening a new article to the system and ordering the first purchase order for the new article. Version 2 had the same textual content, but the text was offered in a widely used “frequently asked questions” (FAQ) -form. Frequently asked questions (also known as “questions and answers” (Q&A)) is a list of frequently asked questions and their answers about a given subject. This way of describing services or training customers is widely used nowadays in the internet, as well as in all kind of manuals etc. This way of providing answers to the most asked questions is often used by service providers or manufacturers in

reducing the number of contacts to their customer service. The most obvious answers can be pre-published to the audience, and thus they need not be separately answered. One widely used context of such approach is in different open internet discussion boards and newsgroups, where the FAQ is used to introduce the topic and or basic rules of the site to newcomers.

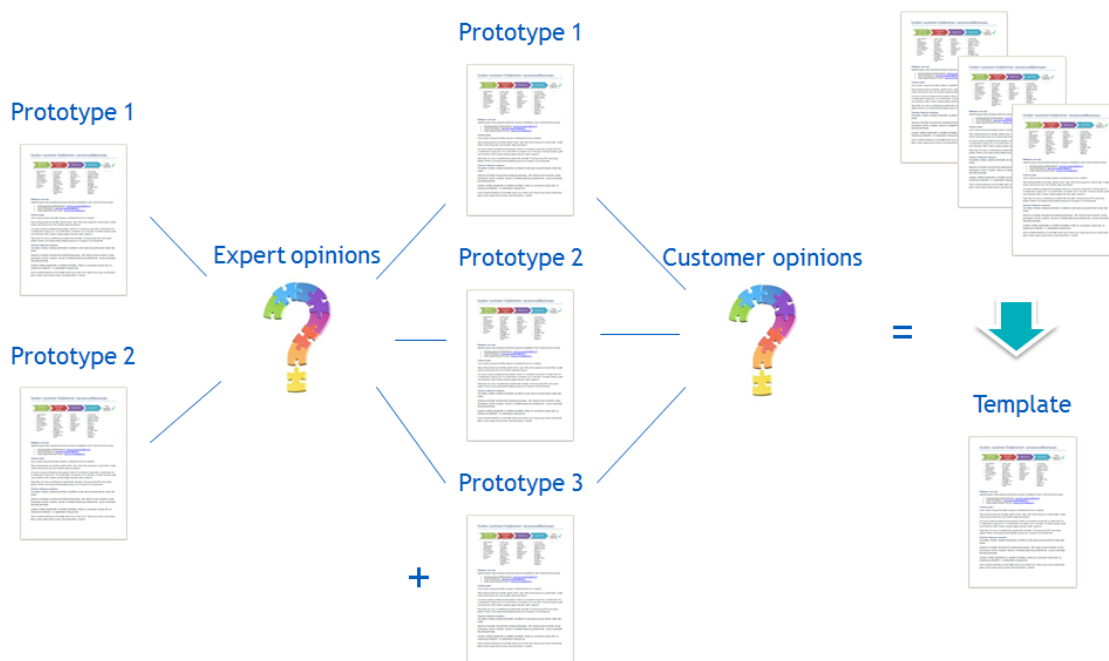


Figure 15: Visualization of the prototyping process ending up to a template.

Task 4: SD Filtering

The task filtering in Moritz's SD process is to select ideas and combine concepts. The results and solutions from SD generating are evaluated, and the best and most relevant are selected. (Moritz 2005)

In this study the task 4 consisted of:

1. Prototype reviewing by logistics managers
2. Prototype reviewing by customers
3. Further developing the prototype based on feedback

The first quick interview round was done with logistics specialists and managers. The goal was to get opinions about the way of presenting the service. Five persons were quickly interviewed without any structure what so ever. Persons were just simply asked to read the two versions quickly through and then give their opinions about them. Several good points came out. Based on the interviewed both ways of presenting the service were good in their

own way. In the version 1 (main service steps described chronologically), the answerers liked the professional way of clearly telling what it is all about. In the version 2 (FAQ), the answerers liked the way of cutting the text into smaller sections with several subheadings (questions). Few answerers felt that the text was too complicated to read because it included both the instructions how to “use” the service, as well as “marketing phrases”. One idea was given to separate the instructions part and the marketing part clearly as separate sections in the description. All answerers felt that the description should be more instruction-like because customers were internal. There was no need for “marketing” through the descriptions. All the answerers liked the process picture.

Several other good ideas and opinions were gained from the interviews with the professionals. Next phase was to interview the customers the same way. However based on the answers and ideas from the professionals, one more prototype was created. In this version 3, the content was still the same, but the textual description was newly arranged. The functional instructions were separated from the text as own quick guide -section to the end of the description. This third version was created to find out if customers would like the idea of instructions separated, like suggested by one answerer from the logistics.

The actual interviews with the internal customers were carried out like with the professionals, without any pre-decided questions except “how do you like these options?” Additional questions were asked to explain answers. Goal was to find out what the customers would like to see in the description, why from their opinion a service description should exist and what they would like to do with it. On the other hand, the goal with the prototype interviews was to compare the customers’ answers with the defined characteristics of the service descriptions. Did the prototypes bring the wanted effect?

The main points from the answers from customers were:

1. The text should be split under more subheadings for easier reading.
2. The subheadings should indicate relevant information to support faster finding what looking for. E.g. the subheadings should follow the process steps.
3. The description should be more “process guide and instructions” instead of “marketing nonsense”.
4. All the answerers liked the process picture as such.

Customer interviews revealed that the service description prototype included too much information, or at least the information was wrongly presented. The textual description should be more “to the point” without nice long “marketing-like” sentences. As internal customers, the answerers did not expect the logistics unit to praise their competences, but to guide and serve the customer humbly in their daily routines.

When analyzing the answers against the wanted benefits of creating the descriptions, customers mainly confirmed the defined goals. Especially the service process picture was considered really helpful in understanding the whole long process and different sub-services (tasks) done in the background. Several answerers liked the way of showing the end result in the process picture from the customer's point of view. Also, combining the different teams as one process and listing the sub-services of each team was seen as a good approach. Like said earlier, the negative feedback considered purely the textual context of the prototypes. Especially the training perspective was considered still inadequate. Mostly this was due to the format of the text, not the content.

Based on the feedback gathered with the prototype interviews both from the logistics professionals and decision makers, and from the internal customers, a final version of the service description template was created. The final version included the process picture as such, but the textual content faced some modifications. It came clear from the customer interviews (as well as from the professionals) that the subheadings should be more guiding and there should be more of those for faster information searching. Few answerers felt it would be a good idea that the subheadings would follow the process steps drawn in the process flow picture. This way the reader would easily link the text to the picture and would find further information about specific step if so wanted. This approach would also help to multiply the template to different service processes as the subheadings would always follow the picture. This will make the usage of the template easier and as such the template itself would guide the description creation for any service process.

Some of the customers gave critique to the "marketing nonsense" included in the description prototypes. Marketing "nonsense" is a strong way of describing the content but yes, some of the information in the description prototypes was there just to emphasize the service excellence and quality. However, this information was put there based on the literature to create a picture of good quality and to build trust towards the service provider. Based on the customer feedback it would be easy to remove all such "additional" information not helping the customer to use the service. However we need to remember the other side of the story. It was one of the objectives of the logistics decision makers to uplift the value of the logistics unit in the eyes of the customers and the rest of the organization. For this reason, some quality assurance should still be imbedded to the service descriptions. On which level, that will be decided by the logistics decision makers when realizing the descriptions.

Technically the template is simply just a Microsoft word document with instructions to write the description. Process picture is embedded Microsoft PowerPoint object so that it can be

edited inside the Word document. Instructions are included as comments with the MS Word review function. Below is a picture of the template.

Uuden tuotteen lisääminen varastovalikoimaan

Pääosan teon tuki

Logistiikka tarjoo erilaisia raportteja tai tarkempia analyyskejä tuotteen avauksen tueksi. Kysy esim. mikäli seuraava:

- Vertailutuotteen menestysanalyysi - [planning_rauk@edo.fi/edo](#)
- Tuotteen tilin tila - [planning_rauk@edo.fi/edo](#)
- Oikean logistiikkavaihto - [maksu@edo.fi/edo](#)

Tuotteen avaus

Uuden tuotteen avauspyynnin tehdään tuoteavauksen lomakkeella Service Now-työkalulla.

Tärkeä tuoteavauksella on vähintään pakollinen tieto, Vajaa tietoja avauspyynnin voi pähkinälläan viivästyä tuotteen avautumista ja sen myötä tuotteen saapumista varastoon.

Uusi tuote on avattuna ja tilattavissa keskuksivaraston kahden (2) vuorokauden kuluessa siitä, kun Master Data -tilin on vastaanottanut avauspyynnin. Jos normaali kahden vuorokauden viive on liian pitkä, voi tuotteen avauksen pyynnin myös kirkkaana. Tällöin tuotteen ostotilauksia saatetaan ottaa vastaan aikaisemmin.

Master Data -tilin pystyy normaalisti omassa käyttöalustaan kääntämään SD avauspyynnin ja 500 uutta tuotetta päivässä. Tarkista suoraan, että tuotteen saapumisen avauspyynnin hyväksyjä on oikea henkilö.

Tuotteen tilaaminen varastoon

Tee tuotteen ostotilauksen lomakkeella sen jälkeen kun olet saanut avausvahvistuksen master data tililtä.

Käytä aina intranetissä löytyvää linkkiä ostotilauksimokkeeseen. Näin käytät varmasti viimeisintä versiota lomakkeesta. Vain oikein muotoiltu tilaus voi lähettää täydennyspyyntötilin suoraan lomakkeesta löytyvillä painikkeilla.

Ostotilauksen tehdään järjestelmään ja välitetään toimittajalle kahden (2) vuorokauden kuluessa siitä, kun Täydennyspyyntötilin on vastaanottanut tilauspyynnin.

Ilmoita ostotilauksimokkeella, jos tuote liitetään täydennyspyyntötilin piiriin. Täydennyspyyntötilin huolehti tämän jälkeen tuotteen saatavuudesta soittujen valmistuslaitosten mukaisesti.

Logistiikka

Voit seurata tilauksen ja toimituksen etenemistä SAP:issa ostotilauksen kautta, sekä kordin maksantella Italian Dashboardin. Kaudiden ja Euroopan toimittajien logistiikkatietoa myös esimerkiksi laivastotieturuus, josta tuotteet todella lähtevät liikkeelle toimittajan lupamassa ajassa. Mahdollista viivästyneistä tiedotamme tieteenkin tuotteista vastenne.

Tuotteen saapumista varastoon niiden mittatiedot tarkistetaan ja tarvittaessa ylläpidetään järjestelmään. Muita tarkistettavia asioita ovat EDN:koodin oikeellisuus ja viivakoodin toimivuus. Tilauksen oikeellisuus tarkistetaan tarvittaessa tuotteesta vastavasta ja tiedot korjataan [kysymällä].

Logistiikka-käsitteille mahdolliset poikkeamat esitellään suoraan toimittajan kanssa. Jotain tilanteissa logistiikka ei voi tehdä ratkaisuja itsenäisesti ja tällöin oltiin yhteydessä tuotteesta vastavaan. Tällaisia tilanteita ovat esimerkiksi poikkeamat tuotteen laadussa.

Tuotteet ovat kauppajon tilattavissa aikaisintaan vuorokautta, viimeistään kaksi (2) vuorokautta, tuotteiden varastossaapumisen jälkeen.

Faktapaketit

- Master Data -tilin asioiden vuorokautta 2012 yhtiössä 25 666 uutta tuotetta
- Rautatekon varastossa on yhteensä yli 3000 tuotteenmittä
- Täydennyspyyntötilin käsittelee viikossa noin 400 ostotilauksia
- Keväällä 2012 on valmistuslaitoksissa logistiikan ohjeiden mukaisesti parhimmillaan yli 100 yhtiöä käsiteltä määllä oleva tuotteenmittä
- Täydennyspyyntötilin piirissä olevien A-valikoiman tuotteiden palveluaste oli vuoden 2012 syyskuun keskiarvo 96,5 %

Lisätietoja

Tukea voi kysyä suoraan logistiikan tiimiltä. Logistiikan palveluun voi tutustua tarkemmin intranetin tiimisivulla. Annathan myös palautetta jos jokin näistä toimii kuin pitäisi tai palvelusamme on mielestäsi joutunut kunnostuksiin.

Comments (MS Word review function):

- Comment [MS1]: Osoittajana on oltava palvelu ja lopputilasta
- Comment [MS2]: Käsitteiden käyttö ylläpidossa on oltava selkeää ja yksiselitteistä. Käsitteiden käyttö ylläpidossa on oltava selkeää ja yksiselitteistä.
- Comment [MS3]: Käsitteiden käyttö ylläpidossa on oltava selkeää ja yksiselitteistä.
- Comment [MS4]: Käsitteiden käyttö ylläpidossa on oltava selkeää ja yksiselitteistä.
- Comment [MS5]: Käsitteiden käyttö ylläpidossa on oltava selkeää ja yksiselitteistä.
- Comment [MS6]: Käsitteiden käyttö ylläpidossa on oltava selkeää ja yksiselitteistä.
- Comment [MS7]: Käsitteiden käyttö ylläpidossa on oltava selkeää ja yksiselitteistä.
- Comment [MS8]: Käsitteiden käyttö ylläpidossa on oltava selkeää ja yksiselitteistä.
- Comment [MS9]: Käsitteiden käyttö ylläpidossa on oltava selkeää ja yksiselitteistä.
- Comment [MS10]: Käsitteiden käyttö ylläpidossa on oltava selkeää ja yksiselitteistä.
- Comment [MS11]: Käsitteiden käyttö ylläpidossa on oltava selkeää ja yksiselitteistä.
- Comment [MS12]: Käsitteiden käyttö ylläpidossa on oltava selkeää ja yksiselitteistä.
- Comment [MS13]: Käsitteiden käyttö ylläpidossa on oltava selkeää ja yksiselitteistä.
- Comment [MS14]: Käsitteiden käyttö ylläpidossa on oltava selkeää ja yksiselitteistä.
- Comment [MS15]: Käsitteiden käyttö ylläpidossa on oltava selkeää ja yksiselitteistä.
- Comment [MS16]: Käsitteiden käyttö ylläpidossa on oltava selkeää ja yksiselitteistä.
- Comment [MS17]: Käsitteiden käyttö ylläpidossa on oltava selkeää ja yksiselitteistä.
- Comment [MS18]: Käsitteiden käyttö ylläpidossa on oltava selkeää ja yksiselitteistä.
- Comment [MS19]: Käsitteiden käyttö ylläpidossa on oltava selkeää ja yksiselitteistä.
- Comment [MS20]: Käsitteiden käyttö ylläpidossa on oltava selkeää ja yksiselitteistä.

Picture 3: Service description template

3.4.4 Task 5: SD Explaining

The goal of the explaining step is to enable understanding of the new service concept idea. Several methods like hand sketches, video montages or real life prototypes can be used to explain the new concept to decision makers and other stakeholders. In this phase, the last decisions about details need to be made so this step should be seen as a discussion platform for the whole team as well as to other stakeholders. SD explaining should have what-if perspective. (Moritz 2005)

The task 5 consisted of:

1. Presenting and explaining the final template version of the service description to the logistics managers
2. Management team decision to start realizing the results by creating descriptions to the logistics unit key service processes

The template was presented to the logistics management team in January 2013. The final template created in the step 4 was used to present the service description to the stakeholders. The format of the description was agreed, and template was approved. The

discussion was mostly around the customer feedback from the interviews about the description, for example, the question about the quantity of “marketing nonsense” was faced. Management team felt it was important to mention aspects about the quality and past performance in the descriptions to create a picture about quality of the service.

In the process picture created for the service descriptions, a color scheme is used to separate different steps from each other. The reason for this color approach was to separate the steps done by different teams from each other, but still to avoid emphasizing the individual teams too much and keeping the steps a part of the longer service process. During the study project, there came further ideas to utilize this color scheme more widely in the unit’s visual appearance. Same colors could be used in the door name tags of the employees, as well as in the other materials like presentations etc. The management team gave good feedback for this idea and agreed that this approach would actually be taken. The logistics management team decided to start creating service descriptions with given template, and responsible persons for organizing this task was agreed.

3.4.5 Task 6: SD Realizing

SD realizing makes services happen. In this step, the solutions and processes are specified and implemented. Realizing can mean either testing a prototype or the actual service. In this step also trainings for personnel are carried out and guidelines set up to ensure that employees are able to put the service in action. SD realizing takes a service to market, but Moritz (2005) emphasizes that it should not be considered as an end of service design process but rather as a new beginning. (Moritz 2005)

The realizing step was not in the scope of the thesis study. A template for service descriptions was provided as an end result of this thesis. Realizing the actual service descriptions is left for the organization to pursue. However it can be said that while writing this chapter the introduction of the service descriptions and logistics units color scheme to all the employees of the logistics unit is agreed and as such the realizing has started.

4 Results

The initiative for the study was the assumption that the logistics unit's or teams' internal customers don't know what the unit or teams "really" do or offer, and where to get the service they "think" the unit or teams provide. This assumption derives from the recent changes in the organization and centralizing of tasks to the logistics unit, as well as from non-formal discussions with employees in the company. Secondly the internal customers seemed to be dissatisfied on the quality of the service. They were not sure what the quality was supposed to be and sometimes the expectations were inflated. The objective of this study was to create customer oriented service descriptions which would hopefully help in closing these gaps. On the other hand, the thesis was about using the service design process and methods in developing internal services - actually a specific detail of internal service package, the service descriptions. After all, designing services is designing details.

During the study, it was found out that internal services need designing as well. However, the literature referred mostly about designing services to end customers - B-to-C or B-to-B. Many authors like Grönroos (2007) and Grönfeldt & Strother (2006) do point out the importance of the internal processes and company culture in delivering quality services to the customers, but they don't directly propose the service design methods or process to be used in the internal context, to design internal services. This thesis notices that service design is relevant also for internal services to internal customers. Service design - process and tools - can be used as such also in this context. The difference might come from the customer's expectations about the service. When especially for consumers the service design field is speaking about "wow" or "of course" -services, at least in this study the internal customers were after the effectiveness of actions. They were hoping "directly to the point" way of presenting things.

It feels important to remark the importance of one detail for the whole service system. This detail is the service concept defined. During this study, the case organization had to dig into the very root of their presence: what is our service concept? What is the service package we offer? This reasoning had an important role in the process. It might even be that the process itself was even more important than the ultimate outcome. Like said, designing services is designing details, but no matter how small the detail is the whole process needs to be confronted.

Next figure illustrates the research structure and what results were drawn from each phase.

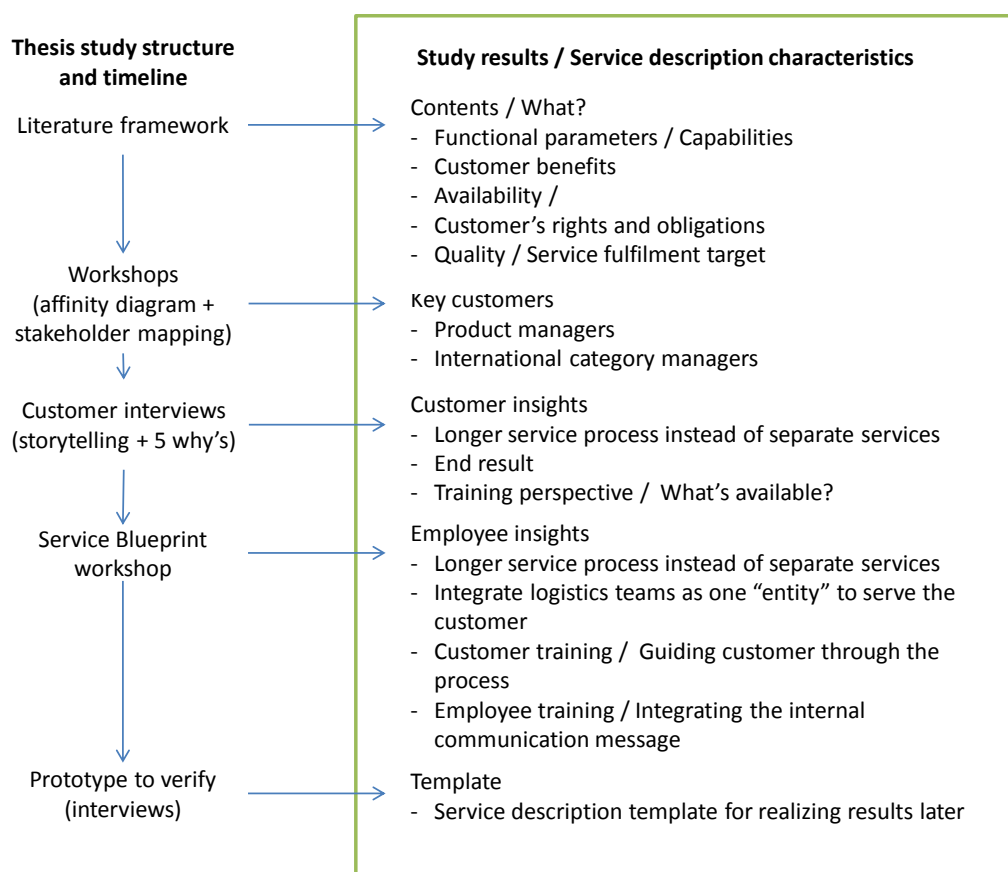


Figure 16: Thesis structure and results

The theoretical framework cuts into the reasoning of having good and clear service descriptions. The main conceptual model for the study was the gaps model of service quality by Zeithaml et al. (2009). This model proposes that if the customers don't know what to expect from the service, the service rarely meet the customers' expectations. By telling to the customers' what the service is, how it works, how the customer should participate in it etc. the customers know better what to expect, and thus there is a better possibility to meet these expectations. Sounds very simple, doesn't it?

The assumption that customers don't know what the teams do was not fully true. The interview results mostly support that assumption, but there was some fluctuation found between the different teams of the unit. When it was mostly unclear for the respondents what the customer service/claims handling team does or what value this team provided for them, it was mostly clear for everyone what is the Master data team's role and value. When looking back to the results from the interviews in chapter four, we can see the connection why this was so. The Master data team got best grades from the respondents about delivering the service promised. On overall, the respondents had the best understanding about the services provided and the customer promise. On the other hand, for example, the customer

service team's role was unclear for the most of the respondents, and they didn't see any value for themselves on the existence of the team. However in general the respondents were asking more information on what each team is doing and what services and value there would be available for them.

The interviews revealed that logistics unit internal customers don't have enough understanding what the unit can provide to them as a service. The reason for this was quick to find with short investigation to the marketing efforts of the logistics unit: There really are no such efforts. There is no plan how to present the teams or what they do to the rest of the organization. Some teams have short descriptions about the team in the intranet pages; some teams have no descriptions what so ever. The services of different teams or in general the logistics unit are not clearly communicated in any way. This fact gave originally the purpose to the study. During the study, it was revealed that the most of the logistics teams didn't even have for themselves a simple list of all the different services they are providing to the customers, some on daily bases. Not to speak that these lists would be available for example in the intranet for the rest of the organization to find. Any additional description about each service, and how the services are linked to the service entity of logistics unit, would most probably also be appreciated. To help in the task of creating service descriptions, creating these lists was given as an additional task to the team leaders during the study.

As unit's own employees also the rest of the company seems to be relatively unfamiliar with the new services and capabilities of the logistics unit. When employees in different teams don't truly understand what different services the unit and its different teams can offer, it comes to customer service issue: Customer seeking for service, or answer for a question, is in the worst case scenario bounced from person to person several times before getting the answer he or she was looking for. Based on interviews on some internal customers and also own experiences this scenario happens quite often. This is of course combined with the fact that there is not clearly communicated the service offering of the unit anywhere in the first place, so internal customers need always to start by contacting someone in the unit to start with.

As a result from the thesis study, a service description template was created. This service description template was created in such form that it serves the customer the best possible way, and also works as marketing material to introduce the different peripheral services associated to the described service. Service design process and methods were used to develop the service description template. Using the template the logistics unit can create service descriptions for their service processes, in a customer oriented way. Expected benefits for the clearly communicated services include customers understanding easier what is the total service offering of the logistics unit. The aim is also to help customers to contact easier the

correct team for needed services. This happens by customer finding more easily the information what each logistics team does and what not. Clear and good service descriptions help also each team inside the unit to understand what other teams do and what not. This will hopefully clarify the handover of the baton from one team to another. One important aspect of the service descriptions is also the expectations management. Service descriptions are expected to form a realistic picture about the service to the customer. How the service is supposed to happen, how to order it, and what is expected from the customer in the process.

Clear service descriptions help also in managing the services. Good service descriptions can help the separate teams to be more self-steering towards common goals than before. The ultimate goal through above improvements will be better customer satisfaction amongst the organizations customers, but even more important the whole company is more effective as the core support functions are creating even higher internal value for the company and through that value to the end customers using our company's products and services.

From the internal service marketing perspective, the service descriptions play only one role. However the descriptions work as the ground for all the other activities and goals for improving the perceived service quality in the case organization. There was one important factor embedded to the service descriptions which helps in this task: the team colors in the service process picture. These colors can be used in many ways to integrate the marketing message of the case organization. The next figure illustrates the approach selected for the case organization and the role of the team colors, introduced during the study, in this approach.

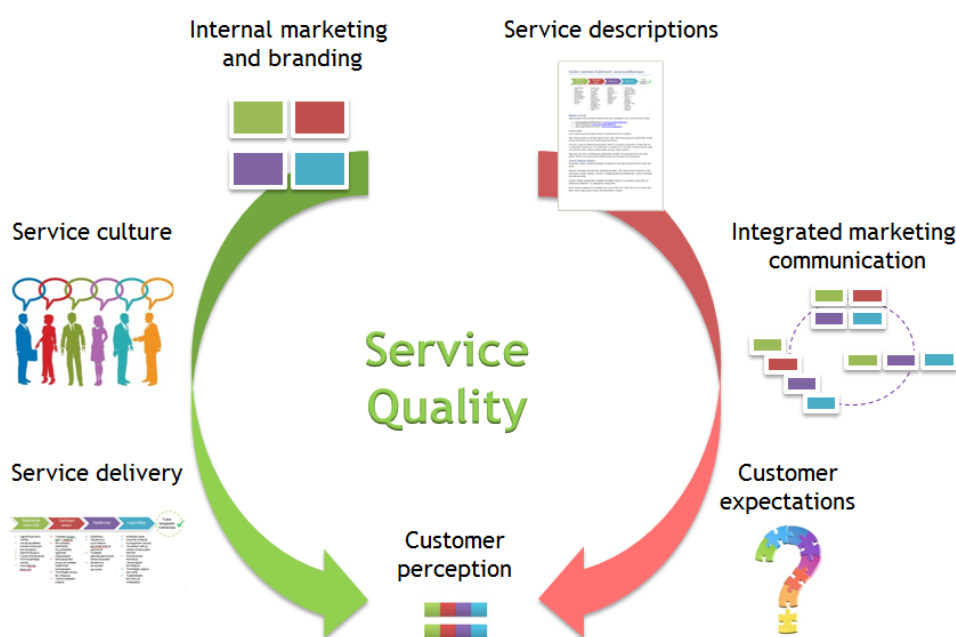


Figure 17: Organization's approach to improve customer perceived service quality

5 Further considerations and development ideas

Grönroos (2007) adduced the concept of integrated marketing communication which recognizes that communication messages can originate also from other sources than traditional advertising media. Communication can happen during the service process itself, or it can be so called unplanned communication like word-of-mouth or communication between fellow customers during the service process or when asking help from each other. In the case company, the last situation is the most probable.

Service descriptions are only one part on trying to integrate the communication message. It is recommended that the organization continues developing the communication to its customers. Information about services should be easily available to anyone seeking, but also the direct communication between customers and service employees should be improved. One question in the customer interviews was about the way logistics service employees are available, how easily they can be contacted and what would be the most liked way of contacting them. All interviewed customers articulated that the most convenient way of contacting the service employees with any concerns was in person by phone or even preferably face-to-face. Reasoning was that it was the fastest way of getting an answer or issue solved. On the other hand, this was considered to be so because most of the interviewed product managers had found few “good” persons to get the answers from. So the relationships had become person dependent. The idea for the color scheme for identifying the employees in different teams was introduced for this reason. Having each team presented always in one color and then continuing this color scheme to the door-signs etc. would help the customers to find easier any employee of the team in question. This would make all the employees easier to approach and would reduce the dependence on one person. Bringing the colors out from the intranet and presentations to the door-signs as well, would also increase the visibility of the logistics unit and its teams in the company. Lifting the profile of the unit and appreciation for its work was one of the motivation drivers for the management behind the service development project. Making the different teams of the logistics unit and their expertise visible, and linking the different logistics teams together as one unified entity from the customer’s point of view can bring surprising results.

During this thesis study, several qualitative research methods were used to explore the services the case unit offers to its customers: Customer interviews were carried out to understand how customers look at the services the unit offers, workshops were arranged for discussions and mind storming, and a service blueprint was drawn from one of the key service processes together with the professionals responsible of it. The design efforts were focused

mostly to the question “how to describe the services in a customer focused way?” However it would have been more than a surprise if no development ideas had been raised to the service itself. Developing the service process itself was not the object of this thesis, but it makes no sense to leave out the key notices from this report.

The key process selected for the study focus was adding a new article to the warehouse stock assortment for retail customers to order. The service blueprint explored the customer journey and touch points of the service process. During the blueprinting, an opportunity for any development ideas was given, and these ideas were written down separately. Development areas were identified also during the customer interviews. The suggestions to address these development areas include the following:

- A. Customer steps in the process: During the study, it was found that the customer has maybe too many steps in the service process and it is left to the customer’s responsibility to work as a coordinator of the service delivery. It should be investigated if customer steps could be reduced and more important the coordination role could be moved from the customer to the service provider. Secondly it was noticed that the customer’s process ended surprisingly without clear ending. No clear feedback was sent to the customer when the ordered goods had arrived and were available for store orders.
- B. Article opening request form: The existing request form is too complicated and created from the service provider’s perspective to help input the information to the system, instead of helping the customer to provide needed data as easy as possible. This causes quality issues in the very beginning of the service delivery. The request form should be re-designed to support customer to provide quality data easily.
- C. Information towards the customer: Customers are expected to keep themselves informed about the status of the process. The communication towards the customer should be developed so that relevant information about the process while it proceeds is provided to the customer.
- D. Information about available services: It was noticed during the study that customers would like to know better how logistics unit could help them in their daily activities, and what services are available for them. Service descriptions are one way of addressing this issue, but more tools should be developed to close this communication gap.

- E. Knowledge services: Logistics teams produce various kinds of analytics and reports for the product managers on request. These analyses are not directly marketed in any way, but provided when requested. Product managers were hoping (when interviewed) also more different kind of analysis to support their decision making. These knowledge services should be conceptualized to be clearly available in relevant situations. This kind of new service concept is a great opportunity to bring value to the whole organization.

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Interviews:

Customer interviews:

Hautajoki Janne, Product manager

Jalanne Seppo, Product manager

Karjanmaa Toni, ICM

Palomäki Kaisa, Pruduct manager

Talla Pia, Sourcing coordinator

Tulonen Jussi, ICM

Prototype interviews:

Delany Kaija, Product manager

Hautajoki Janne, Product manager

Mäkelä Kimmo, Product manager

Mäkipaaso Arja, Product manager

Rehtilä Ilpo, Product manager

Sandås Riitta, Purchasing assistant

Sinkman Markku, Planning manager

Särkilahti Ville, Development manager

Takaveräjä Leena, Replenishment planning manager

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Attachment 1: Table: Development areas identified from interviews

Development areas identified from the interviews									
Role / Title	Analysis/Data support for purchasing decisions	New article creation	New article purchasing	Logistics role is too passive	Import logistics should be more self guiding	More information about what is available			
ICM1	X	X	X	X	X	X			
ICM2	X		X		X	X			
CM1		X	X	X	X	X			
CM2	X	X		X		X			
CM3	X	X	X	X	X				
Sourcing Coordinator				X		X			

Some comments from interviews:

"Product people do all the work, support people just inputting to system"

"Too much bureaucracy. For example in the purchase order form there are information required that should already be in the system."

"More reporting should be provided."

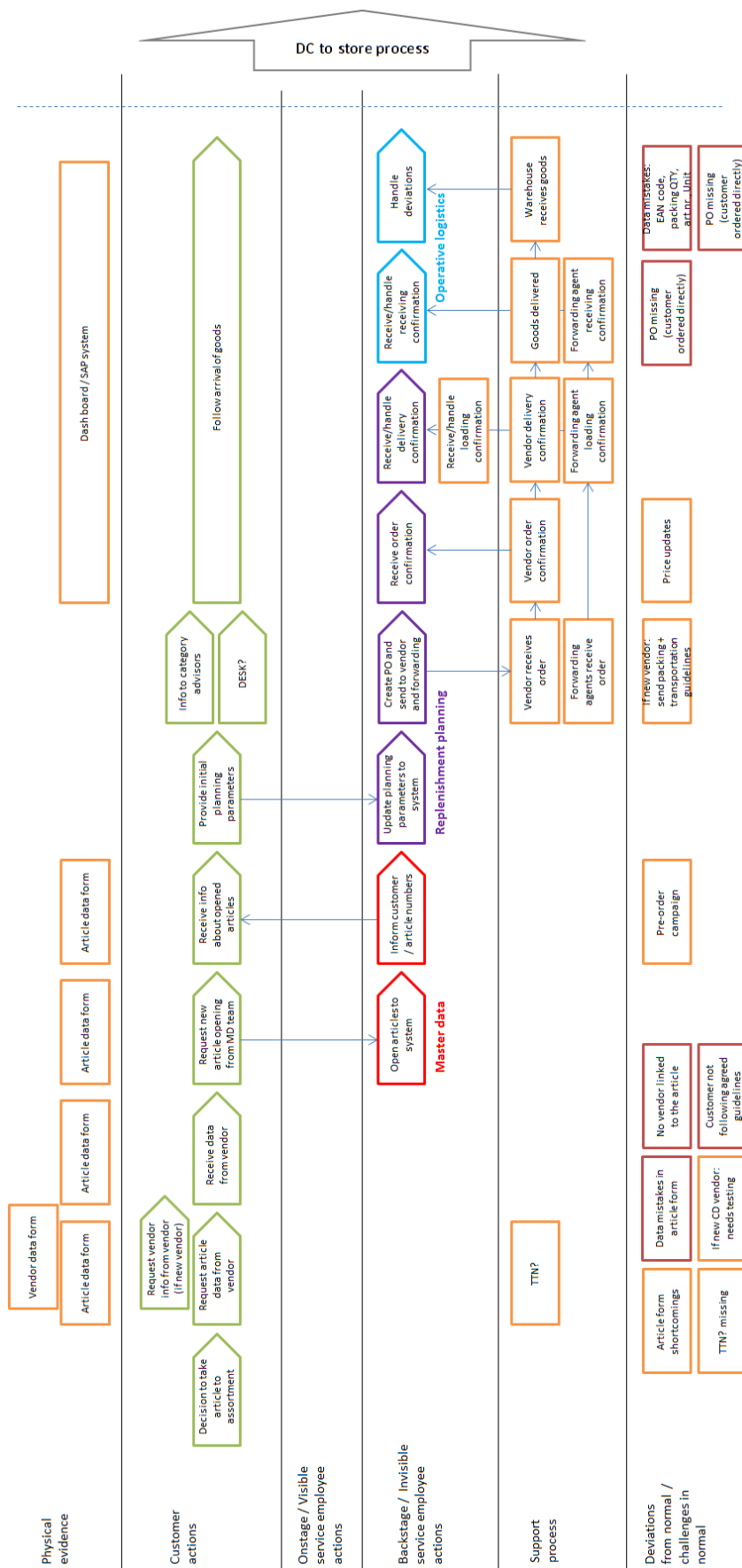
"Logistics should be more self-guiding in operational daily tasks."

"Too little information is available. You need to be active and find too much out yourself."

"There should be more communication from logistics towards the product people - What's there for me?"

"Some of the teams are totally invisible to the product people."

Attachment 2: Service blueprint of the described service process



Attachment 3: Questions used to structure the qualitative customer interviews

GENERAL QUESTIONS ABOUT LOGISTICS UNIT

Each answer was further questioned with 5 why's and also if appropriate by asking to tell an example (directed storytelling).

What is the most important in your daily job/role?

How logistics helps you to achieve this goal?

Thinking about this goal of yours, is there something in the logistics unit's role or activities that doesn't work well enough?

How should this be changed / developed so it would serve you better?

Is there something that works extremely well?

How do you experience the services logistics offers to you? (Scale 1-4)

How well is logistics available to you? (Scale 1-4)

Do you get service when you need it? (Scale 1-4)

When you need help from the logistics unit, how easily you find the help or answer you need? (Scale 1-4) Is there variation between teams?

What is or would be the best / easiest / most comfortable way of finding information about the services logistics offer?

Do you see logistics as separate teams or as one unit that serves you as solid entity?

LOGISTICS TEAMS

Same questions were asked for each team separately:

Master data, Replenishment planning, Operative logistics, Customer service/Reclamations, Product and order support.

What services you know the team offers / you use?

What works, what not? (Why? x5, Tell an example?)

What is most important in the team's service from your point of view?

OTHER SERVICES

What other services you know logistics has to offer / you use?

What works, what not? (Why? x5, Tell an example?)

Are some of these other services especially important for you?

Is there something totally new that logistics should do for you / Offer as a service?

Attachment 4: Questions used to structure the qualitative prototype interviews

What is good in the example description? Why?

What is wrong in the description? Why?

How should this be changed for it to be better? Why?

Does it draw a picture about longer service process?

Does it make the service look trustworthy / good on quality?

Does it guide you to use the service better? Help you on using it?

Does it provide clearly information about what peripheral services are available?

Do you find from the description information about:

- The availability of the service
- The benefits of the service for you
- The capabilities of the service (e.g. how many articles can be opened with one request?)
- Requestors responsibilities and rights
- The customer promise / qualitative promise (SLA)