Abstract

In later time many companies have faced a major strategically change of focus and companies that have previous acted as traditional product manufacturers now describe themselves as providers of complete solutions. Tetra Pak Processing Systems, operating in the liquid food processing industry, has faced an increased level of competition the past years. The globalization of the industry means that customers are becoming more aware of their costs and realize that hey can not afford to keep in-house engineering capabilities. This introduces new business opportunities to Tetra Pak Processing Systems for selling production solutions.

The main purpose of this thesis is to provide Tetra Pak with a conceptual model to help them reframe their view of the customer-oriented business. The model introduces a partially new vocabulary for better understanding the factors that affect the transition from a product-oriented approach to a customer-oriented. The conceptual model developed is based on: 1) A comprehensive theoretical sturdy covering literature dealing with service management and marketing aspects. 2) Interviews with representatives for Tetra Pak in order to identify and understand how they perceive the total production solutions concept. This is complemented with an external mapping at companies that are generally apprehended as service companies, thus constituting a reference group for the analysis.

The conceptual model comprises five areas that a company needs to consider in order to obtain a customer-oriented approach to businesses: 1) The customer value perspective is about understanding the customer's need and situation and to relate this to the value of the company's offering. 2) The organizational structure covers how the company should be physically structured in order to create and convey the identified customer offerings. 3) Corporate image and branding activities affect the customer perceived quality as well as creates credibility, trust and awareness. 4) External relationships are of vital importance for how the service offering is conveyed to a customer. 5) To enable high-quality interactions, internal relationships are required.

The conclusions drawn from the analysis of Tetra Pak Processing Systems are: 1) They need to more precise in communicating what they can do and how they intend to do it. They must also emphasize their efforts in quantifying relationship costs. In today's situation I think the product-focus restraints them. 2) The structure with business units and market companies supports their desired customer-oriented approach. However, they must clarify the extent to which they expect customers to participate in the service production process. 3) They should reinforce the identity in the Tetra Pak Processing brand name as an entirety. Communicating an ethical message is in-line with a customer-oriented approach. 4) The role of back-office functions for customer relationship management is underestimated. It is not only front-office employees that have customer contact. 5) There are shortcomings in the internal communication. Tetra Pak must reexamine the issue, as the lack otherwise can lead to difficulties in conveying a customer-oriented approach to employees. However, the re-use of well-tried solutions is something that affects the internal efficiency positively.

Key words: Service management, Customer relationship management, Service quality, Image, Branding strategies, Customer value.

Preface

This Master Thesis deals with the factors and problems that a company needs to consider, in order changing from a product-focus to a customer-oriented approach to business. The Thesis project has been conducted in collaboration with Tetra Pak Processing Systems in Lund. They are in the process of turning more customer-oriented and wanted to obtain an objective view. However, I believe that the factors I discuss can be applied on other companies facing similar problems.

The research I have conducted for this Master Thesis has been very interesting and enlightening. I would hereby like to thank everyone who has made this thesis possible and who have supported me in my work.

I would like to thank everyone within Tetra Pak Processing Systems who have willingly taken time to participate in interviews with me. These interviews have provided me with valuable information and input. I would specifically like to thank my tutors at Tetra Pak, Mikael Odelius and Monica Gimre, who have provided me with necessary information and resources for conducting my research.

I would also like to thank everyone outside of Tetra Pak who has provided me with useful material and participated in interviews. Your input and opinions have provided me with a better understanding of the complexity of service management and marketing issues.

At last, I would like to thank my tutor at Lund University, Carl-Johan Asplund, lecturer at the Department of Industrial Management and Logistics, Lund Institute of Technology. Your dedicated guidance of my thesis project, commitment and support has been very valuable to me in my work.

Lund, June 2003

Fredrik Lundquist

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1 Introduction

In this chapter I start by introducing the background to the thesis. The background leads me to the problem identification, which is the basis for the purpose. The delimitation, expected results and the structure of the thesis end this chapter.

1.1 Background

In later time many companies have faced a major strategically change of focus. Companies that have previous acted as traditional manufacturing companies, with focus on selling a product to a customer, have changed direction and now describe themselves as providers of complete solutions, with focus on long-term customer relationships. A complete solution is born when the company uses its in-house core knowledge to design an optimized solution in line with the customer needs.

Companies have also begun to understand that it is how they use their knowledge to create a complete solution that is the base for competitive advantages. This means, in fact, that the process of how the solution is produced, delivered and consumed is of more importance than the actual outcome of the process. This does not mean that the core product has lost its importance. A competitive core product is held as a prerequisite for corporate success.

Tetra Pak Processing Systems, operating in the liquid food processing industry, has faced an increased level of competition the past years. The globalization of the industry means that customers are becoming more aware of their costs and realize that hey can not afford to keep in-house engineering capabilities. This introduces new business opportunities to Tetra Pak Processing Systems for selling production solutions. The globalization has also lead to consolidation, implying that the customers' needs are changing.

Tetra Pak Processing Systems now intends to shift focus and introduce a new approach to their business – from a product-oriented focus to customer-oriented. This adjustment is reflected in the company's change of mission statement from delivering production equipment and services to delivering production solutions.

Tetra Pak Processing Systems contacted me with a proposal for summer practice. They wanted to examine how marketing of solutions could be conducted. To be able to provide total solutions, a customer-oriented approach is required. Instinctively, I felt that such an assignment would be very interesting to undertake in terms of a master thesis project. Together with the responsible at Tetra Pak, we discussed the matter and decided to create an incentive for a master thesis project.

1.2 Problem Identification

The problem was formulated in collaboration with my tutors at Tetra Pak. First of all, they began by describing the problem as they viewed it. The problem was first described as 'how can Tetra Pak Processing Systems conduct marketing of production solutions'. We continued our discussion, leading to a reformulation of the problem: Which objectives do we need to consider, in order becoming more customer-oriented? How is the total production solutions concept apprehended by Tetra Pak Processing Systems management? How has other companies experienced the change of focus?

To be able to achieve a comprehensive outcome, I identified several sub-problems that I consider to be important for understanding the impact of the total production solutions concept. This is illustrated in the figure below.
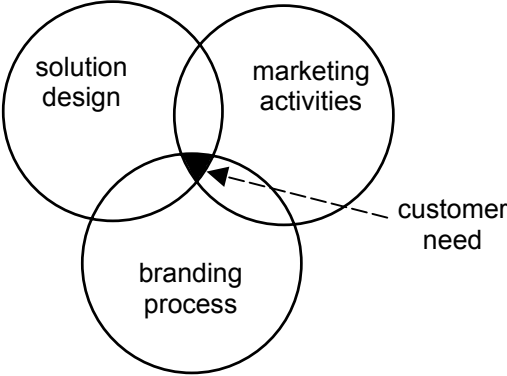
Figure 1.1: The problem areas.

First of all, how can the solution bee designed? I think the understanding of the design is crucial for a successful implementation of a total solutions concept. This calls for a characterization of the elements constituting the solution.

Secondly, based on the design of the solution, how can the different marketing activities bee carried out? The introduction of new elements to the solution offering means that the marketing activities must be approached in a customer-oriented way. This involves finding links between solution design and marketing activities.

The third part covers the branding aspect. The question is how the branding process relates to the customer-oriented approach? The branding process affects, among others, the corporate image. This brings along a need for characterizing the branding process.

Finally, these three problem areas have their origin in the customer need and requirements. Understanding and describing customer need is of vital importance for how the solution is design and marketed. This implies that practically everything a company undertakes must be based on the customer need. It also means that the company must describe what they should do for a certain customer and how they intend to do it.

1.3 Purpose

The main purpose of this thesis is to provide Tetra Pak Processing Systems with a conceptual model – a new vocabulary for better understanding the factors that affects the transition from a product-oriented company to a customer-oriented. The conceptual model introduced will help Tetra Pak Processing Systems management in reframing their view of the customer-oriented service business. In order to construct such a model I have decided to split the main purpose into three sub purposes.

The first sub purpose is to identify and understand how Tetra Pak Processing Systems perceive the total production solutions concept. I think it is very important to understand the situation today in order to apply the conceptual model.

The second sub purpose is to make an overview of the literature dealing with the problems concerning areas as service design, service management & marketing and branding. The overview will also, in a clear and consistent way, describe how the different problems relate

to one another and what implications this results in for Tetra Pak Processing Systems. The literature has been chosen in order to provide a balanced picture of the issue.

The third sub purpose is to conduct a comparative benchmarking to companies that are generally apprehended as service companies. The benchmarking study will reflect the companies' apprehension of a total solutions concept as well as their experiences of a customer-oriented transition.

It is my intention that the conceptual model, based on the theoretical and empirical studies, is to function as a framework for Tetra Pak's transition from a product-focused to a customer-oriented organization.

1.4 Delimitation

This thesis is written in a strategic perspective with a focus on managerial issues. This means that I will thoroughly illuminate the key factors for adapting a customer-oriented approach to business. It also implies that I will not consider any detailed recommendations regarding design or marketing of Tetra Pak Processing Systems' products and services. The delimitation is a natural consequence of my finite knowledge of the company's products and services.

Based on the empirical data gathered, I will not make any extensive generalizations as the basis cannot be held as fully representative. With the empirical material as base, I am however able to draw conclusions related to the literature studied, and what implications this results in for Tetra Pak Processing Systems. However, due to practical limitations, the empirical material is based on interviews with company representatives in Sweden.

1.5 Target Group

The target group identified for this master thesis is divided into two categories. The first category is the industry, and more specifically persons within Tetra Pak Processing Systems occupied in marketing activities. Personnel with close customer contacts are also assumed to benefit from this thesis.

The second category is the academic world, in first place student interested in the problems concerning service management and marketing. I hope this thesis can serve as a source of inspiration for their future assignments.

1.6 Expected Results

Based on the thorough literature study, I expect to find concepts and models suitable to understand and describe the problems facing companies acting in a market with service competition. Using empirical data from companies facing the same problem issues, I expect to gain deeper knowledge and to be able to extract implications for Tetra Pak Processing Systems' way of thinking. As the service competition phenomenon is in its infancy, I don't expect to find any 'recipes of success' or 'best practices'.

1.7 Structure of the Thesis

The two first chapters of the thesis are used to describe the background leading to the writing of the thesis and the methodological approaches applied. In chapter 2, I also outline the data gathering process and the criticism concerned.

The theoretical frame of reference, presented in chapter 3, is used to obtain a specific set of key words. The models presented are also used to analyze and structure the empirical data gathered. Further, they provide input for creating the 'five key factors' model.

To make sure that the empirical study is properly conducted, the benchmarking principles are presented in chapter 4. These principles provide a suitable model for how to design and conduct the interviews.

The findings from the empirical study, presented in chapter 5, are illustrating how the total solutions concept is apprehended within Tetra Pak Processing Systems. The findings from Kone and Securitas are also presented, forming a reference group for the following discussion. The findings are structured around five key factors that I identified as important to consider for turning customer-oriented.

In chapter 6, I compare the findings from Tetra Pak, Kone and Securitas, allowing me to extract implications for Tetra Pak. I also provide a validity check of the 'five key factors'. In the conclusions, presented in chapter 7, I illuminate my main findings from the thesis as well as the implications for Tetra Pak.

The interview form used at the interviews is presented in appendix A. The empirical data gathered at Tetra Pak is presented in appendix B. For Kone and Securitas the data is presented in appendix C.

1.8 Choice of Subject for the Thesis

To understand why and how the structure of this thesis has occurred, I find it necessary to describe the process leading to the final design.

This master thesis was written as an assignment from Tetra Pak Processing Systems. They have recently undergone a change of strategic focus, resulting in a new vision statement. The vision emphasizes a role for them as a production solutions provider. This statement will have implications for their way of doing business. Tetra Pak Processing Systems has had a tradition of being a product-selling company, a behavior that was reinforced by the acquisition of Alfa Laval. The implementation of the new vision has thus faced certain opposition within some groups of employees. A successful implementation of the new vision is however of crucial importance for Tetra Pak, facing a market characterized by service competition. The company would therefore like to obtain an objective view of the issues concerning the total solutions concept as well as service management and marketing.

Tetra Pak Processing Systems contacted me in the late spring 2002 with a proposal to carry out such a study as part of my practical training during the summer 2002. Discussing the proposal, we decided that I should undertake the assignment as part of my master thesis, starting during the fall 2002. In consultation with my tutors at Tetra Pak and Lund Institute of Technology, I design a scope, resulting in this master thesis.

1.9 Presentation of Tetra Pak

Tetra Pak was founded in 1951 in Lund by Dr. Ruben Rausing and Erik Wallenberg, as a subsidiary to Åkerlund & Rausing. The motto of Ruben Rausing was that "a package should save more than it costs". Tetra Pak's original product was the tetrahedron-shaped package. The idea was to form a tube from a roll of plastic-coated paper, fill it with beverage or liquid food and then seal it below the liquid level, everything in one single machine.

In 1991, Tetra Pak expanded into liquid food processing equipment, plant engineering and cheese manufacturing equipment. Today, the company develops, manufactures and markets systems for the processing, packaging and distribution of liquid food and has operations in over 165 countries. Tetra Pak has 20 900 employees worldwide and in 2002 they reached net sales of 7.5 billion Euro.

Tetra Pak Processing Systems is on out of four business areas within Tetra Pak, the others being Carton Ambient, Carton Chilled and Plastics. Their mission is to be the preferred supplier of production solutions and services to customers in the food industry. This means that they intend to strengthen their position as a total solutions provider and to move away from being a supplier of mere equipment.

2 Methodology

This chapter presents the methodology used in order to create an understanding of the nature of the thesis. In the chapter, areas such as methodological approach, collection of primary and secondary data and finally criticism of the sources are covered.

2.1 Methodological Approach

The choice of methodological approach is of great importance for the possibility to attain a satisfying outcome. There are several factors that need to be considered. Should you use quantitative or qualitative data and methods? Should you base the analysis on deeper studies of few cases or use a wide range of cases in more general studies?

2.1.1 Quantitative or Qualitative Approach

The starting point for the *quantitative* approach is that the object studied is to be measured objectively and the result to be presented numerically. The approach is thereby characterized by the ambition to describe and explain. The quantitative research focuses on the range rather than the depth, implying that you choose to gather brief information from a number of objects rather than detailed data from a few sources.[1]

The *qualitative* research states that reality is something subjective that calls for interpretation rather than explanation. A qualitative approach is not a base for extensive generalizations, but aims at achieving an understanding for the phenomenon subject to the study. The method using such an approach is therefore concentrated on examining a minor number of objects, in order to obtain more comprehensive information.[2]

In this thesis I have therefore used a qualitative approach. I held this approach as the most suitable way of approaching the problem described and to be able to fulfill the purpose of the thesis. The phenomenon subject to my study is perceived in various ways by different people, emphasizing its subjective character. To obtain the data needed to understand the characteristics of service management and marketing, extensive studies in the subject were required. The empirical study is also characterized by a qualitative approach. I have chosen to interview a limited number of persons on a deeper basis, in order to obtain substantial information.

A qualitative approach is developing continuously. You don not know whom to question or what to observe, if you do not analyze the information gradually, as it originates. Ideas, hypothesis and assumptions steer the researcher's focus on certain aspects of the data, which is used to revise and validate the assumptions made. The gathering and analysis of the data is a recursive and dynamic process. When the gathering process is finished, the analysis does not end, but simply enters a more intense phase.[3] The analysis in this thesis is based on the problem description formed by Tetra Pak, the theoretical and empirical frames of reference, my personal frame of reference and those set of values I have put into the discussion.

2.1.2 Case Study or Cross Section Study

A *case study* focuses on obtaining detailed information and conducting analysis of a few cases. This approach is often useful when the studied phenomenon is of complicated nature or

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[1] Merriam (1994)
[2] Merriam (1994)
[3] Merriam (1994)

perceived in subjective terms. A disadvantage is that general conclusions could be difficult to make, due to the limited number of cases.

A *cross section study* is often conducted as a survey and focuses on studying a wider range of cases in more general subjects. This kind of approach is suitable when the subject to the study is of relatively uncomplicated nature. In a cross section study you have already decided what you want to examine before the study begins.

I have chosen to conduct a case study, as the phenomenon is quite complicated and perceived in subjective terms. To describe and understand the phenomenon I think that extensive interviews are required, ruling out the cross section approach.

2.1.3 Inductive or Deductive Approach

Further, conclusions can be drawn in two principal ways, either via induction or deduction. *Induction* means that you approach a reality without any deeper knowledge or prejudices of it. This allows you to maintain an open mind and thereby obtaining a clear picture as possible before choosing any theories. Generalizations, concepts and hypothesis arise from the data gathered and the context of the situation.[4] *Deduction*, on the other hand, means that you apply existing theories to a specific situation, in order to examine the validity of the theories.[5]

This thesis is characterized by a deductive approach since I have principally based the theoretical frame of reference on current theories dealing with the service management and marketing aspect. The empirical study carried out influenced however, to some extent, the final choice of theories, giving the thesis some inductive elements. The thesis is accordingly influenced by the deductive as well as the inductive approach, accentuating the former.

2.1.4 Reliability

Reliability is a measurement of to which extent an approach will provide the same result at more than one occasion during unaltered circumstances. This means that reliability is concerned with the consistency of the results.[6] The qualitative research does not strive for absolute laws but rather tries to interpret a situation based on the context. As several interpretations are possible, there is no solid frame of reference to base repeated studies.[7]

The data arising in a qualitative study is a function of the person contributing with the data and the researcher's background, implying that the context affects the data gathered. Also, the procedure of a qualitative study is continuously developed, and can not be established in advance. Thus, the reliability of a qualitative study is different to measure. This reasoning implies that a reiteration of a qualitative study will not lead to an equal result.[8]

2.1.5 Validity

With *validity* we mean to which extent a study examines what it is intended to.[9] There are two types of validity, internal validity and external validity. Internal validity is about to which extent the result correspond with the reality. Observations carried out during a longer period will minimize the risk for new, additional data to appear, thus ensuring a high internal

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[4] Merriam (1994)
[5] Halvorsen (1992)
[6] Webb (1992)
[7] Merriam (1994)
[8] Merriam (1994)
[9] Webb (1992)

validity. Clarifying the starting point, underlying assumptions, theoretical perspectives and approaches will also have a positive effect on the validity. [10]

External validity refers to how well the study can function as a basis for the researcher to found extensive generalizations. It is of no use to make general comments on data with no internal validity. Thus internal validity is considered as a necessary, but not a sufficient, condition for external validity. [11] It is difficult to consider generalizations in the qualitative research, as this kind of research aims at examining a certain event or situation. Extending the research to comprise several situations of similar character is one feasible strategy to increase the external validity. To improve the possibility for a research result as basis for generalizations, the context in which the study was carried out must be carefully explained. [12]

2.2 Theoretical Frame of Reference

The theoretical frame of reference introduced in this thesis is used as a tool for creating a better understanding for the complex problems facing a company in service competition. The complexity can be derived from the intangible feature of a service. My intention with the theoretical review was to use such material that could help companies to reframe their view of service design and service marketing. In the theoretical review I have also used a strict technical terminology, in order to make the concepts applicable to a fortuitous company. The problem description of the thesis implies that the theories presented are based principally on literature in the service marketing area.

Building the theoretical frame, I have used works by authors as V.A. Zeithaml and M.J. Bitner in order to describe the characteristics of a service and the difference between services and goods. Knowing what characterizes a service is a necessity to act successfully in a market with service competition. Having identified the characteristics of the service, other questions arise. The design and marketing of the service offering differs quite a lot from the traditional product perspective. To provide insight into the service perspective in the business environment, I have used works by Christian Grönroos. He represents the Nordic School, introducing additional elements to the traditional service marketing literature represented by well-known authors as Philip Kotler. This establishes a link between service characteristics and service design and marketing.

Competing in a service environment, the role of the branding process is reinforced. The corporate image and branding activities affect the customer perception of the service provided. The branding process is thus closely connected to the company's marketing activities. Thomas Gad adds additional substance to the branding literature, introducing a four-dimensional approach to design a company's different branding activities. This establishes a link between branding activities and service quality.

In today's business environment, all companies are locked into complex networks of relationships with suppliers and customers. A successful management of these relationships is a critical task for the very survival of the company. To clarify the importance and dynamics of a company's relationships, material from authors as David Ford has been used. These buyer–seller interactions constitute the vast majority of the company's marketing activities and affects how the service is perceived by customers.

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[10] Merriam (1994)
[11] Webb (1992)
[12] Merriam (1994)

The theoretical frame also includes a minor description of benchmarking principles. I found it necessary to illuminate the fundamental characteristics of the benchmarking study in order to design a suitable interview form. It also helped me to conduct the interviews and to design the analysis structure. Works by Bjørn Andersen and Per-Gaute Pettersen have been used to illuminate the basic benchmarking principles.

Common for all literature and models described, are that they are all used frequently in the academic world. I believe this indicates a high level of acknowledgement for the respective theories.

2.3 Personal Frame of Reference

My personal frame of reference is characterized by the standards, values, knowledge and additional experiences I possess. This frame acts as a base, from which my assessment of the studied problem derives from. An important part of the frame is the academic background.

During my time at the Lund Institute of Technology, I have attended the Master of Science program in Industrial Management and Engineering. The aim of the program is to provide the attending students with a general perspective of industrial activities and emphasizes the economical aspects regarding technical problems and possibilities. This enables the students to function as connective link between the technical and economical language.

In the technical area I have concentrated in industrial systems, which has provided me with general knowledge concerning computer systems and automation. My economical concentration has covered the aspects of corporate and market development, including areas as human resources management and service management and marketing.

In addition to the academic qualifications achieved, I have also acquired a certain job experience within the service marketing area. During my practical summer training in the years past, I have worked as marketing assistant at Tetra Pak Business Area Processing Systems.

I feel that my academic studies at the Lund Institute of Technology combined with the practical experience obtained have provided me with the skills and knowledge necessary to undertake this assignment.

2.4 Methodology in Practice

Once the scope was settled and approved, I began to search for relevant literature in the service management and marketing area. I received several tips of literature and article databases from my tutor at the university, Carl-Johan Asplund. I also found it relevant to include literature covering trademarks and branding strategies, business relationships and benchmarking procedures. Additionally I searched several article databases for information, this proving to be more difficult than I anticipated. Based on the literature and articles I built the theoretical frame of reference presented in this thesis.

The theoretical frame of reference consists of several parts. First of all, it was necessary to outline the characteristics for a service. This fact was illuminated as I discussed the matter with various people at Tetra Pak, indicating that they did all have different opinions of how the word 'service' was defined. Trying to create a unified definition of a service, I had to describe the characteristics and what implications this had for Tetra Pak. Secondly, I illustrated how the service design and marketing activities are related, emphasizing the

internal and interactive marketing activities. Finally I described the nature of branding, which actually differs quite a lot from the traditional trademark perspective. A tollgate, including a comprehensive presentation at Tetra Pak, marked the ending of the theoretical literature study.

The practical empirical phase began with a minor study of benchmarking methods and techniques. This was necessary in order for me to outline the direction and desired result of the empirical study. In collaboration with Mikael Odelius and Monica Gimre, my tutors at Tetra Pak, I designed a basis for my interviews and how I intended to present the result. We also decided that the empirical study was to include internal interviews, in order to establish a picture of how service management and marketing is apprehended within Tetra Pak. Together with my tutors, I decided whom to question. These persons were chosen depending on their position and role within the company, in order to obtain a wide picture. It was also of interest to examine the correspondence in the answers provided. Regarding the external interviews, I argued for a limited number of involved companies and respondents, as I feared the answers otherwise would be too summarized.

The design of the empirical study is based primarily on the theoretical review and the findings that I held as most important. These findings are presented in the end of the theoretical review chapter. The benchmarking process model has helped me understand the different levels that the questions cover. I soon realized that I wanted the identification of the enablers for conducting excellent service management to be the synthesized outcome of my thesis project.

In order to make the empirical material perspicuous, I reduced the material by allocating it around the key findings from the theoretical review. Based on the empirical data, I extracted additional key words that were structured in five different areas. These five areas were then visualized in the construction of the 'five key factors' model. This means that I started out with key words extracted from the theoretical review and used the empirical data to add new dimensions.

2.5 Data Collection

In order to make the knowledge base as solid as possible, I have used both primary and secondary sources of information. A primary source of information can be defined as the collection of new data for a specific purpose. Usually, this is done using either interviews or observations.[13] A secondary source of information is data that has already been collected for some other purpose. Secondary sources typically include technical literature and documents as well as archival material in various forms.

2.5.1 Primary Sources

The interviews carried out can be described as purposeful discussions between two persons, in order to gather reliable and valid data. When it comes to the level of structure and formality, there are three different approaches: structured, semi-structured and non-structured interviews.[14] For my purpose, I have chosen to principally use the semi-structured approach. Using this technique, the interviewer has determined the topics and type of questions in advance, but not the exact formulation, in order to obtain unbiased answers.

The interviews were conducted on-site, as I felt that face-to-face interviews would provide the best circumstances for obtaining high quality input. A personal interview also creates a larger

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[13] Saunders, Lewis, Thornhill (1997)
[14] Merriam (1994)

confidence between the interviewer and the respondent than interviews per phone or e-mail. This is important in order to obtain the deeper kind of information required when using the qualitative approach. Using discussion topics and an open mind ensured that I did not steer the respondent or asked leading questions.

The primary sources can de divided into two categories, when it comes to the respondents: internal interviews and external interviews. Characteristic for the *internal interviews* is that the respondents are on top management level, including the president and several vice presidents for Tetra Pak Processing System, providing detailed information about their role in the company. My prime motive with the interviews of top management persons was to obtain their view of the service management and marketing aspect. I also wanted to obtain insight into their vision of how the service aspect is likely to change in the years to come. The respondents were chosen in collaboration with Mikael Odelius and Monica Gimre. They recommended me persons holding different roles in the company, whom I contacted. The final choice of respondents was eventually delimited by their time-schedules. These interviews have provided me with a diversified picture of how Tetra Pak management perceives the total production solutions concept.

The *external interviews* have been conducted in companies that do not act in the same activity area as Tetra Pak. I deliberately chose companies that are commonly regarded as service companies, in terms of having adapted a total solutions concept. The prime motive for these interviews was to obtain their experience, positive as well as negative, when transforming from a product-focused company to a customer-focused one. I contacted Securitas and Kone and they provided me with names of persons who were able to answer my questions. Then I contacted them directly and after describing the type of questions, we scheduled times for appointments. The interviews provided me with a clear picture of the problems facing a company acting in service competition and how they have dealt with those problems.

2.5.2 Secondary Sources

The use of secondary sources provides several benefits. Secondary data can often provide a wider perspective on the subject studied. An advantage with literature and documents is that they do not change over time and can be re-examined at several occasions.

Once the scope of the thesis was settled and approved, I began to search for relevant literature. Some literature was already available due to various courses I have attended at the university. However, the thesis called for a more detailed revision of that literature. I also used LOVISA, a literature catalog provided by the Lund University Library, to find relevant literature. The technical literature that I have studied includes "*Service Management and Marketing – a customer relationship management approach*" by Christian Grönroos, "*Managing Business Relationships*" by David Ford et al, "*4D Branding*" by Thomas Gad and "*Exploring Corporate Strategy*" by Gerry Johnson and Kevan Scholes. To complement the published literature, I searched for articles via Lund University Library database ELIN (Electronic Library Information Navigator).

I also made extensive searches in various databases like ABI Inform, Affärsdata, Artikelsök, EconLit and Market Manager. Using search phrases like *service marketing*, *branding* and *service quality*, I intended to obtain deeper knowledge and revise the latest findings in the service marketing area. The references used in the articles also provided me with additional ideas for relevant literature.

My primary motive with the literature studied was to provide Tetra Pak with a basis for reframing their view of the problem concerning service marketing. This approach implied that I focused on finding recently published literature and articles covering the latest findings. My tutor, Carl-Johan Asplund, assisted me with numerous tips on literature.

2.6 Sources Criticism

When using sources, primary as well as secondary, to build a framework or drive a discussion ending in certain conclusions, it is vital to keep a distance to the information used. This means that you will have to question the reliability and validity of the sources.

2.6.1 Primary Sources

Primary data collection, and more specifically the interviews conducted, is always related to a number of data-quality issues. Theses issues relate to the reliability, different aspects of bias and finally the validity and generalization abilities. The *reliability* of data gathered from interviews is derived from the fact that an interview with another respondent, within the same company, may very well give rise to different answers and data.[15]

Bias is often present, both on behalf of the interviewer as well as the respondent. The interviewer can create bias by using comments, tone or phrases loaded with subjective judgments that affect the way the respondent respond to the question. These interactions that arise between the interviewer and the respondent are often referred to as interviewer effects.[16] Though the respondent has agreed to take part in the interviewing process, he may nevertheless be restrictive in discussing certain subjects or themes. This means that the respondent may be unable, or unwilling, to provide sufficient answers to such questions. This phenomenon gives rise to respondent errors.[17] Finally, the issue of *validity* refers to the extent that the interviewer has gained access to relevant information and knowledge that the respondent possesses.[18]

In this thesis I have tried to overcome these frequently occurring problems by interviewing several people, internally and externally, about the same information. By using multiple sources, I have tried to increase the reliability. I have also been able to verify the validity of the information gathered in the interviews. To reduce the influence of bias, the interview form has been examined by my tutors at Tetra Pak as well as my tutor at the university. This procedure has reduced the occurrence of instrumental errors.[19] Throughout the conducted interviews I have also used neutral words and phrases in order not to steer the answers given. My opinion is that the sources used, has provided a credible impression and comprehensive answers.

2.6.2 Secondary Sources

Secondary data has always been collected and put together for a specific purpose, a purpose that often doesn't match the purpose of this thesis. The secondary data is impressed by the author's own perspective and evaluation of the material collected. This implies that the material may have been subject to bias.[20] Another problem is that you sometimes will have to

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[15] Saunders, Lewis, Thornhill (1997)
[16] Wiedersheim-Paul, Eriksson (1991)
[17] Wiedersheim-Paul, Eriksson (1991)
[18] Saunders, Lewis, Thornhill (1997)
[19] Wiedersheim-Paul, Eriksson (1991)
[20] Saunders, Lewis, Thornhill (1997)

rely on the conclusions drawn by the author, as the underlying data often is presented in a summarized form.[21]

I have been aware of these problems during the entire thesis project, and have tried to minimize the effects of them by a distant approach to the literature. Accurate and methodical reading has enabled me to achieve a relatively clear picture of the perspective used by the author. Within each theoretical area, I have also used contributions from several authors, in order to illustrate different angles of incidence. To some extent, this approach also complements my otherwise relatively uncritical adoption of the prevalent theories.

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[21] Eneroth (1984)

3 Theoretical Frame of Reference

In this chapter I present the theoretical foundation on which the thesis is built. The purpose of this part is to provide the terminology necessary for understanding the service management philosophy. I close the chapter with a description of my findings from the review.

3.1 Introduction

Traditionally, services have been considered as add-ons to products. The service was something that was held as necessary but did not contribute to the value-creating process. In the official statistics, everything that was not included in the manufacturing, agricultural or industrial sectors was simply put together and called 'the service sector'. This broad definition included financial services, accommodation services, transportation and services derived from the public sector, like nursing and education. The common opinion was that services were provided by a certain type of organization. This was quite misleading as it held services as a special sector of the economy, not as a perspective on how to create substantial competitive advantages. This business environment can be referred to as exchange, or goods, competition.[22]

During the past two decades, services have come to constitute the major part of the companies' turnover. Companies have eventually realized that development and maintenance of services can give rise to substantial competitive advantages. To make use of this, companies must understand that customers do not buy a certain service, but the benefits provided by the service.[23] More specifically, customers buy an offering, which render services to them. It is how customers perceive the service content in the offering that creates value for them.[24] Companies must also understand that value is not created in factories or back offices, though often argued. Value is created in the customer's value-creating process, when he makes use of the solution being purchased.[25] This leads to the conclusion that customers do not desire services per se, but solutions that support their own value-creating processes.

This reasoning means that companies act on a market with service competition.[26] On such a market, the core offering is considered as prerequisite for success and additional offerings as basis for competitive advantages. Acting in service competition leads to consequences for how the company views its resources, how the customer relation is managed and how the marketing activities are conducted. These sets of actions are referred to as service management.

3.2 What is a Service?

A service is a complex phenomenon. The word 'service' has several meanings, depending on the context of the situation. The scope of the term can be even wider: almost any physical products can be turned into a service for the customer, if the seller adapts the solution to meet customer requirements.[27]

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[22] Grönroos (2000)
[23] Levitt (1980)
[24] Gummesson (1999)
[25] Normann, Ramirez (1993)
[26] Grönroos (1990)
[27] Grönroos (2000)

3.2.1 Definition of a Service

To form a distinct definition is not an easy task, as services are complicated phenomenon that is perceived differently by different people. Since the 1960s, several different definitions of a service were suggested. However, these definitions only included services provided by so-called service companies.[28] A somewhat popular scientific definition was formed by Evert Gummesson: "A service is something which can be bought and sold but which you cannot drop on your feet."[29] However, this 'definition' illuminates one of the basic characteristics of services – the intangible nature. In recent years, it has become more apparent to researchers and practitioners that it is probably impossible, and even unnecessary, to find a generally applicable definition. It seems more productive to use the common characteristics of services as basis for understanding how services best can be designed and marketed.[30]

3.2.2 Common Characteristics of Services

Generally, a service can be described as a process that take place in interactions between the customer and the service provider, and that constitutes a solution to customer problems.[31] For most services, three common characteristics can be identified.

1. A service is a process, consisting of a number of activities.
2. A service is, to some extent, produced and consumed simultaneously.
3. The customer participates in the service production process.

Based on this reasoning, further characteristics can be derived.[32]

Intangible

By far the most important characteristic of services is the process nature. The process makes use of various resources in order to solve the customer problems. This implies that a service can be ascribed the characteristics of a process, including the *intangible* nature. A service is normally perceived in a subjective manner. Abstract words as 'feeling', 'trust' and 'experience' are often used to describe a service, because of the intangible nature. The degree of intangibility also makes it difficult for the customer to evaluate a service.

Heterogeneous

Because of the impact of human interactions, services are *heterogeneous*. A service to customer A is not exactly the same thing as the 'same' service to customer B. The heterogeneity aspect creates one of the major problems in service management: that is, how to maintain an evenly perceived quality level of the service produced and rendered.

Inseparable

Because a service is a process that is produced and consumed simultaneously, i.e. the production and consumption phases are *inseparable*, quality control and marketing can not be carried out in advance. There is simply no preproduced quality to control. It is important to realize that it is the visible part of the service process that matters in terms of how a customer perceives the service quality. As far as the rest is concerned, a customer can only experience the final result. Quality control and marketing must therefore take place at the place and time of simultaneous service production and consumption. The inseparability characteristic therefore implies that the core value is produced in buyer–seller interactions.

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[28] Grönroos (1990)
[29] Gummesson (1987)
[30] Grönroos (2000)
[31] Grönroos (1990)
[32] Zeithaml & Bitner (1996)

Cannot be kept in stock

The nature of a service means that the customer is not only a receiver of the service – he participates in the service process as a production resource. This implies that it is not possible to keep services in stock, as is the fact regarding goods. Comprehensive capacity planning becomes a critical issue for service companies. However, though a service cannot be kept in stock, it is possible to keep customers in stock.

3.3 Service Quality

As many services are multidimensional, the quality has to very complex too. The quality of goods is traditionally related to technical specifications, and it is no surprise that this mentality is transferred to the service market. Companies have a tendency to focus on the technical features of a service, and believe that these features are of vital importance for the quality of the service. In reality, customers often perceive quality as a much wider concept, and aspects other than the technical dominate their quality experience. This leads to an important conclusion: that quality of a certain service is whatever the customer perceives it to be.[33]

3.3.1 Quality Dimensions[34]

Services are, more or less, subjectively experienced processes with production and consumption occurring simultaneously in buyer–seller interactions. These interactions will prove to have a critical impact on the perceived service quality.

The Technical Quality of the Outcome

The customers' experience of service quality has two dimensions: the technical quality of the outcome and the functional quality of the process. The hotel guest will receive a room, the restaurant visitor a meal, the bank customer is granted a loan and the airline passenger is transported from A to B. All of these outcomes of the service process are of course part of the experienced quality. The *technical quality* of the outcome is based on what the customer receive in the interactions with a company. Often, this dimension of quality can be measured in objective terms, because of its characteristic as a technical solution to a problem.

The Functional Quality of the Process

However, as a number of interactions between the customer and the service provider exist, the technical quality will not count for the total quality experienced by the customer. The customer will also be influenced by the way in which the process outcome is transferred and how the simultaneous production and consumption process is experienced. This quality dimension is related to how the service encounters, moments of truth, are managed. The accessibility of a bank or a restaurant, the appearance and behavior of the staff as well as how they conduct their tasks also influence how the customer perceives the service. This dimension is therefore referred to as the *functional quality* of the process and reflects the customer's subjective experiences.

3.3.2 Total Perceived Quality

The two basic quality dimensions affect a customer's experiences. It was also stated that quality is to a large extent a subjective experience. However, the quality perception is more complicated: it is not only the experiences of the two quality dimensions that determine whether quality is perceived as good, neutral or bad. The figure below illustrates the total perceived quality model.

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[33] Grönroos (2000)
[34] Grönroos (2000)
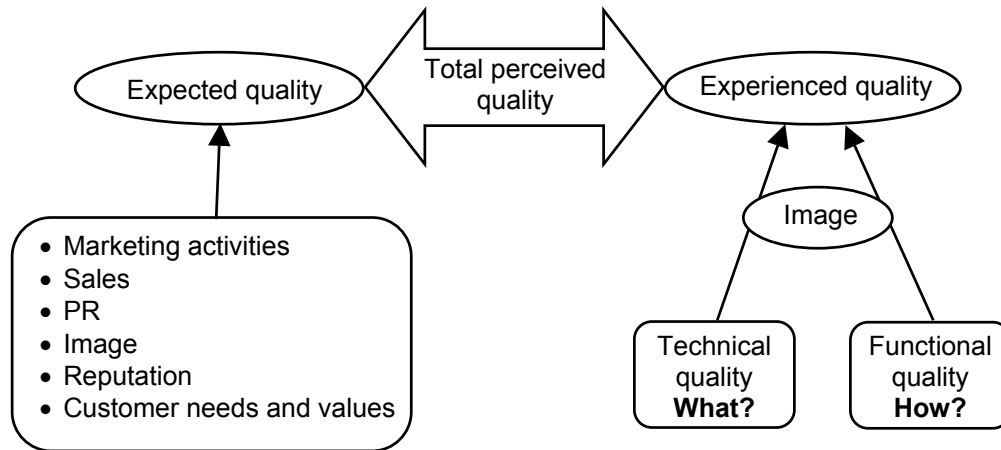
Figure 3.1: Total perceived quality.[35]

Experienced quality

The technical and functional quality dimensions affect the customer *experienced quality*, with the corporate image functioning as a filter. A strong image can, to some extent, compensate for a defective technical or functional quality. If mistakes often occur, the image will be damaged. If the image is weak, the impacts of any mistakes will often be considerably enlarged. In this context, the technical quality is considered as a prerequisite for good quality and the functional quality is held as a basis for creating competitive advantages.[36]

Expected quality

The quality perception is also affected by the quality level customers are expecting of the service. This *expected quality* is a function of several factors, of which some are under direct control by the company, like various marketing activities, and some which are only indirectly controlled, like image and reputation.

Three types of expectations can be identified. *Fuzzy expectations* exist when customers have an unclear understanding of what should be done. The service provider then has to make these expectations explicit for the customer and for itself. *Explicit expectations* mean that customers have a clear picture of what they expect the service provider to do. These expectations can be realistic or unrealistic. Indistinct communication and vague messages can lead to misunderstandings and 'implied-in-fact' promises, giving rise to unrealistic expectations. Provider and customer must assure that both parts are aware of what has been agreed upon. *Implicit expectations* arise when the customers take certain, obvious to him, aspects for granted. There is a risk that the provider may neglect them, unavoidably leading to dissatisfied customers. It is important, both for the customer and the service provider, that these implicit expectations are discovered and illuminated.[37]

Total perceived quality

Good *total perceived quality* is obtained when the experienced quality meets the expected quality. If expectations are unrealistic, the total perceived quality will be low, even if the experienced quality is good. The level of total perceived quality is not determined by the level of the technical and functional quality dimension, but rather by the gap between the expected and experienced quality. If customer expectations are higher than the experienced quality, the

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[35] Grönroos (2000)
[36] Grönroos (2000)
[37] Ojasalo (1999)

overall picture will be lower. In conclusion, from a marketing perspective it is better to under-promise and over-deliver. It is also crucial that the service encounters are properly managed. If not, the functional quality will be severely damaged.[38]

3.4 Buyer–Seller Interactions

As discussed above, the management of buyer–seller interactions is of crucial importance for how the functional quality is perceived. Examining individual interactions, it seems clear that a business customer brings its problems to a supplier, and the supplier brings its abilities to provide a certain solution to the problem.[39] However, a seller faces its own, quite similar, problems and uncertainties and relies on the skills of the customer. As the business market is of dynamic nature, the uncertainties and abilities used will not remain constant, but change and develop over time. The picture below illustrates the relationships between the customer and the supplier.[40]
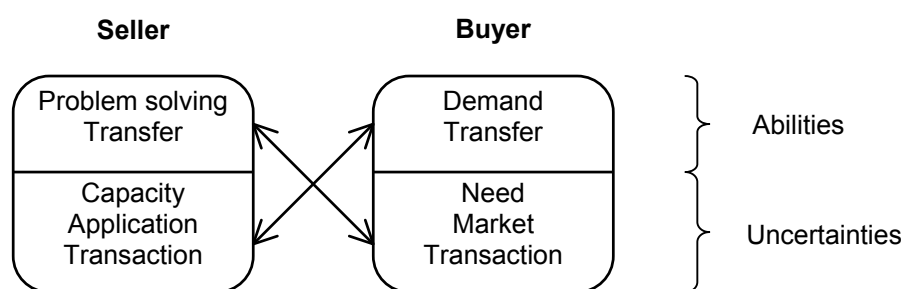
Figure 3.2: The abilities and uncertainties in buyer–seller relationships.[41]

3.4.1 Buyer Uncertainties and Seller Tactics[42]

A buyer in a business market faces a number of uncertainty factors related to the purchase. The seller, respectively, has several methods to cope with and take advantage of the different buyer uncertainties.

Buyer Uncertainties
The first factor is concerned with the *need*. This type of uncertainty occurs when the buyer has difficulties in specifying its requirements. A buyer in this situation is likely to deepen the relation with the seller. The seller typically is a company with which the buyer already has an extensive relation. The buyer is also drawn to suppliers with strong, well-known brands. A typical situation with high need uncertainty is when making an unfamiliar, high-risk purchase at a high cost.

The *market* is the second aspect, occurring when the buyer is uncertain of the nature of the supply market. One reason is that there may exist several different ways for meeting the requirements, implying that suppliers from different business segments can offer a suitable solution. Another reason is that the technologies offered by the supplier are changing rapidly. Such a buyer will need to scan the supplier markets, and is likely to develop loose relations with several suppliers, in order to keep a certain distance from them.

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[38] Grönroos (2000)
[39] Håkansson, Johanson , Wootz (1977)
[40] Ford (1998)
[41] Ford (1998)
[42] Ford (1998)

The last factor is related to the *transaction*, in terms of quality, price or fulfilled requirements. A buyer in this situation can either develop a single supplier relationship, in order to obtain more accurate offerings, or use several parallel suppliers and change between them when needed.

Seller Tactics
A seller has two principal methods for dealing with uncertainties related to the purchase. The first is to try to *manipulate* the uncertainty factors, a very short-term procedure. A second alternative is to use the skills and abilities within the company in order to decrease the buyer's uncertainty and build long-term relations.

The *problem solving ability* of the seller is most valuable when a customer has a high level of need or market uncertainty. The buying company relies on the seller, using their in-house knowledge as basis, to provide the optimal solution. For the seller to maintain a high level of problem solving ability, high investments in customer support and applications facilities engineering are often required.

A seller's *transfer ability* tends to more important to a customer facing high transaction uncertainty. The transfer ability is about being able to deliver a solution quickly, easily and cost-efficient. Normally, this requires large investments in logistics and order handling.

3.4.2 Seller's Uncertainties and Buyer's Tactics[43]

Similar to a buyer, a seller also faced a number of uncertainties.

Seller's Uncertainties
The first is related to the *capacity*. The seller's problem is that it does not know what volumes of a certain product or service that will be sold, implying difficulties in capacity planning. Capacity uncertainty is often present on markets characterized by a large number of sellers of relatively undifferentiated products or services. In such situations, a seller is likely to extend the cooperation with some of its customer to ensure a continuous order volume.

Another aspect is the *application*, meaning that a seller has difficulties to determine how the product or service will be used. The application area has a significant impact on the customers' requirements. This means that the seller must develop strong mechanisms for scanning its customer relationships. The last factor, similar to the buyer, is the *transaction* uncertainty, with the prime reason being the buyer's solvency.

Buyer's Tactics
Buyers, just like sellers, have two methods for meeting a seller's uncertainty: manipulation of the uncertainty factors and use of in-house skills and abilities. Using the abilities, a buyer can be more coveted by sellers. The buyer's ability to specify its *demand*, as well quantitative as qualitative, facilitates the seller's capacity planning process. This aspect is particularly important in markets with many large retailers and smaller suppliers. The buyer's *transfer* ability is about the company's credibility as a business partner. This includes transferring of reliable and correct information as well as invoice payment.

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[43] Ford (1998)

3.4.3 Change and Development of Buyer–Seller Relationships[44]

A relationship is, in ideal terms, very productive for both involved parties. Other relationships are unsatisfactory for one or both parties. The state of a relationship varies with different requirements and circumstances, but the relationships also vary as they evolve over time. It is therefore of interest to describe some common concepts that characterize the evolvement process.

Learning

The way in which a relationship evolves, on overall as well as personal level, is closely related to what the parties *learn* about each other – what they want from the relation and what they can offer to it. The process of learning is a key factor for reducing the respective uncertainties, but also for learning how to live with some uncertainties that cannot be reduced.

Investments

A successful development of business relationships includes *investments* of tangible and intangible resources for both parties. The investments range from human resources to joint research and development of new products and services. In a relationship, the companies also invest their knowledge and expertise, either directly or indirectly. It is also common for a company to undertake some additional investments for a major customer. Such unique investments are *adaptations* from the normal investment procedures, and are often concerned with high investment costs.

3.5 Augmented Service Offering

Based on the discussion about service quality, a model for developing service offerings which are geared to customers' perception of service quality is presented. This conceptual model is called the *Augmented Service Offering* model, and is based on how customers value the outcome of the service process (the technical quality) and how they experience the process itself (the functional quality).[45] To understand service management and marketing, it is essential to remember that all concepts and models start out from the fact that a service is a process in which the customer actively participates. This implies that the service offering must be based on the customer perspective.
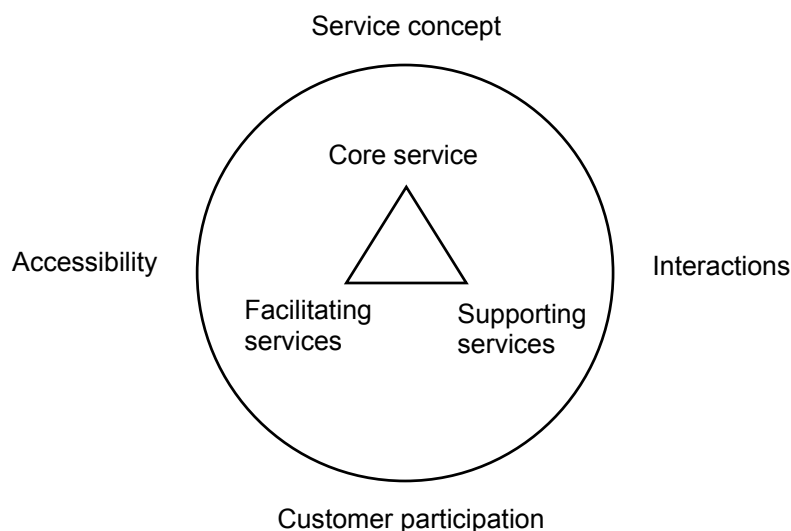
Figure 3.3: The augmented service offering.[46]

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[44] Ford (1998)
[45] Grönroos (1990)
[46] Suprenant (1987)

Based on a well-defined concept describing the customer benefit of the service, the service offering covers four fundamental parts.

1. Service concept
2. Basic service package
3. Augmented service offering
4. Market communications

3.5.1 The Service Concept

A service provider needs some performance guidelines. The concept of business mission is used to specify in which markets the company should act and what type of problems it should provide solutions to. Within the framework of the business mission, concrete guidelines are developed. These guidelines are referred to as the *service concept*.[47]

The service concept should describe what the company intends to do for a certain customer segment, how it should be achieved and the type of resources needed. If there is no service concept agreed upon and accepted by everyone with in the company, the risk of inconsistent and irrational behavior is obvious. A situation can develop in which different parts of the organization perform inconsequent, leading to fatal result.

3.5.2 The Basic Service Package

The *basic service package* consists of a number of services that are needed to fulfill requirements of customers in target markets. This package of services describes *what* customers receive from the organization, which corresponds to the technical quality of the outcome. There are three principal groups of services:[48]

- Core service
- Facilitating services
- Supporting services

The *core service* is the reason for the company being on the market at all. For a hotel it is accommodation and for an airline it is transportation. To make it possible for a customer to use the core service, additional services are often required. These services are called *facilitating services*, as they facilitate the use of the core service. In a hotel, reception services are needed and for an airline, check-in services for luggage are required. The third type of services is *supporting services*. Similar to the facilitating services, these are also additional services, but with a totally different function. Supporting services do not facilitate the use of the core services, but are used to increase the value of the service package and to distinguish the package from the competitors'. Access to a swimming pool on a hotel and in-flight meals are examples of supporting services.

However, the distinction between a facilitating and a supporting service is sometimes quite unclear. On a long-distance route the in-flight meal is facilitating the core service, but on a short-distance route it may become supporting.

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[47] Heskett (1987)
[48] Grönroos (1990)

From a managerial perspective, it is vital to understand the distinction between facilitating and supporting services. Facilitating services are prerequisite – if left out, the service package is useless. On the other hand, supporting services solely are used as competitive tools.

3.5.3 The Augmented Service Offering

The service offering also includes *how* customers perceive the service process, i.e. the buyer–seller interactions, which correspond to the functional quality of the process. These service encounters are perceived in various ways depending on the context of the situation. There are three basic elements that, from a managerial perspective, characterize the service process:[49]

- Accessibility of the service
- Interactions
- Customer participation

These elements are combined with the basic service package, thus forming the *augmented service offering*. It is essential that these three elements are related to the customer benefits which were initially identified.

The *accessibility* of a service depends among others on the number, skills and working hours of the staff; location of offices and factories; exterior and interior of company premises; and the tools, equipment and systems used. These factors affect how easy or difficult a customer experiences the service accessibility. If a customer support telephone operator lets a customer wait before answering the phone, the accessibility of the service is perceived as quite low. Even if the service package itself is excellent, the total impression of the service will be unsatisfying.

The buyer–seller *interactions* consists of interactive communication between customers and employees; interactions with physical (reception premises) and technical (computers) resources; interactions with various systems (invoicing, web-sites, claims handling, maintenance); and interactions with other customers. All these interactions, with human as well as physical resources, are all part of the service perception. Again, if the interactions are perceived as unnecessary or complicated, the service perception will be low, despite an excellent service package.

Customer participation means that a customer actively can affect the service received. Often customers are expected to fill in documents, provide information, use web-sites, and so on. If the customer does not accept and approve the participation required by him, the overall service perception will be low.

In service encounters the core, facilitating and supporting services are perceived differently, depending on the accessibility of the services, how the interactions are perceived and how well the customers understand their role in the service process. This implies that the development of an augmented service offering is a complicated and integrated process. A new supporting service cannot be added without considering the accessibility, interactions and customer participation aspects.

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[49] Grönroos (1990)

3.5.4 Market Communications[50]

As discussed earlier, the corporate image functions as a filter for the service experience. A favorable image enhances the experience, and vice versa. Managing corporate image and *market communications* is closely related to the development of the service offering. Due to the intangible nature of services, market communications has a direct impact on customers' expectations as well as the experience of the service.

Once having planned the service offering, the organization needs to focus on the production phase. A thorough planning process does not imply an aligned production process. To prepare the organization must therefore be an integral part of the service offering development. The preparation work includes creating sufficient resources and internal marketing of the new service offering to the staff. The purpose is to create understanding and acceptation of the offering and commitment for producing it.

3.6 Brand Relationships

The brand concept is well-known in marketing. The first brands, in modern terms, were developed a century ago, and during the second half of the 20th century brands became central issues in marketing. However, most discussions of brands are related to physical products, especially consumer goods. It is only during the last ten years that service brands have attracted attention.[51] In these discussions, the term trademark has been frequently used, leading to a delicate problem concerning definitions – what is a trademark and what is a brand?

3.6.1 Distinction between a Trademark and a Brand

At a brief glance, the distinction between a trademark and a brand seems rather unclear. However, it can be stated that a brand is an extension of a trademark, using a relationship approach. The major characteristics can be described as follows:

Trademark
- Outcome consumption
- Name, sign or symbol to differentiate the goods
- Material asset – registered and owned
- Value-adding

Brand
- Process consumption
- The service process that differentiates a service offering
- Immaterial asset – brand is an image created in a customer's mind.
- Value-creating

Traditionally a trademark has been defined as a *name, sign or symbol* that differentiates one seller's goods from those of other sellers.[52] A trademark is also a *material asset*, implying that the trademark is registered and owned by the company.[53] From a service perspective, at least two objections can be made: this definition disregards the fundamental characteristic of services as processes, and it excludes the role of the customer.

3.6.2 Brand as an Image

First, it does not address the key characteristic of services, which is that services are processes, and that the consumption of services therefore can be described as *process*

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[50] Grönroos (2000)
[51] Berry (2000)
[52] Bennet (1995)
[53] Gad (2000)

consumption. Because services are perceived in processes including customer participation, it is the *service process* itself that differentiates one service offering from another.

Secondly, the customer is excluded. Trademarks are considered as something created by the company, and then simply transferred to the customer. It also suggests that the development of the trademark is something that customers cannot affect. One problem that arises due to this way of thinking is the distinction between the trademark and the image of the trademark often made. The image of the trademark is hence the image of the good, formed in the customer's mind. When it comes to physical goods, this view of trademarks has been quite successful due to the existence of a pre-produced, well-defined good. As the consumption of goods is *outcome consumption*, the customer is not involved in the production process.

When including the customer, this dilemma becomes marginalized. Using a relationship approach, the brand as a concept is always an image. A brand is an image that is actually formed in customers' minds. This means that a brand is something that continuously develops and changes as customers relates to various brand contacts, like employee behavior, market communications, rumors and reputation. In this way, a *relationship* between the brand and the customer emerges and develops.[54] The brand, in terms of an image, is the therefore the outcome of how a customer perceives the brand relationship and the branding process.[55] This emphasizes the nature of brands as *immaterial assets*.

3.6.3 Brand Value

In this context brand value is the customer's perception of how valuable a service or solution is, compared with existing alternatives. An increased brand value is therefore likely to lead to a higher degree of customer loyalty. This indicates that the efforts put down on the company's brand leads to more loyal customers.[56] The brand also provides value to the company. The more customers that consider a brand valuable, the more sales can be expected. In fact, up to seventy percent of the company's market value is related to the brand.[57] A strong, well-established brand also makes it easier to cope with setbacks.

There are two principal ways for a company to make use its brand. The first is the *price* aspect. A brand that is perceived in similar ways by the majority of customers allows the company to charge a higher price, like BMW and Intel. The other is the *volume* aspect. Combining a strong brand with a low-price strategy, a company can increase the order volume significantly. An example is IKEA which combines business mission, corporate culture and product assortment.

However, it is the brand value to the customer that is most important, as this is the basis for creating brand value to the company. The brand relationship is *value-creating* to the customer, in sharp contrast to the trademark where *value is added* to the customer. Brand value occurs when the customer is familiar with the brand and holds favorable and unique brand associations in mind.

3.6.4 Four Dimensional Branding

To manage a service brand successfully, the company needs to abandon the traditional, one-dimensional thinking, which focused on the product and the commercial use. As discussed,

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[54] Gad (2000)
[55] Schultz, Barnes (1999)
[56] Gad (2000)
[57] Gad (2000)

service brands require the company to focus on establishing, maintaining and enhancing relations with the customer, thus adding additional dimensions to the brand concept. This is conceptualized in the Brand Mind Space, a four-dimensional branding model. The model represents how an individual perceives the brand. This implies the existence of several Brand Mind Spaces, as various individuals (customer, employee, supplier, etc.) perceives the brand in different ways.[58]

Functional
(unique features)

Social
(collective experience)

Mental
(personal experience)

Spiritual
(ethical experience)
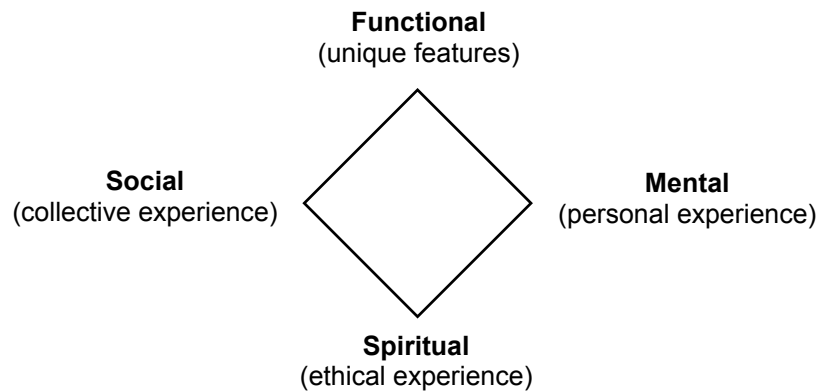
Figure 3.4: Brand Mind Space.[59]

Functional Dimension
Unique service features normally lead to an experienced benefit for the customer. These features include packaging, quality, technology, etc. The functional dimension seems to be more important in the early stage of the life cycle. Nike communicates *Nike Air*, emphasizing the unique sole construction.

Social Dimension
The brand is perceived as a social sign, and used to achieve social acceptance. The key characteristic is the ability to establish identity with a certain social group, thereby reflecting the relation between the individual and the particular group. Thus, the brand represents what you want others to think you. The *Nike swoosh* is an excellent symbol, recognized equally with or without the company name.

Mental Dimension
The key characteristic is the ability to support the individual mentally. The brand is used as a role model, representing what you think of yourself, or perhaps closer to the truth, what you want to think of yourself. The Nike message '*Just do it!*' strikes a new, emotional tone.

Spiritual Dimension
The spiritual dimension represents an ethical attitude, in terms of local or global responsibility. In the case of Nike, their *attitude towards child labor* affects the credibility as an ethical and responsible company.

3.7 Service Marketing

Marketing can be illuminated in many ways. Far too often it is considered as a *set of tools* and methods. Applying such an approach, marketing remains the sole responsibility of a minor group of specialists familiar with the tools. The rest of the organization (human resources, operations, production, etc.) does not regard any marketing objectives in their daily work.

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[58] Gad (2000)
[59] Gad (2000)

Marketing can also be described as a *philosophy*, a way of thinking that puts the marketing in a much larger context. A good result cannot be achieved unless the whole organization is involved in, and committed to, the marketing activities.

3.7.1 Transaction Marketing

Traditionally, marketing as a business activity is considered as a separate function operated by a group of specialists, organized in a marketing department. The rest of organization has limited, or no, responsibility for customers or marketing. The *transaction marketing perspective*, emphasizing the single transaction of a good, is illustrated below.
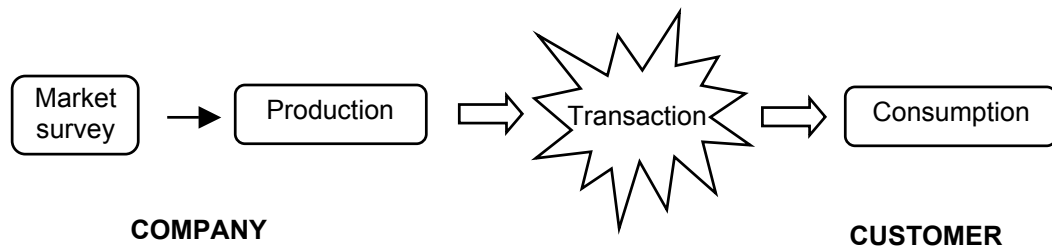
Figure 3.5: The transaction marketing perspective.[60]

In practice, the most common occurring model is the marketing mix. The marketing department uses different means of competition to form a marketing mix, in order to optimize the profit function. Since the introduction of the marketing mix concept in the 1950s, it has developed and was later reformulated as the '4 Ps'.[61] Traditionally, the 4 Ps are *product*, *place*, *price* and *promotion*. During the last two decades, marketing researchers have found the 4 Ps too restrictive and additional variables have been suggested, such as *people*, *processes* and *physical evidence*.[62]

However, just increasing the number of Ps does not adapt the definition to the service market. The 4 Ps has lead to the view of marketing as a number of activities carried out in a special department. The importance of customer relations and interaction with other departments has been neglected, resulting in low perceived quality, lack of value for the customer and lost businesses.[63] This dilemma is illuminated in the consumption phase, as the many contacts between the customer and the service company, are outside the scope of the 4 Ps. Responsible for these contacts are the operative, 'non-marketing' departments. Yet, these contacts, buyer–seller interactions, have an immense impact on how customers perceive the service quality.

When services are involved, the interface between company and customer grows. The customer is no longer passive but plays an active role in the service production process. This fact was actually pointed out as early as in 1974![64] Another approach to marketing is necessary.

3.7.2 Relationship Marketing

For companies acting on a service market, it is more suitable to approach marketing with a relationship perspective, thus focusing on the management of customer relationships. The

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[60] Design of my own (2003)
[61] McCarthy (1960)
[62] Booms, Bitner (1982)
[63] Gordon (1998)
[64] Rathmell (1974)

purpose of *relationship marketing* is then to identify, establish, maintain and enhance relationships with customers, in order to fulfill mutual objectives and promises.[65]

In general, marketing means to manage the company's market relationships.[66] This illuminates the fundamental characteristic of marketing as a phenomenon related to the relationship between a company and its customer and other parties in the market environment. The relationship perspective does not imply that the concept of the marketing mix is abandoned, but demonstrates that there is much more to marketing. According to the relationship perspective, marketing is a process rather than a function.[67] The *relationship marketing perspective*, emphasizing the importance of customer relationships, is illustrated below.
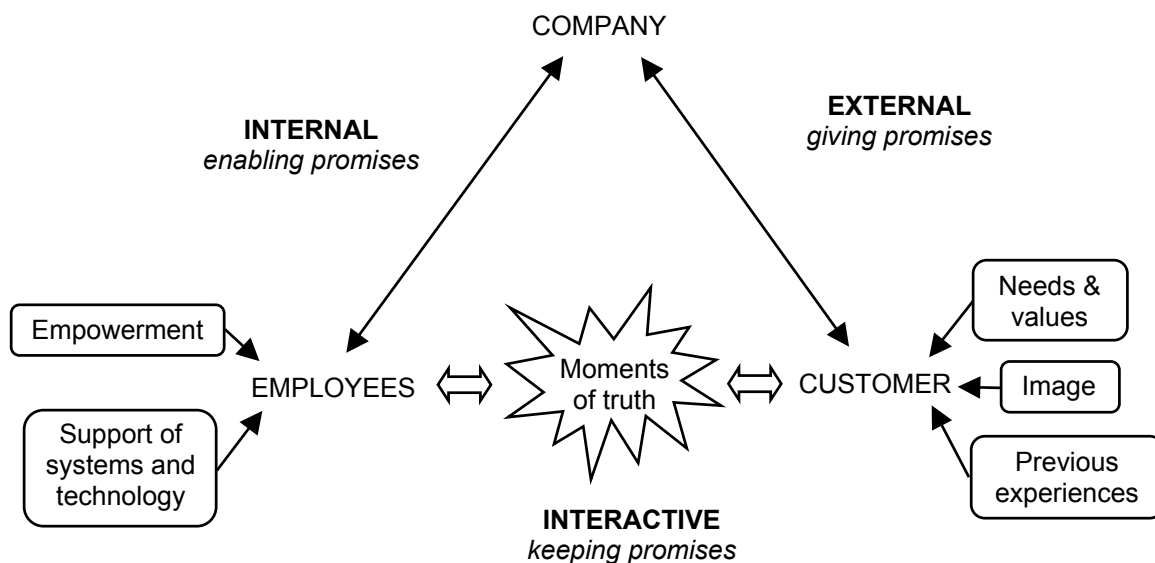
Figure 3.6: The relationship marketing perspective.[68]

The core of relationship marketing is the series of *moments of truth,* or service encounters, where the customer and employee meet and interact. These service encounters creates value for the customer. From the company's point of view, service encounters are only one part of the process and much has been preproduced by different part of the organization. But from the customer's point of view, only what happens in the service encounters matters. If these encounters are not taken care of, the customer perceived quality will be severely damaged. The main objective for companies in service competition is therefore to continuously manage the service encounters, combined with adequate support from systems, technology and physical resources.

The relationship perspective of marketing introduces three different processes: external, internal and interactive marketing.

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[65] Grönroos (1990)
[66] Grönroos (2000)
[67] Moorman, Rust (1999)
[68] Grönroos (2000)

External Marketing – Giving Promises

The external, or traditional, marketing is separate from other functions, and is planned and conducted by full-time marketing specialists. This function includes the traditional marketing mix activities, as advertising, market research, sales promotion and public relations. By the external marketing process the company *gives promises*, which should correspond with the needs and values of the customer. These promises are enhanced or counteracted by the customers' previous experiences and their perception of the image of the service provider.

Internal Marketing – Enabling Promises

The internal marketing aims at increasing the employees' abilities and motivation to meet the customer expectations. This process is necessary for creating prerequisite conditions, or enablers, for keeping promises. The responsibility for the internal marketing lies on every manager or supervisor in the organization. Another aspect of *enabling promises* is the support of systems and technology gotten by the employees. A lack of support implies that employees are likely to face difficulties in providing customers with prompt and accurate service. Finally, empowered employees, with authority to handle customer contact situations, are more likely to fulfill promises effectively and customer-oriented. The internal marketing aspect will be thoroughly discussed later on.

Interactive Marketing – Keeping Promises

The interface between production and consumption includes the buyer–seller interactions or service encounters. These encounters are interactive processes, leading to the concept of interactive marketing.[69] This implies that interactive marketing occurs at every moment when buyers and sellers interact. However, the marketing resources used are totally different from those used in the external marketing function. Employees involved in interactive marketing are part-time marketers, who are specialists in their own operative area.[70] What makes them part-time marketers is that they have to carry out their ordinary assignments in a market-oriented way, thus enhancing the customer relationship.

The interactions between customers and employees, the service encounters, determine whether the customer's experience meets the expectation. If the experiences are equal to or higher than the expectations, the perceived quality is likely to be good. Thus, *keeping promises* is an essential aspect of the interactive marketing process. In summary, the interactive marketing affects the customer experiences and the external marketing affects their expectations.

3.7.3 Internal Marketing

Internal marketing as a concept is quite new, but the activities and processes included are by no means unfamiliar.[71] The introduction of the term 'internal marketing' has lead to coordination opportunities of these activities, in order to make them customer-oriented. As a consequence, the notation of internal marketing has brought three new dimensions to the company's human resources management.

Internal Market

The first is that the employees constitute a *first, internal market* for the company's service offerings. A service provider's offerings and marketing communications are first perceived and evaluated by the own staff. If employees do not believe in the service offerings, they are not able to act as effective part-time marketers and contribute to the important interactive

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[69] Grönroos (1980)
[70] Gummeson (1987)
[71] Berry (1981)

marketing. This reasoning implies that the employees should be considered as one target group for the external marketing.

Internal Activities coordinated with External Efficiency

The second notion is that all personnel-oriented activities are to be *combined* with the external efficiency of the company. This means that all internal activities and processes must be geared towards maintaining the external performance. Human resources management is not only an internal matter, but is also about making sure that the employees contribute to the company's external result. To succeed with this, all internal efforts must be conducted in a coordinated, active and goal-oriented way.

Internal Customers

The third observation is that employees and departments within the company should be viewed as *internal customers*, who have to be treated the same way as external customers.[72] If employees are provided with slow and inattentive service, their ability to provide and maintain a high service level towards the company's external customers is seriously undermined.

Network Perspective

In later years the interest in internal marketing has been revitalized from a *network organization approach*. This means that companies collaborates in networks with other companies, from suppliers to distributors and customers. In these networks, the fundamental issue is the relationships between the companies. For the company, this view, or approach, means that internal marketing also includes persons in other companies in the network.[73] This means that the traditional boundaries between companies are becoming increasingly blurred. Suppliers, service providers and customers form one interactive organization, where customer value is created jointly in value constellations, instead of in traditional value chains.[74]

Summarized, internal marketing is the *management philosophy* of treating employees as customers.[75] This does, however, not imply that internal marketing and human resources management is the same thing, though they show several similarities.[76] HRM provides tools, such as training, hiring and career planning, which can be used in the internal marketing process. Internal marketing then offers guidelines on how to use these tools, in order to improve the interactive marketing performance. This implies that successfully implemented internal marketing requires that marketing and HRM work together.

3.7.4 The Customer Relationship Life Cycle

As discussed, all business is based on relationships. However, customer relationships do not emerge automatically; they have to be earned. The same reasoning can be applied to relationships with suppliers or distributors. To understand how the customer relationship develops over time, a life cycle approach can be used.[77]

The life cycle consists of three phases: the initial stage, the purchasing phase and the consumption phase. A potential customer, unaware of the company, is in the *initial stage*. When the customer becomes aware of the services offered by the company, it moves into the

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[72] Ling, Brooks (1998)
[73] Lewis, Varey (2000)
[74] Normann, Ramirez (1993)
[75] Berry, Parasuraman (1991)
[76] Rafiq, Ahmed (1993)
[77] Grönroos (1983)

purchasing phase. During this phase, the customer evaluates the services in relation to his needs. Should he decide to make a purchase, he moves into the *consumption phase* of the life cycle. The customer's experience of the consumption phase, i.e. the experience of the company's augmented service offering, affect the total perceived quality and thereby the customer's preference for further purchases.

The objectives of the company's marketing activities depend on which phase of the life cycle the customer is in. At the initial stage the marketing objective is to *create interest* in the services offered. During the purchasing phase, this general interest is transformed into actual sales by *giving promises* that are accepted by the customer. At the last phase, the customer should receive positive experiences of the company's ability to deal with the problem and to keep the promises given.

3.7.5 From Transaction to Relationship Marketing

Normally, interactions between a customer and a service provider occur and continue for a period of time. The service is, often, produced and consumed simultaneously. Marketing of services has often been regarded as complicated because service companies have not realized that services are relationship-oriented, and thus continued to apply a transaction perspective.

Because markets are maturing and new customers are hard to get, it is exceedingly important to maintain long-term relationships with existing customers. In today's business environment, it is much more difficult to compete with a core solution solely. The companies must develop augmented service offering to provide competitive value for their customers. This leads to an important conclusion – more companies have become service companies acting in service markets.

3.8 Service Profitability

Service competition is the situation facing more and more companies and industries. This is certainly not new to the service companies, whereas this situation is new to most traditional manufacturing businesses. To work effectively on markets with service competition, these companies must realize the importance of long-term customer relationships and understand the effects that good, or bad, services give rise to.

3.8.1 Service Quality and Profit Maximization

A common occurring opinion on top management level is that improved service quality does not pay off. Managers tend to believe that quality improvements only come at the expense of productivity. As a consequence of quality improvements being a complex phenomenon, the productivity issue is often given first priority. The main reason for this is that service quality improvements require too much resources and additional costs. To reframe the problem, management must reconsider the relationship between costs and revenues, productivity and quality.

Improvements in *service quality* are likely to lead to more *satisfied customers*. A satisfied customer is also likely to continue the relationship and make repurchases. However, this function is far from linear. Experiences from Xerox indicated that only the 'very satisfied' customers show a high repurchasing rate.[78] This means that it is not enough to offer a service quality that makes customers 'satisfied', they have to receive a service offering that makes

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[78] Hart, Johnson (1999)

them 'very satisfied'. Succeeding with this, a service provider will retain a higher *customer loyalty* rate and finally, *increased profitability.*

3.8.2 Relationship Costs

The price is the cost component which dominates in the short run, whereas other components are becoming increasingly important in the long run as the relationship develops. Thus, the total long-term cost for a customer consists of the initial price and additional costs occurring in the relationship. These additional costs are referred to as *relationship costs.*[79] There are three different types of relationship costs: direct relationship costs, indirect relationship costs and psychological costs.

Direct Relationship Costs

The *direct relationship costs* are related to the measures taken by a customer in order to make use of the solution offered by the service provider. Such measures consist, for example, of investments in additional equipment, office spaces, personnel or software. A classis example for managing direct relationship costs is just-in-time logistics. Such an approach enables the customer to keep a minimum stock, and thus less capital tied up in inventories as well as smaller facilities.

Indirect Relationship Costs

The *indirect relationship costs* arise in case the relationship does not function as intended. These costs can depend on standstills, quality scarcity, low-quality repairs or deficient complaints handling. Due to the unexpected nature, these additional costs are often significant. A service provider, which can demonstrate that it can provide high quality service offerings that minimize the indirect relationship costs, is able to show that their offering provides more value to the customer in the long run.

Psychological Costs

Psychological costs are caused when customer personnel feel that they cannot trust the service provider or feel insecure and lack control. The personnel use increasingly more of their working time to check that the interactions with the supplier are in order. As a result, their regular tasks are disregarded, with lower qualitative output.

3.8.3 Relationship Costs for the Customer

From a long-term perspective, price is not the only cost component that the customer needs to consider. The relationship costs – direct, indirect and psychological – are equally important for the buyer to notice. A higher price can then be motivated by better services and thus lower relationship costs. From a customer perspective, the *total cost* for a service consists of the *net price* and the net present value of the *relationship costs*. However, customers tend to focus on the price component only, leaving them in a poorly substantiated decision-making situation. The fact is that a low-price offering often leads to higher total, long-term costs than a higher-priced one.

To be able to charge a higher price than competitors, the seller must provide substantial motives. An effective argument is lowered costs for the customer. This means that the seller should always calculate the level of relationship costs that can be expected to occur. By such long-term cost calculations the seller can indicate the value of the service offered. The difficulty from a seller perspective is to learn how to calculate these costs, and draw customers' attention to the impact of relationship costs on total long-term costs.

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[79] Grönroos (1990)

3.8.4 Relationship Costs for the Supplier

For the supplier, the same perspective as for the customer can be applied. In a short-term and transaction-oriented perspective, the *net price* charged by the supplier shall cover the *production costs* for the offering. The difference between the net price and the production costs constitutes the supplier's *gross margin*. In a long-term and relationship-oriented perspective, reality is totally different. The net price shall cover the production costs as well as all occurring relationship costs. What is left is the supplier's *net margin*. If the supplier disregards the effects of relationship costs, a positive gross margin can easily turn into a negative net margin.

The conclusion is that low-quality services cause serious problems and unnecessary relationship costs for both parties. An improved service quality gives therefore rise to a win-win situation in customer relationships. Both parties gain something to improve their profit margin. The supplier has an opportunity to raise prices above competitors and the customer has the opportunity to reduce the relationship costs.

The figure below illustrates the relationship costs for the customer and the supplier.
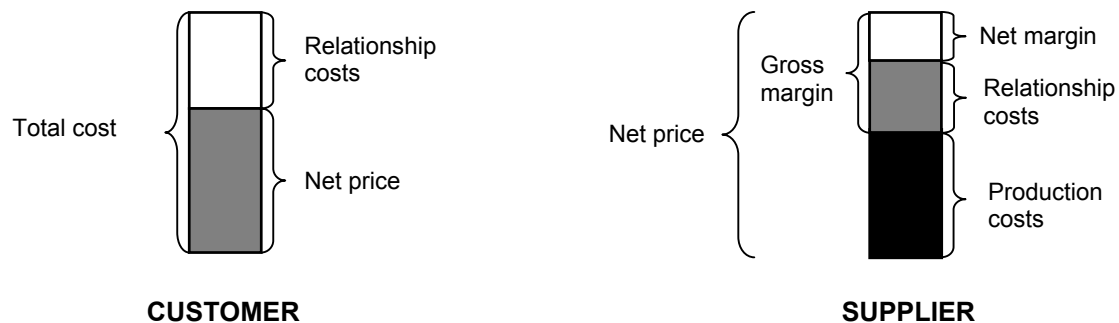
Figure 3.7: Relationship costs for the customer and the supplier.[80]

3.8.5 Value in Relationships

As services are inherently relational, the value of a service offering is best illuminated from the relationship perspective.[81] The starting point for understanding the concept of value is the observation that value is something that customers perceive in their internal process and in interactions with the service provider. This means that value cannot be created in a factory or a back-office.[82] In conclusion, the value concept is difficult and complex to understand and manage. However, it is a concept that cannot be ignored.

3.9 Some Important Findings

This chapter has illuminated some of the most common theories and models concerning service management. I will end the chapter by presenting some important findings that have helped me to design the structure of the empirical study. To illustrate the findings I will revert to the schematic picture used in the problem definition chapter.

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[80] Grönroos (2000)
[81] Ravald, Grönroos (1996)
[82] Normann, Ramirez (1993)
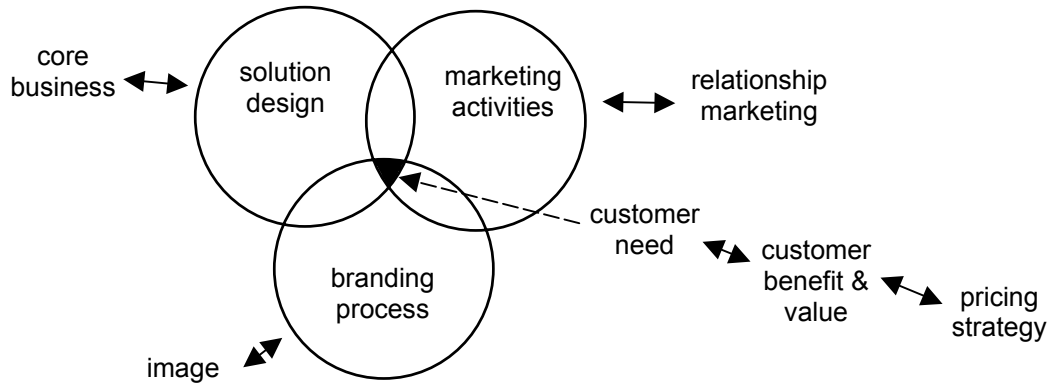
Figure 3.8: Some important findings from the theoretical review.

For a company to successfully adapt a customer-oriented approach, I believe that there are two fundamental factors that are important to understand. First of all, the company must be aware of the *characteristics* of the service. The service is often subscribed features as intangibility, heterogeneity and inseparability. However, these features comprise a rather abstract description of a service and a more concrete approach is needed. I mean that this calls for a *categorization* of the company's product and service portfolios. They need to identify the core, facilitating and supporting parts of the service. Additionally, they must also consider how the service is conveyed. This identification process must be related to the company's *core business* activities.

The other part is to identify and describe the *customer need*. I believe that companies are well aware of that their activities and offerings must be based on the customer need. However, my impression is that companies are less successful in describing the customer need and relate this to the *customer value* of the company's offering. Based on the customer value, the company can point at the presumptive *customer benefits* of their offering. If the customer understands the value and benefit that can be received, the company is in a strong position for charging a price premium.

Based on the two aspects I have mentioned, several others can be identified. One of the more important is the *relationship marketing* approach. I think that this approach best can be described as a philosophy for conducting business. Due to the relationship perspective, relationship marketing comprises all types of *interactions* between the company and the customer, emphasizing the importance of the service encounters. Another interesting finding is that the management of the service encounters, or buyer–seller interactions, is of vital importance for how a customer perceives the *quality* of the service.

I find it very interesting to examine how a company's *branding activities* and corporate image affects the customer perception of the service. I think that the management of the service encounters to a great extent affects the customer's perception of the *corporate image*. In fact, I would say that almost everything a company conducts can be labeled as a branding activity! For the company, it is important not only to communicate the functional aspects, but to strike on a new emotional tone.

Finally, I would say that the most important finding is the role of the company's *internal marketing* activities. For the employees to function effectively in the service encounters, it is

crucial that the company creates enablers aiming at increasing the employees' ability and motivation to meet customer expectations.

3.10 Definitions and Implications for Tetra Pak

Due to the reasoning above, I find it necessary to illustrate the implications for Tetra Pak. In the theoretical review the term 'service' is used in a wider sense, thus including all activities necessary to accomplish a sellable outcome to a customer. This applies regardless if the outcome is a complete plant, a branded module or a PlantCare contract. However, in the Tetra Pak vocabulary, the service part of a complete plant or branded module is referred to as 'value-creating'. This implication is important to illuminate, in order to avoid misunderstandings and confusion.

4 Benchmarking Principles

In this chapter I present the principles of the benchmarking process. The purpose is to provide guidelines for the empirical study as well as to outline the desired result. In the end of the chapter I present the implications for the empirical study.

4.1 The Concept of Benchmarking[83]

Benchmarking should be considered as a tool for improvement. This statement illuminates two fundamental acknowledgements. First of all, this means that benchmarking is one of several existing tools for improvement. It is not even a complete tool solving all problems, but works in certain situations, in certain companies, for a certain type of problem. The different tools are not autonomous, but interact with and complement each other. Examples of other tools are total quality management (TQM), ISO 9000, life cycle analysis (LCA) and process analysis. Secondly, benchmarking is all about improvement, not only evaluation and analysis. The outcome of an evaluation should act as a base for productivity or quality improvements.

Hence, benchmarking is a method for improvement work, based on comparisons with other companies considered as being among the best players in their respective activity areas. The word benchmark means originally "one, in advanced determined, item used as a reference for comparisons". A somewhat more modern and up-to-date description of benchmarking includes the following core objectives:

- The essential issue regarding comparisons is the processes and how they are conducted. Benchmarking includes a lot more than just comparing business ratios.
- The comparison is not limited to the identified competitors, but should comprise the best actors, regardless of the activity area they are operating in.
- Learning from the "best practices", a company can achieve substantial improvements in their own, in-house, processes. The main objective is thus not to evaluate, but to improve.

Benchmarking is a complement to the continual improvement work conducted within the own enterprise, by adding new methods for improvement or identifying higher performance targets from external sources.

4.2 Different Types of Benchmarking[84]

Benchmarking can involve comparisons of the enterprise as an entirety or of certain processes, functions or products. A benchmarking is defined on the basis of what you want to compare and whom you compare to. Depending on what you intend to benchmark, different methods for the implementation is used. As corporate strategy and benchmarking are intimately associated, the strategy chosen should settle what to benchmark and which method to use.

4.2.1 What to Benchmark

There are three different types of benchmarking depending on what you wish to compare. *Performance benchmarking* means a comparison of performance indicators, usually various business ratios. The purpose is to determine how the company is performing in relation to

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[83] Andersen, B. & Pettersen, P-G. (1997)
[84] Andersen, B. & Pettersen, P-G. (1997)

others. A p*rocess benchmark* is a comparison of methods and processes, aiming at learning from the "best practices" in order to improve your own work procedures. Finally, a *strategic benchmark* means a comparison of strategic choices taken by other companies, in order to optimize the own strategic planning.

The past fifty years has seen a development from internal surveys and performance comparisons via comparisons versus industry average to comparisons versus industry best. This is what is referred to as performance benchmarking. However, during the past few years it has been stated that focusing on performance indicators only provide a minor quantity of information. This has led to a different approach, the process benchmarking, which includes comparisons of performance indicators as well as the activity process itself. The process benchmarking has also led to a shift of focus, from the quantitative data provided by the performance benchmarking, to a more qualitative approach.

4.2.2 Whom to Benchmark

Depending on the subject selected for the benchmarking study, there are four different methods for implementing it. *Internal benchmarking* means that comparisons are conducted between departments, factories, subsidiaries or regions within the own enterprise. This type of benchmarking is mainly used in multinational industry groups, comparing different strategic business units to each other. The purpose is to find units in control of specific methods or techniques that can be transferred to other units within the group. *Competitor benchmarking* consists of direct comparisons of the company's performance indicators versus the best competitors. The competitor benchmarking is a further development of the competitor analysis, but is focusing on the best available competitors instead of the industry average. Due to problems with information sharing, this type of benchmarking tends to be very superficial. A *functional benchmark* involves comparisons of processes versus non-competitors acting in the own industry segment. This implies that customers and suppliers can be subject to the benchmarking study. The last method, *generic benchmarking*, means comparisons of processes versus the "best available", regardless of industry segment. To find a company in a different industry conducting a similar process as the one in your own company, demands a lot of effort. Due to these restraints, this type of benchmarking shows the largest potential when it comes to identifying new methods and techniques that successfully can contribute to the development in the own industry segment.

4.2.3 Possible Combinations of different Benchmarking Types

Figure 4.1 illustrates the possible combinations of the various benchmarking types. It also shows that some combinations are more relevant than others.

	internal	competitor	functional	generic
performance		●		
process			●	●
strategic		●		

Figure 4.1: Possible combinations of benchmarking types.

An internal comparison is of limited value as the amount of new information is insignificant. Competitor benchmarking is of high value when comparing performance levels and/or strategy. Process benchmarking against competitors is very difficult to conduct due to the problem of achieving detailed information regarding business processes. Functional and generic benchmarking is of highest value used in combination with process benchmarking.

Comparisons of performance indicators and strategy between companies in different industry segments are of limited relevance.

4.3 The Benchmarking Process[85]

A benchmarking study is a generic process containing a number of different activities. A model describing this process is the benchmarking wheel. The model indicates what activities need to be carried out and the mutual order. The fundamental activities are:

1. *Plan.* The process subject to the benchmarking should be carefully documented.
2. *Search.* Identify participating companies for the benchmarking study.
3. *Observe.* Map and analyze the execution of the process at the participating companies.
4. *Analyze.* Study the reasons for differences in performance indicators and execution of the process.
5. *Adapt.* Identify the "best practice" and adapt to fit the circumstances characterizing the own company.

The benchmarking wheel describes the process in sequential terms, but in practice the activities are overlapping. This admits the personnel involved to maintain a high level of intensity and continuity. In concise terms, the different activities can be characterized as follows.

4.3.1 Plan

Similar to many other processes and projects, the planning phase is the most important one. The activities included in the planning phase are to choose the process subject to the study, understand and document the own process and to create suitable measurement parameters.

The choice of process is conducted by identifying the company's critical success factors (CSF) and the processes affecting them. The decision can be based on the outcome of analytical tools or on a 'fingertip feeling', intuition. Among the different analytical tools are spider diagrams, where you plot your own company's performance regarding critical success factors versus 'best practice', or the performance matrix, where you plot the relative importance of the critical success factor versus present performance.

To be able to conduct an efficient benchmarking, it is a must for the company to understand their own process and how it is executed. This demands a written documentation of the process design, the different sub-processes identified, the methods used and which personnel that are involved. Focusing on a process can be a substantial difficulty in companies with a strong, traditional department structure.

4.3.2 Search

To be able to identify suitable participants to the benchmarking study, it is important to have a number of specific criteria that a potential participant shall fulfill. To obtain most benefit from the benchmarking study, it is important to view the participants as partners and not as a potential threat, as is the matter when benchmarking versus competitors.

4.3.3 Observe

In the observation phase the objective is to study the participating companies in order to understand the nature of their processes and how they are executed. In general, it is not

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[85] Andersen, B. & Pettersen, P-G. (1997)

sufficient only to look into how well the process is executed, but to understand how and why they succeed as well as they do. This implies that information has to be gathered on different levels: performance indicators that indicate how successful the participant is versus the own company, the method that makes it possible for them to achieve the specific level of performance and, finally, enablers prerequisite to run the method.

4.3.4 Analyze

Analogous to the observation phase, the information gathered should be analyzed at three levels. The main objectives are to find differences in performance level, fundamental methods and techniques that render possibilities to achieve an excellent performance capacity and, finally, the factors that in particular contribute to the differences high-lighted.

The first activity in the analyzing phase is to systematically sort the information and data gathered. To simplify the sorting process, a perspicuous disposition over the areas included in the data acquisition process can be made. The next step is to go through the material to find elements that seem incorrect or inconsequent. Another issue is to standardize the data received, in order to make comparisons possible. Finally, the data is to be presented. Different forms for presenting the data are comparison matrixes (quantitative), spider-diagrams, data matrixes (qualitative), relationships diagrams and cause-and-effect-diagrams.

4.3.5 Adapt

The main objective with the benchmarking study is to create incentives for changes and improvements within the organization. To achieve a successful final result, it is therefore crucial to adapt the outcome of the analysis to the own company's strategy and specific circumstances. This is often referred to as 'adapt, not adopt'.

4.4 The Importance of the Customers[86]

In 1991, the Bain Company of consultants claimed that a 2 percent improvement of the ability to retain customers had the equal effect on the profit as a 10 percent decrease of overhead costs. However, the effort required to achieve a 10 percent cost reduction is perceived as somewhat more demanding than simply to retain 2 percent more of the customers.

It is generally stated that the cost to obtain a new customer is ten times the cost to retain an existing one. The procurement cost varies with the commercial relation between customer and supplier. A strong personal business relation, as in the consulting business, leads to a high procurement costs. When the relation is characterized by a transaction, as in several mail order companies, the cost for procurement is essentially lower.

In a survey, conducted in 1994 and covering 200 companies, the managers where asked to rank the importance of the following three components in the company's offering: trademark, service and the product itself. The outcome showed that their comprehension regarding the relative importance of the three components will be displaced, the crucial point being the service aspect.

4.5 Implications for the Empirical Study

When starting this master thesis assignment, I realized that the theoretical and empirical studies were to play an important role for the final outcome. The benchmarking process and the benchmarking wheel provided me a comprehensive model for the work flow. The main

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[86] Peters (1994)

reason for using the benchmarking process model was that the characteristics of the empirical study closely matched the core objects of the benchmarking concept.

First of all, this thesis is all about services and how they are conducted, implying that the *process aspect* and characteristics are high-lighted. The empirical study was accordingly to deal with comparisons of process.

At an early stage I decided, in collaboration with my tutors, to focus on companies that were not among the identified competitors to Tetra Pak. The empirical study was to cover companies that were perceived as 'service companies', implying that I had to look for companies in other industry segments than the food processing industry. This approach characterizes the benchmarking method, which is not limited to the identified competitors.

Finally, the objective of benchmarking is to *improve*, not only to evaluate. However, in this thesis I will concentrate on the evaluation aspect. The intention is that this thesis is to function as a basis for future improvement work within Tetra Pak.

4.5.1 The Specific Type of the Empirical Study

The benchmarking model requires that you identify what to benchmark and to whom. At an early stage I realized that the empirical study would have the nature of a *process benchmarking*. Two issues supported this approach. First of all, the nature of services made it unambiguous clear that the empirical study was to focus on processes. As the empirical study mainly constitutes of qualitative data, the process benchmarking approach was further reinforced. I decided to concentrate on the marketing and branding aspects in my interviews.

As I had decided to conduct interviews within companies perceived as 'service companies', regardless of industry segment belonging, the *generic approach* was quite obvious. For the external interviews I concentrated on two companies, Securitas and Kone. Securitas is an international security solutions provider. Kone is a global service and engineering company specialized in moving people and goods. These two companies are perceived as 'service companies', in terms of having adopted and successfully implemented a service management philosophy. I held the internal benchmarking type as less appropriate, as the intention with the comparative study is to obtain new information.

4.5.2 The Sequence of Work in the Empirical Study

The first phase, to *plan* the empirical study, began as soon as I had accepted the assignment. The planning phase is represented by the theoretical study, resulting in the theoretical frame of reference. Based on the findings from this study, presented in the end of chapter 3, I identified several keywords. These keywords then constitute the basis for the empirical study. The final five key factors, or critical success factors, evolved during the analysis phase.

The next phase, to *search* for benchmarking participants, was carried out in collaboration with my tutors. We decided to focus on a limited number of companies for the external interviews, as I wanted to obtain exhaustive information. For the benchmarking partners, I identified some characteristics. The partners should be service companies and have multinational operations. For practical reasons they should be present in the south of Sweden. For the internal interviews, I was recommended certain people by my tutors. Common for those persons is that they hold positions on top management level.

The *observation* phase was implemented by the interviews conducted. By using a semi-structured approach, I ensured that I did not steer the respondents or used leading questions. As mentioned, information should be gathered at different levels. I do however mean that I have covered two out of the three levels: the method that render a certain performance level and the enablers prerequisite to run the method. The external interviews were concentrated to two companies as I wanted to obtain comprehensive data. To increase the validity in the benchmarking process it would of course be interesting to question additional companies. However, due to time restraints, such an approach was not applicable in this thesis.

The data gathered is *analyzed* at the two levels mentioned. I have chosen to focus on the enabling factors that contribute to an excellent performance. To obtain and analyze data on the performance indicator level is something that I think will be quite difficult, as the study is exclusively qualitative in its nature. The minor number of interviews also makes it difficult to conduct quantitative analysis.

5 Findings from the Empirical Study

In this chapter, I present and discuss the findings from the empirical studies at Tetra Pak, Kone and Securitas. I start by outlining the scope of the analysis and how it is structured. The 'five key factors' for customer-orientation are presented. Then the findings from Tetra Pak are discussed, followed by findings from Kone and Securitas. Kone and Securitas constitute a reference group, allowing me to make comparisons in the next chapter.

5.1 The Scope of the Analysis

The scope of the analysis begun to take shape simultaneously as the interviews were conducted. The scope is based on today's situation and the desired situation tomorrow, aiming at reconciling the strategic gap. This means that the outcome of the analysis and the discussion should answer the question of which areas to focus on, in order to achieve the strategic goals.

In this chapter I present the key findings from the empirical study. I have also chosen to provide my personal reflections in order to illuminate the most important findings. In the analysis, Kone and Securitas comprise a reference group, which allows me to draw conclusions for Tetra Pak. In the discussion, found in chapter 6, the findings from Tetra Pak are compared to the findings from Kone and Securitas, leading to the conclusions.

5.1.1 The Structure

The structure has been developed from the theoretical and empirical reviews and is illustrated in the figure below. It comprises five key factors that I think is important for a company to manage in order to become more customer-oriented. The model also illuminates the fact that a company is required to make trade-offs between hardware (what they deliver) and software (how they deliver it). To be able to become more customer-oriented a company needs to emphasize the role of the software in the total solution.
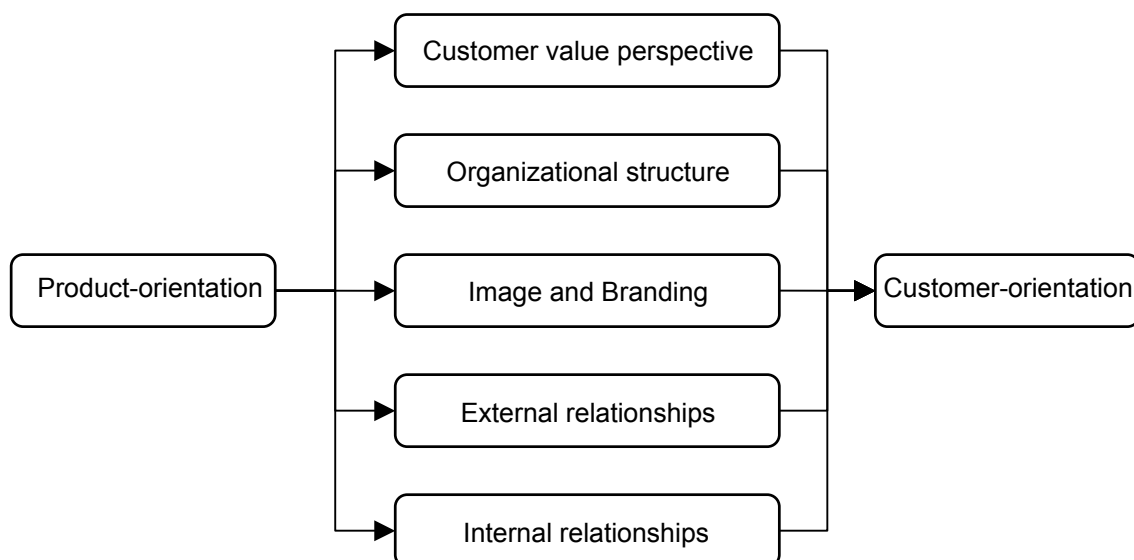
Figure 5.1: Five key factors for customer-orientation.

5.1.2 Definitions

Customer Value Perspective
The customer value perspective is about understanding customer needs and situation, in order for the company to understand what they can deliver to a customer. Two parts are identified. The first is to understand the customer's value-chain. A company needs to understand the structure of the customer's value-chain and how the own company can fit it. This understanding is crucial for creating and conveying relevant offerings. The second is to understand the value of the own company's deliveries. This is crucial for the pricing strategy and solution design process. Key words are solution design and pricing.

Organizational Structure
The organizational structure is about how a company should be physically structured in order to create the identified customer offerings. The structure also affects how the offering is conveyed and thus the customer perceived quality. Key words are designing core and supportive activities, market presence and accessibility.

Image and Branding
The corporate image and all branding activities affect the customer perceived quality. The image is also important for creating credibility as well as creating awareness of the company among customers. Branding also includes how the company manages its branding activities and how the customer perceives them and what associations he makes. Key words are corporate name, quality and trust.

External Relationships
For the conveying process to function optimally, the external relationships between the customer's and the company's representatives is of crucial importance. Key words are knowledge, competence, experience and mutual trust.

Internal Relationships
To enable high-quality external relationships, internal relationships are needed. First of all, the corporate culture is an important factor, as it reflects how the employees conduct their work and how they manage their customer relationships. Secondly, for the employees to function efficiently in the customer relationship, their knowledge and competence must be maintained. Finally, to synchronize the employees' work, a suitable structure of the work-flow process and supportive tools are required. Key words are corporate values, leadership, tools and internal communication.

In Summary
The company must understand the customer's value-chain and how they can contribute to the customer's value-creating processes. The company's organizational structure and image must then support this acting. Finally, the company must create an internal culture that supports the employees' behavior.

5.2 Focus on Tetra Pak

In this section I discuss the empirical data collected at Tetra Pak. The discussion is based on the analysis structure presented above.

5.2.1 Customer Value Perspective

In order for Tetra Pak to obtain a comprehensive understanding of the customer's value chain, they need to enter the procurement process in an earlier stage than they do today. As one respondent mentioned, the customer has often relied on another engineering consultant to

transfer their needs into a concrete plant design. Tetra Pak then acts as a provider of different parts of the plant, with limited possibilities of affecting the design. I think that Tetra Pak must be more precise in their communication of what they can do and how they intend to do it. Today they communicate a 'preferred solutions provider' message and I think it might be interesting for them to focus on a 'preferred solutions engineer' approach. I also think it is important to communicate a long-term commitment to the customers. My impression is that Tetra Pak is quite good at emphasizing the importance of long-term relationships and commitments.

According to one of the respondents, the customer value is that Tetra Pak maximizes performance in their customers' production facilities. I think that this is a quite strong statement, implying that a Tetra Pak solution is a cost-efficient one. This means that the customer's indirect relationship costs will be kept at a minimum. However, I do not think that the internal approach correspond to the identified customer value and benefit. The pricing strategy is based solely on the internal costs for engineering and delivering the solution, not on the perceived customer value. As a customer often is aware of the approximate production costs for a certain component, he is in position of influencing the price. However, the respondents argue that they are very well aware of that they should apply a value-based pricing strategy. So, how come they don not?

Objections like 'it is difficult to estimate' are stated by the respondents. However, I do not believe in such an argument. Tetra Pak has identified the customer value and benefit provided and they thus need to communicate the relationship costs to the customer. In the case of Tetra Pak, I think that the indirect relationship costs are of most importance to illuminate. My opinion is that the main reason for not adapting a value-based pricing strategy is the internal apprehension of the core businesses. It seems to me that there is a split vision within Tetra Pak whether they deliver production equipment or production solutions and I think that the former still dominates the mentality and thus the approach to business.

I think it is important for Tetra Pak to consider how their offering to a customer is designed and communicated. They need to describe the core, facilitating and supporting products and services as well as how the offering is conveyed to the customer. However, I think it is important to mention that Tetra Pak is aware of that it is the question of 'how' that creates competitive advantages. One respondent stated that it was their way of engineering a solution that differentiates them from their competitors. I also think that the distinct focus on industry segments indicates that Tetra Pak is aware of the customer aspect.

5.2.2 Organizational Structure

The focus on specific industry segments is reflected in the organizational structure. Tetra Pak has created strategic business units to support this approach. They have also out-sourced a great amount of their production and have only kept strategically important key production in-house. This means that the respective business unit is in a unique position to focus on the engineering of integrated solutions.

The other dimension of the organizational structure is the market companies. The market companies are located in their respective market, which means that Tetra Pak has a strong local market presence. I think this a very important fact for how a customer perceives the accessibility of the company and their services. The local presence also means that Tetra Pak is familiar with local manners and customs, which affects the customer's perception of the service in a positive way.

One interesting question is how the organizational structure can support Tetra Pak's intention of being responsible for the total engineering of a customer's production facility. This question has not been mentioned by the respondents, indicating an area of improvement. The extent to which a customer is expected to participate in the service production process is also something that is not illuminated by the respondents. Clarifying what Tetra Pak expects from the customer is also important for how the service is perceived.

5.2.3 Image and Branding

Tetra Pak is a strong and well-known brand name. The problem is however that Tetra Pak is primarily associated with the packaging business areas. This means that the Tetra Pak brand name must be strengthened within the processing business area. I would thus expect Tetra Pak to communicate the brand name as an entirety. However, the processing business area focuses on product brand names. This approach means that a certain product can be subscribed a certain, and high, level of quality. The intention of the approach, according to my opinion, is to create incentives for charging a premium price.

But the product branding strategy means that the substantial identity in the Tetra Pak brand is undermined rather than reinforced. I am not convinced that the product-focused branding strategy is in line with the company's intended transfer from product-focus to customer-focus. Another objection of mine is that a variety of product brands can create confusion among the customers. The respondents did however not consider that as an issue. Instead, one of the respondents mentioned that the great variety had created confusion among the own sales force! I think this is quite remarkable – if the own staff cannot separate the brand names; they are not likely to communicate consequent messages to the customers.

Several respondents also mention that the product brand names are poorly respected. They are often misused and internal abbreviations are frequently used. I think that this dilemma might be a result of the great variety of brand names that exists. I also find it likely that this branding approach affects the customers' perception of the corporate image negatively. The intention with the corporate image is to create 'instant credibility', and I think that an approach to the Tetra Pak brand as an entirety can be more suitable for that purpose. In summary, I think that the current approach to branding affects the customer perceived quality in a negative sense.

Of course, the global presence and corporate size will provide customers with a sense of safety and reliability. The risk for bankruptcy can be considered as practically infinite. Further, the respondents want Tetra Pak to be associated with production solutions and long-term commitments. I think these statements describe the functional dimension of the Tetra Pak brand. So, what about the other dimensions: mental, social and spiritual?

I find it quite interesting to illuminate Tetra Pak's new slogan, 'Protects what's good'. This statement actually describes the spiritual dimension in a clear and consistent way. It reflects Tetra Pak's intention to be apprehended as a responsible and caring company with excellent ethical values. However, the concrete actions that can be derived from this statement are less obvious, at least to me.

5.2.4 External Relationships

Tetra Pak acts in a business-to-business market and all respondents stated that traditional marketing is of minor importance. The respondents were also agreed that the external relationship is by far the most important factor concerning marketing activities. This means

that they are all aware of the importance of the customer relationship. Additionally, I consider the structure with market companies to be important, as it allows Tetra Pak to maintain a close and personal customer contact. This reasoning is supported by the fact that Tetra Pak has appointed key account managers who are responsible for the contact with the major customers.

The respondents also argue that customer visits and tradeshows are important. I find it interesting that they claim that these events are not only about sales promotion, but more about maintaining the customer relationships. This implies that they consider the service encounters to be important for how customers perceive the service. However, their opinion is that the management of theses service encounters occurs in the front-office (i.e. the market companies). I think such an attitude seriously underestimates the role of the back-office, as all types of interactions with the customer are included in the service encounters.

Considering the buyer–seller interactions in today's situation, it becomes clear that Tetra Pak is not able to make full use of their problem solving ability. This is a result of the buyer not bringing its uncertainty to Tetra Pak, but to an external engineering consultant as discussed above. The uncertainty facing Tetra Pak concerns the capacity, as it can be difficult to predict the customer demand. This implies that Tetra Pak must have a flexible production to be able to respond to changes in demand.

The direct contact with the customer is exceedingly important to Tetra Pak. This implies that the behavior and competence among the employees are crucial factors for a successful management of the service encounters. Factors as process knowledge, long industry experience and presence as well as a mutual trust are also among the key aspects. This leads me to the question of what incentives do exist in order to achieve high-quality customer interactions.

5.2.5 Internal Relationships

I consider the internal relationship to be among the most important issues to regard. For the company to achieve the identified strategic goals, it is crucial that the employees work in the same spirit towards the same goal. A supportive corporate culture that empowers employees is required. Several of the respondents argued vividly for the importance of creating a common set of values to emphasize the internal relationship. Prior, there even existed competition between different internal corporations. I think this illuminates a loss of the entirety picture. I also think that this can be a result of Tetra Pak not focusing on communicating the brand name as an entirety. However, they are aware of the problem and are working on it. Their view of the leadership is also quite satisfying. I believe that in a service market, the employees must feel that they are appreciated and trusted. The view of the leader as a supportive part rather than a supervising, fits exceptionally well into this reasoning.

To achieve a supportive corporate culture, the internal communication must function properly. Here I see a great lack in Tetra Pak's organization. There is no one responsible for this issue on top management level, as is the case with external communication. The risk for internal communication to be given low-priority is obvious. This also affects the communication between front-office and back-office functions. I think that a deficient communication between back-office, who deals with strategy development and customer segmentation, and front-office, who deals with the daily customer contact, can counteract the company's customer-oriented process.

The work process, or the way Tetra Pak conduct their businesses, affects the customer perception of the service encounters. Here I can see two important aspects that I think indicate a support of systems and tools. The introduction of an ISO-9001 certified and process-oriented work-flow model means that a certain quality level of the work process can be guaranteed. The major advantage of a documented model is that customers can gain knowledge of how Tetra Pak conducts their work; something I think can increase the functional quality. The other aspect is that Tetra Pak has begun to re-use engineering solutions. This approach had faced internal reluctance as the engineering spirit is protective of nature, meaning that the engineer does not want to share his solutions to others. I do believe that this problem can be marginalized by the adoption of the process-oriented work-flow model. I also think that there are substantial advantages with the re-useable solutions mentality. First of all, engineers do not have to spend time designing something that has already been designed. This will of course save time and costs. Secondly, an existing solution is well-tried, implying that the quality level is known and can be communicated to the customer. In summary, I believe that this approach can increase the technical as well as the functional quality dimensions.

Finally, to enable the employees to work efficiently and customer-oriented, their competence must be ensured and maintained. I believe that the customer perception of the service encounter to a great extent depends on the employees' competence. I therefore find it unsatisfactory that there are no proper guidelines for the internal education incentives. This situation is due to the unclear responsibility question. Tetra Pak has however identified some crucial areas for competence development. Due to the increased importance of interactive marketing, the pedagogical competence must be reinforced. Due to the production solutions philosophy, the competence in automation must be ensured. My interpretation is that Tetra Pak is focusing on the later. This means that the technical quality is kept at a high level, while the functional dimension is a low-priority issue. In summary, this is in contradiction with the service management philosophy stating that the functional dimension is of most importance for how customers perceive the service quality.

5.3 Focus on Kone and Securitas

In this section I discuss the findings of the empirical interviews conducted at Kone and Securitas. The discussion is based on the analysis structure presented in previous chapter.

5.3.1 Customer Value Perspective

For a company to act efficiently in a competitive market, it is crucial to understand the customer's value chain and how the company can contribute to the value-creating processes. From the interview conducted at Securitas I got the impression that they have a clear understanding of their customers' value chains. The respondents stated that customers do not want to deal with the security aspects themselves and that they often consider security as an unavoidable cost.

I believe that Securitas is very well aware of the value that they deliver to customers. They have understood that customers need a total, long-term solution. The value to a customer would then be that he does not have to consider any security issues. This means that Securitas have the advantage of designing a customer-adapted total solution based on the risk analysis conducted. I think the fact is very important to Securitas, as it implies that they are responsible for the entire security process. This also allows them to use their in-house knowledge for designing an optimal solution. Another fact, that I think illustrates Securitas'

customer-oriented approach, is that they communicate to their customers that the greatest danger might not be external but internal. Opening customers' eyes for the alternative danger and thus reframing the customers' problems, indicates a high level of customer-orientation.

The Augmented Service Offering provides a comprehensive model for designing a total solution. However, I believe that Securitas needs to more precise in their communication of what they can offer to a customer and how they can convey the solution. For Securitas, a supporting service is that they can provide on-site staff to manage the security issues. I think that Securitas is rather good at communicating the different type of services. What they need to focus on is how they services are conveyed. This is in line with the respondents' arguments, mentioning that Securitas needs to focus on communicating the actions that they can undertake. I also think it is important to ensure that a customer is aware of to what extent he is expected to participate in the total solution.

Securitas wants customers to consider security as investments, not costs. I think that this attitude is of crucial importance for the invoicing process. By charging an 'all-inclusive' subscription fee, I think that Securitas is able to reduce the relationship costs that emerge for both parties. Above all, I believe that the uncertainty concerned with indirect relationship costs is radically decreased. This approach allows Securitas to set and maintain value-based prices, due to their commitment to long-term customer relationships.

Kone has successfully identified how they can fit in their customers' value chains. They have understood that customers require secure and reliable transportation functions. Kone has formulated their business idea as 'moving people and goods'. I think this formulation illustrates how they view their core activities. Kone does not simply see themselves as a supplier of elevators or escalators, but as a supplier of transportation functions.

The design of Kone's offering is based on the core product, namely the high-quality elevator. The respondent argued that a high-quality product was a necessity for designing an optimal solution. This understanding of the offering design is congruent with the Augmented Service Offering theory. Based on the core product, Kone designs an optimal customer-adapted solution. In this solution, I would consider their after-sales portfolio as a supporting service.

The Kone customer pays for a full-service, or partnership, agreement based on a market price and not Kone's actual costs. My impression is that Kone is very good in communicating the relationship costs. My reasoning is supported by the fact that Kone lists a number of concrete arguments for their price level in all their quotations. Similar to Securitas, both parties can reduce their indirect relationship costs. The customer knows that they are guaranteed a 98 % availability of their elevators and thus do not need to worry about standstills. The direct relationship costs are also subject to savings as Kone can point at a substantial decrease of energy costs.

5.3.2 Organizational Structure

The organizational structure affects the company's ability to create and convey a service offering. Both Kone and Securitas are multi-national corporations operating in several countries. The corporate size assures a customer that the corporation is able to fulfill their commitments and guarantees a certain level of quality. The negative aspect is that a large company risk loosing the close customer contact. However, I believe that the many local offices and maintenance units within Kone and Securitas reduce this risk. Their strong local

presence allows them to establish, maintain and develop customer relationships. Securitas also have the philosophy of splitting local offices as they grow larger.

The respondents held it important to focus on the core business activities and for the organization to support this. Earlier, a Securitas guardian could undertake activities as window-cleaning. Conducting activities way beyond the identified core business can create a split vision in customers' minds and affect their perception of the service negatively. Today, Securitas has disposed of such activities.

The organizational structure also provides incentives for the customer participation required. However, the respondents do not discuss this subject. This indicates an area of improvement. If a customer does not understand what actions he is expected or required to undertake, the service perception will be undermined.

Securitas has also adapted a flat organization with few intermediate mangers. I think that such a structure where the employees take responsibility for their work is an excellent basis for creating empowerment among the employees.

5.3.3 Image and Branding

Both Kone and Securitas are well-known and well-established brand names, something that creates credibility for the two companies. This is the result of a long and continuous process of managing brand relations. I think this process is facilitated by the fact that both companies focus on communicating the brand name as an entirety.

The respondent from Kone is however the only one that discussed the recovery process. If a mistake occurs, the company must see to that the mistake is properly taken care of. I think it is lethal to a company to underestimate the role of an accurate recovery process. If a mistake occurs, the company image will be damaged and the service perception will be lower.

Kone also employs a branding department which deals with branding issues. I am however doubtful about how a single department can manage a company's branding activities. As discussed, branding is not an issue for a specialized department but a matter to everyone. I think that such a department can be useful in creating guidelines for the branding activities.

It is clear that both Kone and Securitas have realized the value of their respective brand names. They practice a price strategy, meaning that they use their brand names to be able to charge a premium price.

I think it is interesting to see how the companies communicate their brand names and how a customer perceives it. For Securitas, a functional aspect is reliable alarm installations. The social dimension could be represented by the Securitas logotype, whereas I consider the mental and spiritual dimensions difficult to discern. Analogous to Kone, their functional aspect is accessible and reliable elevators and escalators. The social and mental dimensions are more difficult to identify. A spiritual aspect is that Kone communicates energy savings and the use renewable energy sources.

According to the respondents, Securitas is associated with in-house competence and a responsible supplier of total solutions. I think these statements only describe the functional dimension. The other dimensions are not mentioned. For Kone, the reasoning is similar. They

want to be associated with quality, which is clearly a functional aspect. This implies that Securitas and Kone are still applying a one-dimensional approach to branding.

5.3.4 External Relationships

Both Kone and Securitas are acting in a business-to-business market and according to the respondents they have realized that traditional marketing has limited effect. They have also understood the importance of maintaining long-term customer relationships. I think this insight is crucial for adapting a customer-oriented approach. For Securitas, acting in the security business, it is of great importance to create mutual trust between the company and its customers. To achieve this, the respondent thinks that the relationships have to be long-term. I agree with this statement, as I believe that only a long-term relationship can create a sense of security and trust.

I think that Securitas and Kone, by entering the purchasing process in an early stage, can make full use of their problem solving ability in order to meet a customer's need uncertainty. My opinion is emphasized by the fact that their customers rely on them to solve their problems. This implies that the employees' knowledge and competence are crucially important. The uncertainty facing Kone and Securitas is primarily related to the customer demand, implying that capacity planning might be difficult. However, I think that the customer relationships approach combined with the full-service agreements can radically reduce their capacity uncertainty. To learn about each other is also a way of reducing the respective uncertainties, something that the respondent from Kone mentioned. I believe that such an attitude will make a customer feel appreciated as a person and not only considered as a source of revenue.

The respondents consider the direct contact between the company and the customer to of most importance. To manage theses service encounters are crucial for how a customer experience the service quality. All respondents argue for the importance of the behavior and competence of the personnel, implying that the two companies are quite aware of the importance of the value-creating service encounter. The fact that the companies act honestly, in terms of not selling products or services that a customer does not need, emphasizes the long-term commitment.

Interesting is also that Securitas creates relationships on different levels. I think this is a great strength that reinforces the relationship, as the relationship does not depend on one single relation.

5.3.5 Internal Relationships

The Securitas corporate culture is permeated by an entirety focus. I believe that such an approach will create a common set of values that everyone in the organization recognize and accept. Important to Securitas is also to improve the internal efficiency, i.e. to be able to work efficiently between different internal companies.

Securitas also tries to improve the status for the guardians, which I think illuminates their intention of letting employees constitute a first, internal market. This is a very important issue to the company – if the employees do not believe in the service offering they are not able to convey the offering to the customers. I believe that this attitude can create a great deal of empowerment among the employees. The respondents also mentioned that there is a written instruction for each object in the guardian's round. These instructions thus function as a support for the guardian.

However, I find Securitas' internal education incentives to be less extensive. They provide a general education for guardians and a group leader course for on-site staff. I get the impression that they rely on the guardian's social competence when it comes to mange service encounters. Neither do they have any particular requirements or profiles for those employees with dense customer contacts.

Kone focus on the entirety and similar to the Securitas case, I think that such an approach can create a positive corporate culture that coordinates the employees' efforts. To support the employees, Kone has started a course called 'The Ambassador' dealing with the behavior and appearance of the staff. I consider this as an excellent incentive for improving the employees' ability to deal with the service encounters.

Whereas the pedagogical competence is well attended, the development of the technical competence is paid less attention. Like Securitas, Kone do not have any explicit formal requirements for employees with dense customer contact. They also seem to rely on the employee's social competence.

6 Discussion and Validation

In this chapter I compare and discuss the findings illuminated in the previous chapter. The focus is on extracting implications for Tetra Pak Processing Systems' way of thinking. In order to strengthen the 'five key factors' model, I close the chapter with a validity check.

6.1 Integrative Analysis and Discussion

In this part I will discuss the findings from the empirical study that were presented in the previous chapter. The focus will be on discussing major similarities and differences between Tetra Pak, Kone and Securitas. My intention is to quantify the five key factors in order to show the extent of customer-orientation today and to point at factors that need to be more emphasized than others.

6.1.1 Customer Value Perspective

All three companies agree that their businesses must be based on a customer value perspective. I think that Kone and Securitas are better positioned than Tetra Pak is, when it comes to understanding the customer value and benefit. The reason, as I view it, is that Kone and Securitas are more precise in communicating what they can do for a customer and how they can do it. Just by examining how the companies describe their core activities, the difference becomes obvious. Kone, for example, positions them as being in the business of moving people and goods. They do not mention the type of products they provide, but instead they communicate that they offer the service of moving objects. Tetra Pak, on the other hand, describes themselves as a provider of production solutions. To adapt Kone's notation, they could describe themselves as being in the business of processing food.

One reason why I think Kone and Securitas have a better understanding of the customer need than Tetra Pak is that the companies have different opinions of the importance of the product and service respectively. Based on the interviews, I have interpreted the relative importance of the product and the service in the companies' offerings over a ten-year period. It is clear that the importance of the product is likely to decrease and for the service to increase. The difference is that Kone and Securitas ascribe more substance to the service. My interpretation of the situation is presented in the figure below.
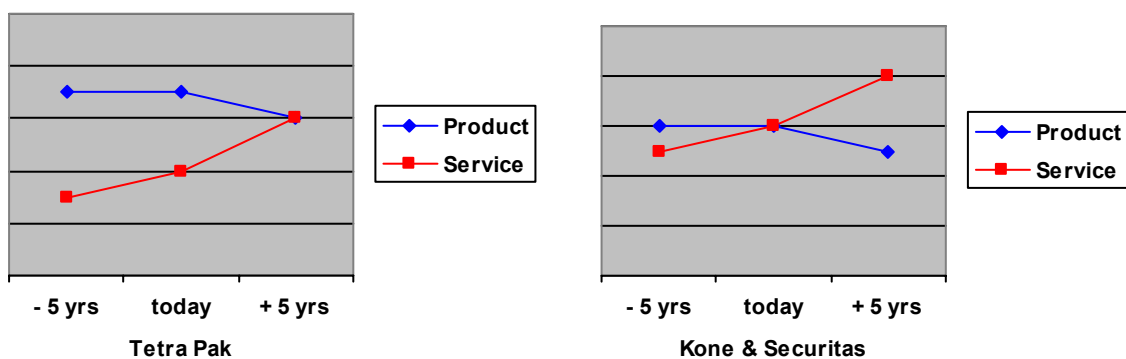
Figure 6.1: The relative importance of the product and service in the offering.

I think that these differences in how the company's offering is apprehended also can explain the major differences in the pricing approach. Tetra Pak intends to maximize performance in customers' facilities, but I think that the product-dominated approach to businesses restraints them from applying a value-based pricing strategy. The customer is therefore accustomed to a

cost-based approach and as Tetra Pak does not emphasize the relationship costs, I think it will be difficult for them to change pricing strategy. Both Kone and Securitas are able to charge a value-based subscription fee as they are efficient in communicating what they can do and how they intend to do it. However, Tetra Pak has identified the customer benefit as maximizing performance, something I think indicates that a Tetra Pak solution is able to reduce customer costs.

I have found several implications for Tetra Pak. First of all, I think they need to be more precise in communicating what they can do for a customer and how they intend to convey it. One suitable method can be to describe the core, facilitating and supporting services. This will allow them to enter the purchasing process earlier and thus to obtain a better understanding of the customer need. Secondly, I think they must quantify the various relationships costs and describe how they are affected if the customer chooses a Tetra Pak solution. Additionally, I consider their distinct focus on specific industry segments to be well in line with a customer value approach. Operating in segments where their solutions have substantial competitive advantages implies that there are incentives for a perceived customer value.

6.1.2 Organizational Structure

The issue of organizational structure illuminates several similarities between the three companies. Tetra Pak, Kone and Securitas are all large multi-national corporations, where the corporate size assures the customer that the companies are able to fulfill their commitments. I think this fact provides good incentives for a customer-oriented approach to businesses, as the customers are assured a certain level of quality. Like Kone and Securitas, Tetra Pak focuses on specific industry segments and has created strategic business units to support this. I believe that the out-sourcing of standardized production allows the business units to focus on the engineering of integrated solutions.

A significant disadvantage of being a large company is the risk of loosing the close customer contact. For being customer-oriented, I think it is a necessity that the company is locally present. All three companies have local offices which are responsible for the sales in the respective markets. This enables them to establish, maintain and develop close customer relationships. Another advantage is that the local office is familiar with the local manners and customs. I think that these facts indicate a high level of accessibility of the company and the services provided.

One aspect that I think is left out by the three companies is the extent of customer participation that is required. Due to the organizational structure, the customer is expected, and sometimes required, to participate in the service production process. However, if the customer is not aware of this, his perception of the service will unavoidably be damaged.

I think that Tetra Pak's market company structure is permeated by a customer-oriented approach. To manage their customer relationships they have to be present on the respective markets. The business unit structure, focusing on segments where Tetra Pak has competitive advantages, also supports the customer-oriented approach. To make full use of the incentives provided by the market company structure, I think that they need to be more precise in clarifying the extent to which they expect customers to participate. Another interesting question is how the organization can support Tetra Pak's intention of being responsible for the total engineering of the customer's facilities.

6.1.3 Image and Branding

Tetra Pak, Kone and Securitas are all examples of well-known and well-established brand names. The advantage of such a brand is that it creates a certain level of credibility for the respective company. However, there are differences regarding the associations made by customers. Kone is associated with elevators and escalators and Securitas with security. Tetra Pak is primarily associated with packages, which is a remarkable dilemma for the processing business area. This means that brand management issues ought to be very important to regard for the business area management. This statement is supported by the fact that a majority of the respondents from the three companies believes that the importance of the brand name in the initial stage is likely to increase.

Kone and Securitas focus on communicating their brand names as an entirety, and I think this creates a uniform image in customers' minds. Tetra Pak, on the other hand, communicates product brand names. This approach subscribes products a certain level of quality, which of course can be used in procurement discussions. However, I do not believe this is an optimal approach for strengthening the Tetra Pak Processing brand name. I think that a variety of product brand names can contribute to a split vision of the corporate image in customers' minds. In itself, the respondents from Tetra Pak do not think this is an issue, but I do not consent. I think my opinion is supported by the fact that the product brand names are poorly respected internally. They are misused and this can lead to an inconsequent communication to customers, thus creating a split vision.

My general impression is that the three companies are aware of other aspects of branding than the functional – it its clear that they are abandoning the one-dimensional approach and adapting a multi-dimensional approach. However, in their brand messages I think that the functional dimension is still paid too much attention. The functional aspects are of course important, but in a service market I believe that other aspects are of more importance.

6.1.4 External Relationships

The three companies, all acting on business-to-business markets, were most unanimous regarding the importance of different marketing activities. They all considered external, or traditional, marketing to be of minor importance. The general purpose seems to be to expose the brand name. The media used is principally technical literature. Analogous, the companies agree that the external relationship is by far the most important channel concerning marketing activities. I have interpreted the effort put down on external and interactive marketing, and the perceived effect it gives rise to. My interpretation is presented in the figure below.
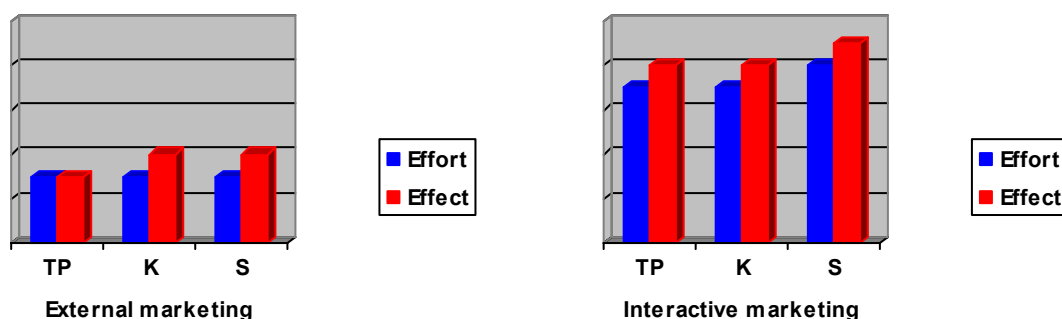

Figure 6.2: The effort put down and the perceived effect.

As indicated in the figure, I do not se any major differences between the companies. The only remark is that I consider the external relationship to be slightly more important to Securitas, due to the subject of their business. As I have mentioned earlier, I am convinced that the local presence enables the companies to maintain a close customer contact. Other aspects that contribute to the relationship management are customer visits and tradeshows.

Something I find remarkable is that Tetra Pak claims that the customer contacts, and the management of them, are an issue for the market companies. I would say that the majority of the customer contacts occur at front-office functions, but not all of them. Thus I believe that Tetra Pak underestimates the role, and importance, of the back-office for the customer relationships management. However, the appointment of key account managers, which are responsible for the major customers, means that the customer relationships can be coordinated and essentially managed.

In contrast to Kone and Securitas, Tetra Pak is not able to make full use of their problem solving ability, as their customers bring their need uncertainty to other external engineering consultants. The interesting is of course the question of why. One reason could be that the differences in internal apprehension of the core business, leading to imprecise communication to the customers.

6.1.5 Internal Relationships

For a company to achieve its strategic goals it is vital that employees work in the same spirit towards the same goal. This can be denoted internal relationships. To enable employees to function efficiently, a supportive corporate culture with a common set of values is necessary. I think that the Tetra Pak culture is quite supportive with sound values. I believe that a reinforced focus on the entirety, as the case of Kone and Securitas, could strengthen the culture even more.

To strengthen the corporate culture, the internal communication must be efficient. A lack within Tetra Pak is that there is no responsible for this issue on top management. I think this turn internal communication into a low-priority issue. Shortcomings in internal communication can lead to difficulties for corporate management to convey the customer-oriented approach to the employees. Deficient communication also means that the internal efficiency is likely to decrease. Here I find a similarity to Securitas, who are also working on improving the internal efficiency. Finally, this means that the functional quality will be lower.

The working process within Tetra Pak seems to be well adapted for creating internal relationships. I find two aspects that provide employees support from systems and tools. The first is the ISO-9001 certified process, which means that a certain level of functional quality can be guaranteed. The other, and most important, is the re-using of engineering solutions. I think that this approach can save time and costs for Tetra Pak, thus contributing to an improvement of the internal efficiency and the functional quality!

For the employees to work efficiently and customer-oriented, their competence is of vital importance. It must be ensured and maintained properly. I therefore find unsatisfactory that Tetra Pak and Securitas do not have any proper guidelines for internal education incentives. In the case of Tetra Pak, I think that the unclear responsibility question is one contributing reason. One interesting observation is that Kone has an internal course that deals with employee behavior and appearance. I think this is an excellent incentive for improving the functional quality level. Tetra Pak has realized that the pedagogical competence at the market

companies must be improved and has thus developed a course in value-based business. I think this indicates an awareness of the importance of the functional quality.

I have interpreted the effort put down on the internal marketing activities and the perceived effect. My interpretation is illustrated in the figure below.
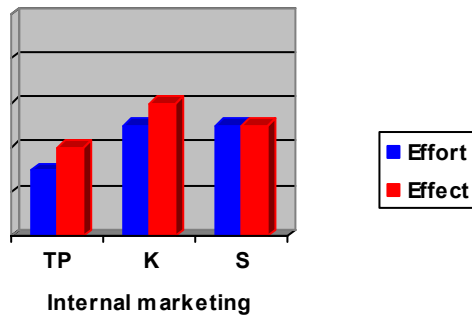

Figure 6.3: The effort put down and the perceived effect.

The somewhat lower rank for Tetra Pak is due to the shortcomings in internal communication and for Kone the higher rank is motivated by the internal incentives for employee behavior.

6.2 Validity Check

In the previous chapter I presented five key factors for customer-orientation. To subscribe these factors more substance and reliability, I think it is important to establish the validity of the factors. This means that I am interested to find out if the factors are relevant. I also want to obtain material as basis for quantifying the relative importance of the respective factor.

I have used two approaches for checking the validity of the five key factors. First, based on the interviews conducted, I listed the strengths and improvement potentials mentioned by the respondents. The second approach was to present the key factors to the respondents from Tetra Pak. Their feedback helped med validate the key factors and also to subscribe them a priority level.

6.2.1 Strengths, Assets and Improvement Potentials

In this part, the strengths and improvement potentials mentioned by the respondents from Tetra Pak, Kone and Securitas are presented. These issues are complemented with the frequency of occurrence. The issues are given for the respective company. For each strength and improvement potential, I have also indicated which of the five factors that it can correspond to. In the table, the five key factors are indicated as follows: customer value perspective (CV), organizational structure (OS), image and branding (IB), the external relationship (PR) and the internal relationship (IA) respectively.

Tetra Pak

Strength/ asset	Freq.	Improvement potential	Freq.
In-house knowledge & competence (IA)	3	Internal communication (IA)	2
Market presence (global & local) (OS)	3	Internal efficiency (IA)	2
Product portfolio & engineering	3	Understand customer needs (CV)	2
Corporate culture (IA)	2	Focus on core activities (CV, OS)	1
Corporate image & trademark (IB)	2		
Corporate size (OS)	1		

Focus on core activities (CV, OS)	1		
Long-range planning (CV)	1		
Profitability (CV)	1		

Securitas

Strength/ asset	Freq.	Improvement potential	Freq.
Corporate size (OS)	2	External communication (PR)	1
In-house knowledge & competence (IA)	2	Increase the guardians' status (IA)	1
Market presence (regional & local) (OS)	2	Understand customer needs (CV)	1
Corporate image & trademark (IB)	1		
Market leader	1		

Kone

Strength/ asset	Freq.	Improvement potential	Freq.
Corporate image & trademark (IB)	1	Continuity in product & service development	1
Market leader	1		
Market presence (regional & local) (OS)	1		

Table 6.1: The strengths and improve potentials related to the five key factors.

As the table indicates, most strengths and improvement potentials can be related to the five key factors. There are however a few strengths and improvement potential that I found somewhat difficult to relate. The issue of market leader is one. The closest match would perhaps be the customer value perspective, as a market leading position provides possibilities for charging premium prices.

From the table I am able to make two important remarks. The first is that the five key factors describe the transition from product-orientation to customer-orientation in a suitable way. The factors that I have identified are thus related to the conditions at Tetra Pak, Kone and Securitas. Secondly, the table indicates the factors that are more important to consider. For Tetra Pak, the customer value perspective and the internal relationships seem to be crucial to focus on, whereas the organizational structure is rather sufficient.

6.2.2 Feedback from Tetra Pak Respondents

In this part I presented the 'five key factors' model to the respondents from Tetra Pak. They were asked to respond to the following three questions: Does the 'five key factors' model match your opinion of reality? Are there any factors you would like to add or remove? How would you prioritize the respective factors?

I received responds from three out of the six respondents. Certainly, I had hoped to obtain feedback from all respondents, but I am still able to make some conclusions from the received answers. My observation is that the respondents were quite unanimous in their answers. They all mentioned that the 'five key factors' describes the issues of customer-orientation in a suitable way. In think this indicates that the model can be subscribed a good level of validity. To increase the validity of the 'five key factors', the model could be tested on several persons within Tetra Pak. It would then be interesting to test the model within different departments and different markets.

The remark from TP 2 was positive. The comment was that I had managed to capture the core meaning in a suitable way. The priority ranking was: customer value perspective, the external relationship, internal relationships.

TP 4 agreed with the five factors, but had some difficulties to separate organizational structure and internal relationships. This allowed me to clarify the definitions of the respective factors. Organizational structure is about how the physical structure can support a customer-oriented approach to businesses whereas internal relationships describe the internal working process.

The feedback from TP 5 was overall positive. The comment was that Tetra Pak considers it important to become more efficient in understanding customer need and to create, convey and deliver customer value. TP 5 stated that the 'five key factors' model covers those aspects in an excellent way. One remark was that I should emphasize the importance of the supportive tools. To work efficiently with customer need and to satisfy them, TP 5 mentioned that different tools, such as a comprehensive information management system, are required.

7 Conclusions

In this section I will emphasize my main findings concerning two areas, the 'five key factors' model and the implications for Tetra Pak Processing Systems respectively. The criticism of the findings is also illuminated. My research has also raised a number of interesting questions, but as they do not directly correspond to my problem description they are suggested as areas for further research.

7.1 Five Key Factors for Customer-Orientation

This thesis started with a comprehensive literature study, covering areas as service design and marketing, branding relationships, value-creating issues and quality. Interviews with managerial focus were conducted at Tetra Pak, Kone and Securitas. The intention with the interview at Tetra Pak was to map the current internal understanding and apprehension of the total solutions concept while the interviews at Kone and Securitas comprise a reference group for comparisons.

Based on the literature study and the interviews conducted, I have identified five important areas that a company needs to consider in order to achieve a customer-oriented approach to their businesses. The model that I have constructed is called 'five key factors for customer-orientation'. To each key factor I have also identified some key words that I think describe the factors. The model is presented below.
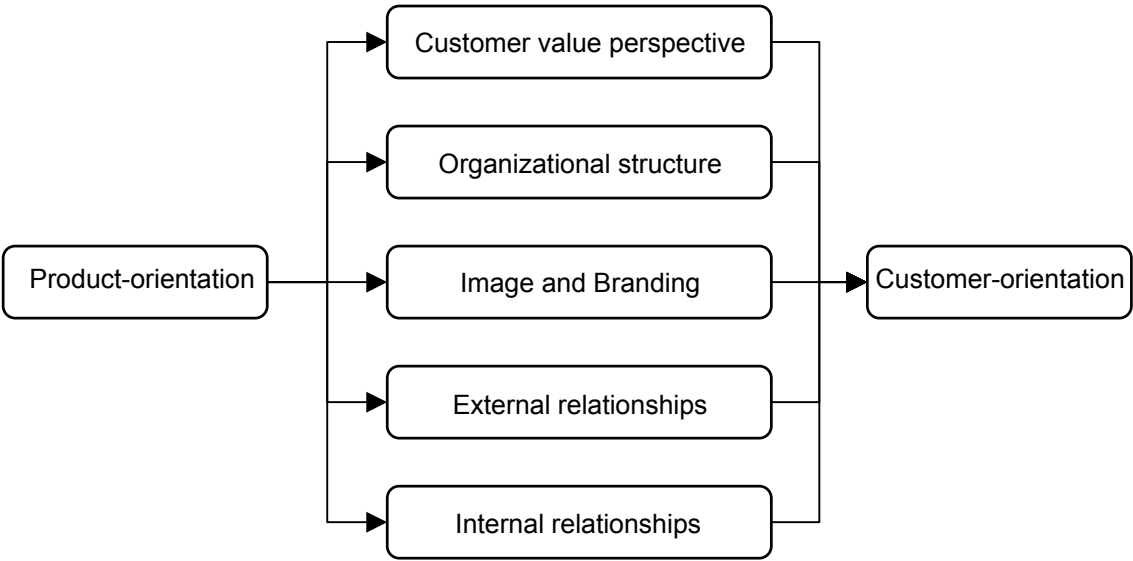
Figure 7.1: Five key factors for efficient customer-orientation.

The *customer value perspective* is about understanding the customer's need and situation, in order for the company to understand what they can deliver. First of all, the company needs to understand the structure of the customer's value chain, which is crucial for creating and conveying relevant offerings. Secondly, the company must understand the customer value and benefit of its offerings, which is crucial for the pricing strategy and service design process.

The *organizational structure* is about how the company should be structured in order to create the identified customer offerings. The structure also affects how the offering is conveyed and thus the customer perceived quality. Additionally, the corporate *image and branding* activities affect the customer perceived quality. The image is also important for creating credibility and

awareness of the company as well as a mutual trust. Branding thus includes how the company manages its branding activities and how the customer perceives them.

The *external relationships* between the company's representative and the customer's are of crucial importance for how the service is conveyed and thus the perceived quality. It is therefore important to the company that they can make full use of their abilities in order to meet customer uncertainties. Finally, to enable high-quality external relationships, *internal relationships* are required. A supportive corporate culture is needed, as it reflects how the employees' conduct their work. The employees' knowledge and competence must also be ensured and maintained. Finally, tools that support the daily work are required.

In summary, the company must understand the customer's value chain as well as how they can contribute to the customer's value-creating process. The company's organizational structure and image must then support this acting. Finally, the company must create an internal culture and climate that supports employee behavior.

7.2 Tetra Pak – Towards a Customer–Oriented Organization

In this section I present the implications and conclusions I have extracted for Tetra Pak Processing Systems. First of all, I believe that the 'five key factors' model is comprehensive and describes the areas that need to be emphasized. I would also subscribe it a high level of credibility, as I have found support for the model in the interviews conducted. However, the most important fact that confirms the model is the validity check I made towards the Tetra Pak respondents. Their agreement of the model and the five factors is a strong argument for the validity.

Tetra Pak Processing Systems is aware of that their businesses must be based on a *customer value perspective*. I have identified some issues that I think they need to consider in order to understand the customer need. First of all, I think Tetra Pak need to be more precise in communicating what they can do for a certain customer and how they intend to do it. One available method can be to thoroughly describe the core, facilitating and supporting services. Secondly, I think they need to emphasize the efforts in quantifying the relationship costs and how they are related to the Tetra Pak solution. However, in today's situation I think that the product-focus restraints them from doing so. Tetra Pak's distinct focus on specific industry segments where their solutions can create a substantial value for the customer is thus well in-line with a customer-oriented approach.

I think that Tetra Pak's *organizational structure* is permeated by a customer-oriented focus. They have created strategic business units to support the focus on segments where they have competitive advantages. The market company structure means that Tetra Pak, as a global player, is also locally present on their markets. Another advantage is that the local offices are acquainted with local manners an customs, which creates incentives for a successful customer relationships management. I think these facts indicate a high level of accessibility of the company as well as the service. However, to make full use of the incentives provided, I think they need to be more precise in clarifying the extent to which customers are expected to participate in the service production process.

I am not convinced that Tetra Pak Processing Systems' branding strategy is optimal for strengthen their corporate *image and brand name*. The focus on product brand names illuminates the risk of loosing the entirety vision. There is also a risk that customers will obtain a split vision of the corporate image. I also find it alarming that the product brand

names are poorly respected internally, something that can contribute to a split vision in customers' minds. I therefore think it is important for Tetra Pak to consider how they can reinforce the Tetra Pak Processing brand name. This is exceedingly important as the brand name is used for creating an 'instant credibility' image. On the other hand, I find it very interesting that Tetra Pak's slogan 'Protects what's good' communicates an ethical message and positions them as a responsible and caring company. I think this indicates that they are moving away from the one-dimensional branding approach. This is quite important in service markets where other aspects than the functional are of more importance.

I think Tetra Pak's attitude to external marketing to be in absolute correspondence with a customer-oriented approach, thus emphasizing the importance of the *external relationships*. Tetra Pak also claims that sales promotion is not the primary reason for customer visits and tradeshows, but to maintain the customer relationships. One remark of mine is that Tetra Pak seems to believe that the customer relationships management is an issue for the front-office, i.e. the market companies. Thus I would say that they underestimate the role of the back-office functions. Additionally, it seems obvious that Tetra Pak are not able to make full use of their problem solving ability, as the customers bring their need uncertainty to external consultants. I think that the difference in internal apprehension of the core business is one contributing factor.

For employees to work in the same spirit towards the same goals, *internal relationships* are required. I would consider Tetra Pak's corporate culture and leadership philosophy to be quite supportive with sound values. A reinforced focus on the entirety could strengthen the culture even more. However, I think that the deficient internal communication restraints such an action. The shortcomings in internal communication can lead to difficulties for management to convey a customer-oriented approach to the employees. The internal efficiency is also likely to decrease. I therefore find it important for Tetra Pak to reexamine the internal communication issue and perhaps to appoint a responsible manager. The ISO-9001 certified work-flow process and the re-use of well-tried solutions are incentives that I think can improve the functional quality as well as the internal efficiency.

In summary, I would say that the customer value perspective and internal relationships issues are to be given top priority, whereas the organizational structure seems quite sufficient. In between I find the image and branding issue along the external relationship. In the figure below I have listed the five factors along with the anticipated level of fulfillment. A high value indicates that the customer-oriented transformation has reached a further stage. Analogous, a low value indicates a factor that needs to be given high priority. The priority level is based on the discussion and validity check in the previous chapter.
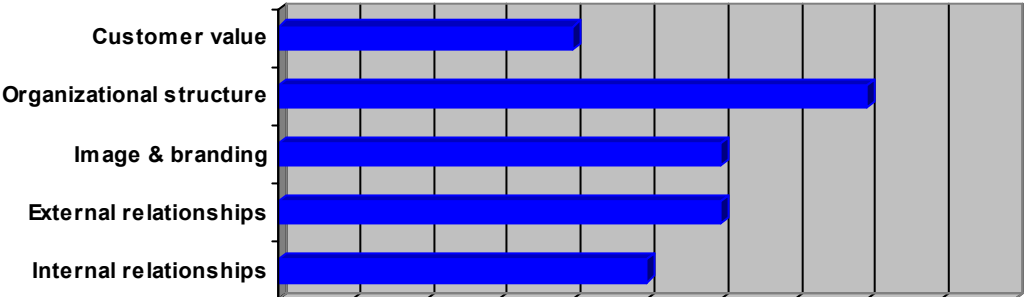

Figure 7.2: The five key factors at Tetra Pak Processing Systems.

7.3 Criticism of the Findings

My general findings correspond well to what I expected to find when I began to work on this thesis, as described in the first chapter. I was however not quite prepared for the tremendous complexity in describing and interpreting service management issues. It was therefore important to me to outline the characteristics of a service and to extract implications for Tetra Pak Processing Systems.

Though I believe that my findings and the 'five key factor model' are credible, it is important to remain critical due to the nature of the study. The information gathering process was conducted in a qualitative manner by interviewing representatives from Tetra Pak, Kone and Securitas. This means that the mapping of the status concerning the understanding of the total solutions concept is in no way a complete mapping, due to the limited number of persons interviewed. This has in turn influenced the discussions outlined in this thesis. The development of the five key factors is thus primarily based on the findings from the respondents in this sample. It is possible that another sample of respondents would have led to additional, or different, key factors. The model should thus not be considered as an absolute truth, but rather as guidelines.

The results presented in this thesis may also be subject o bias due to the fact that I have been working at Tetra Pak Processing Systems the past summers. The impact that this brings along is that such influences may, unintentionally, be represented in my findings.

7.4 Theoretical and Practical Contribution

The theoretical contribution can be derived from the 'five key factors' model. The application of a theoretical framework on an industry or company, in order to describe and interpret the dynamics is a verification of the existing theory. The most important part of the contribution is, as I see it, that I have applied theories that are relatively new, as the service management and brand management models, on a rather mature industry, such as the liquid food processing industry. Based on the theoretical findings and additional interviews, I have been able to extract conclusions and to build a model comprising the key factors that a company needs to consider in order to become more customer-oriented.

The practical contribution that I hope Tetra Pak Processing Systems will benefit from is the five key factors for customer-orientation. The description of the five factors and especially the indication of which factors to concentrate on, will hopefully serve as a strategic guideline for them in order to achieve a higher level of customer-orientation. I think it would be interesting for Tetra Pak Processing Systems to apply this model on a larger sample of employees, in order to obtain a picture of how the total solutions concept is apprehended within different parts or departments of the organization. The interview conducted will also provide them with a thorough picture of how the total solutions concept is apprehended within top management today. Finally, I hope that the comprehensive literature review will help Tetra Pak Processing Systems to obtain a better insight in the complexity concerning total solutions and service management.

7.5 Recommendations for Further Research

In this thesis I have focused on extracting factors, or guidelines, for Tetra Pak Processing Systems to emphasize in order to obtain a higher level of customer-orientation. The factors have been tested on the respondents from Tetra Pak in order to check the validity of the

model. However, I think there are several interesting areas that I have not covered in this thesis.

I think it would be quite interesting to apply the 'five key factors' model to different parts or departments of the organization. This would outline how service management is apprehended by the employees and if there are any differences depending on which department that are concerned. Another interesting aspect is to examine whether back-office functions and front-office functions have different opinions. A geographical analysis could also be conducted. I think it is interesting to see if there are any regions that seem more customer-oriented than others and to identify the underlying reasons.

In this thesis I have not interviewed any of Tetra Pak Processing Systems' customers. I do however think that it is important to examine the customers' apprehension of Tetra Pak. Such an approach would also extend the validity of the 'five key factors' and the priority given each factor.

A further interesting development could be to examine how the 'five key factors' are related to each other. This involves making trade-offs between the different activities and creating fit among the activities.

8 References

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Appendices

In the appendices I present the interview form and the outcome of the interviews conducted at Tetra Pak, Kone and Securitas.

Appendix A: Interview Form

All interviews carried out began with a brief introduction of the background of the thesis. I also described how I wanted to use the outcome of the interview.

Background
- How would you describe your core business? Business idea?

- How would you describe the customer benefit provided?

- How would you describe your pricing strategy? Do you use different methods for different parts of the offering?

- What does your production philosophy and production look like?

- Which are your top strengths/ assets and what improvement potential exists? Rank, on a 1-10 scale, the relative importance of the respective strength/ asset and improvement potential.

- How do you make use of trademarks/ brand names?

- Rank, on a 1-10 scale, the relative importance of the following components in your company's offering: product, trademark/ brand names, service. Are these relations reflected in the turnover?

- For the above mentioned factors: Have you seen any major changes during the past five years? Do you expect any major changes for the coming five years?

- Which is the most important object for you, in your role within the company?

Critical Success Factors
- Which critical success factors (CSFs) do you hold as most important for the successful development of the company?

- Rank, on a 1-10 scale, the relative importance of the respective factor.

Marketing
- How do you market your offering to the customer? What channels do you use?

- Which effort is put on internal, interactive respectively external marketing, and which effect does it give rise to?

- What image do you want to create in customers' minds?

- Have the design of the offering affected the marketing activities? How?

- Have you seen any organizational changes related to the design of the offering or the marketing activities? Which?

Personnel
- What does your internal education look like?

- How many of the employees do you think have a close customer contact?

- Are there any specific competence requirements for personnel with close customer contact?

Appendix B: Interviews at Tetra Pak

In this part I present the outcome of the interviews with representatives at Tetra Pak. I have used the same type of questions for all respondents. The interview form is presented in Appendix A. The persons interviewed are Bo Femtvik, Giovanni Ghidini, Monica Gimre, Mats Hellman, Sam Strömersten and Lars Wirén.

B.1 Core Business Activities

When I asked the respondents to describe Tetra Pak Processing Systems core business activities, the answers differed quite strikingly. Two extreme cases were mentioned: to deliver processing equipment and to deliver production solutions respectively.

TP 2

Tetra Pak Processing Systems core business activity is to deliver equipment. To be able to do this, we have a competitive product portfolio. However, a shift of focus means that we are to approach our business from a life cycle perspective. This emphasizes the accessibility and the in-house process knowledge.

The core activities within Business Unit Dairy & Beverage Systems are to develop, market and support a competitive product portfolio and to deliver products according to customer expectations.

TP 3

The core activity can be divided into three different parts:
1. New sales of defined products. In this area we have high margins but lower volumes.
2. New sales of systems, i.e. knowledge delivery. This area is characterized by low margins and high volumes.
3. After sales. Key characteristics are accessibility, maintenance and knowledge.

TP 4

The overall core activity is to deliver processing equipment to the liquid food processing industry. Our core competence is the food processing industry knowledge and the unique combination of organizational structure and supportive tools. This means that it is our way of engineering a solution that differentiates us from our competitors.

TP 6

Our core activity is to deliver production solutions (components and knowledge/engineering) and after-sales service to customers within the dairy, beverage, prepared food, cheese and ice-cream segments.

B.2 Customer Value and Benefit

On the question of customer value and customer benefit provided, the answers differed slightly.

TP 1

The customer benefit is that Tetra Pak Processing Systems deliver solutions that meet customer needs. We achieve this by combining: industry knowledge, processing knowledge, strong products, engineering activities and a distinct focus on segments where we can act successfully.

TP 4

The customer perceived value depends on what type of customer it is. But in general terms, the customer value is the competence and experience we have in delivering and installing an optimal solution.

TP 6

The customer value is that we maximize the performance in their production facilities. The customer benefit is also that Tetra Pak Processing Systems understand the customer's value chain and the demands it makes upon the customer's production process. Finally, we have a very competent in-house engineering activity which means that customers are ensured that we deliver the best performance to them.

There is also the after-sales service aspect. We sell after-sales service, planned as well as un-planned, to the customer. Planned maintenance today constitutes 23% of our sales, the goal being 25%. The after-sales service business has also grown relative the new sales business.

B.3 Pricing Strategy

When discussing the pricing strategy, the answers are unanimous. All respondents, except for one, mention the cost-plus method as the dominating strategy used.

TP 1

We try to apply a value-based pricing strategy, i.e. to differentiate the price according to the customer-perceived value and the competitive level of the products. The use of average cost estimations are to be avoided. However, the customer has a great deal of influence in the tendering process. The customer often plays the bidders off against each other, something that leads to a situation where the (only) winner is the customer.

TP 3

I think that we have a mechanical attitude towards pricing. Our hourly cost is the basis for the pricing strategy. By this approach, the customer is the one in favor. By knowing the approximate manufacturing cost for a certain component, he has the possibility to press down the prices. We would however like the pricing strategy to be based on the customer perceived value of the provided solution.

TP 4

In practice we use a cost-plus model, which is based on the product and its production cost. Then we simply add our desired margin. We do however agree that the pricing strategy should be based on the customer value. There are several factors that impede: it is complicated to estimate the customer value and there is also an internal antipathy for applying a value-based strategy.

TP 5

We use a cost-based strategy. This allows us to keep a high margin in the upgrades business. But to be able to raise our margins in the maintenance businesses we need to apply a value-based strategy. A value-based perspective is perhaps even more important in the after-sales service business, which aims at decreasing customers' indirect costs. We have however limited in-house knowledge of this perspective.

TP 6

Traditionally we have used a cost-based method. Today Tetra Pak Processing Systems have started to use value-based sales, which are based on understanding the value of what we deliver and that we can communicate this to the customer. I think that we are working in the right direction today – we have, among others, redesigned our sales system and routines. But

to make full use of the value-based sales perspective, we need to enter the procurement process in an earlier stage. Today, the customer has often relied on an external engineering consultant, providing them with a detailed specification. In the future, we want to be responsible for the engineering activities as well.

B.4 Production Philosophy

The question of production and production philosophy gave rise to different answers, depending on how the respondent interpreted the question. The answers were either conceptual or practical.

TP 1

We have out-sourced a great amount of our production, and have only strategically important key production, like homogenizers and heat exchangers, in-house. This requires a close cooperation with our suppliers, and we have also formed strategic alliances with some of our suppliers. Within Tetra Pak Processing Systems, we can thus focus on the composition of different components into integrated solutions, i.e. the engineering activities.

TP 3

Production is considered as a process within the company. We also reuse old solutions on different levels, from single components to complete production lines, in order to minimize the risk factors. The engineering of a new solution is always afflicted with certain risks while an old solution is well-tried and thus less hazardous.

TP 6

When it comes to physical products, we are process-oriented. When talking about engineering solutions, we work with modules. We have noticed that many production facilities have several parts in common, and these parts are called modules. The modules are then reused in the engineering of a new production facility. You might say that we do not have to invent the wheel over and over again.

B.5 Trademarks and Branding Strategy

The respondents had quite different perceptions of the branding strategy and how the trademarks are used and managed. However, the most common opinion was that trademarks are used inconsequent and fortuitous.

TP 1

Tetra Pak is a strong brand, which however is primarily associated with the packaging business areas and not the processing business area. This means that the brand Tetra Pak must strengthened within the processing industry sector. We also brand single machines and components, which is to guarantee a high quality. Tetra is then used as a prefix for all the product brand names. This means that we have quite many product brands, but I do not think that a customer will get confused by the large variety of names. In later time, we have also begun branding automation solutions, as automation is becoming more important in larger engineering solutions.

TP 1

We focus on product branding, where Tetra Pak is used as prefix. This is a rather new approach and we have created a large number of brand names. However they become too many and we had to decrease the number of brand names. The reason was not that customers were confused – it was our own sales force that was confused and thus communicating inconsequent messages to our customers.

TP 3

From a general point of view, we have poor respect for trademarks within our organization. Product brands are often misused in terms of internal abbreviations and slang. This means that we act inconsequent and thus communicate inconsequent messages to customers, leading to confusion. Interesting is that we have started to brand our "soft" solutions.

TP 4

We do not appreciate the name Tetra Pak, as they do in the carton and plastic business areas. Our approach is very product fixated, implying that we do not have any substantial identity in the Tetra Pak name.

TP 6

We are very careful with our brand names and use them consequently. Each product does also have its own trademark, which is to guarantee high quality. The Tetra Pak Processing Trademark is to provide an image of instant credibility.

B.6 The Relation between Product, Trademark/ Brand name and Service

In this section, the respondents were asked to rank the relative importance of the product, trademark/ brand name and service in their company's offering. The quantification of the issues was difficult to make, according to the respondents. However, they gave their view of the respective issues.

TP 1

To these three components I would like to add a fourth, namely the after-sales market. Today the after-sales business comprises 25 % of Tetra Pak Processing Systems turnover, and this business segment has shown the greatest increase of sales. I think it is hard to quantify, but let me tell you what I think of the future. The increased complexity in our customers' production facilities in combination with 24-hour production gives rise to increased service requirements. We focus on preventive maintenance rather than repairs.

TP 3

I think it is hard to quantify these components. However I can tell you how I see the development of them. I believe that the importance of the product will remain unchanged. Trademark and services will continue to increase in importance.

TP 4

Today, the product is still the most important component in our offerings. However, the importance has declined during the recent years and is likely to continue to decline. The importance of the trademark and service is increasing, the service being the leader.

TP 6

I think it is difficult to quantify, as these components are of different importance in the different parts of the customer relationship. In an initial stage I hold the trademark as the most important, as customers relate Tetra Pak Processing Systems with our trademark. The product is important when we are engineering the production solution. Finally, the service aspect becomes important during the actual sales process.

I also think it is important for us to create service products, like Tetra PlantMaster. The purpose is to increase the customer-perceived service quality and to transfer knowledge from human capital to structural capital.

B.7 Critical Success Factors

The question of critical success factors gave quite uniform answers. Tetra Pak has identified and documented the critical success factors, and these are well-known on management level.

TP 1

First of all, we need to understand the customer's need, in order to deliver a correct and optimal solution. We call this understand, create, convey and deliver. Secondly, we must ensure our internal competence. Finally, we need to emphasize an open and transparent internal cooperation. This means that we reuse old and well-tried solutions. The engineering density makes this hard to achieve. The engineering spirit is protective, implying that people want to engineer their own solutions to ensure that everything is made exactly as they want. To stimulate the reuse of solutions we have introduced a process-oriented work flow model.

TP 4

The most important factor is a transparent and effective communication between front-office and back-office. We also need to understand the customer and the customer's need and to be able to convey messages. Another objective is to be an attractive and available partner.

TP 6

Our main focus is: understand, create, convey and deliver. Important is also the front-office and back-office communication. I think we have achieved quite a lot in this area lately. Another aspect is to be a winning team and an attractive and available player on the market. Finally, I consider the after-sales service portfolio to be of crucial importance for the future.

B.8 Marketing Activities

The issue of the marketing activities provided almost identical answers. All respondents mentioned the interactive marketing as the dominating and most important channel, while the importance of external marketing was considered as insignificant.

TP 1

The most important part is our market company-structure, which allows us to maintain a nearness to our customers. The focus is on industrial marketing, emphasizing the importance of the personal contact. We have key account managers (KAM) who manage the contact with our more important customers. Tetra Pak Processing Systems have also adopted an ISO 9001 certified work flow model to guarantee a high quality outcome. We do not figure in media, except for certain technical literature and industry exhibitions.

Internally, I think it is extraordinary important to create common values, i.e. a positive corporate culture. We must also create a comprehensive competence development to ensure the core competences within the company. In order to maintain a committed and empowered staff, I think that a different kind of leadership is required. The leader is function as a supportive partner rather than a supervisor. This means that the employee must be responsible for himself as well as for the company.

Thus, we focus on creating internal relationships, between departments and corporations, in order to create an enterprise-wide community. Prior, there existed internal competition between different departments and corporations, where the employees only considered their own activities. Now we want to create networks between internal departments and corporations.

TP 3

Customer visits are important. These visits are not only about sales promotion but more about maintaining customer relationships. Tradeshows including experts and head quarters visits are also important features. We also figure in articles in the technical literature, something I consider to be an important forum. We do not figure in the media, as we think this has limited effect. The advertising is geared towards exposing the trademark.

TP 4

By far, the most important channel is person-to-person communication. This takes place in the front-office, i.e. our market companies. At the market companies, we have also appointed key account managers (KAM) to be responsible for the contact with our large customers. We also figure in certain articles in the technical literature, but do not use advertising in the traditional sense. The exhibition activities have been delimited to comprise only the most important industry exhibitions.

TP 5

The most important is the personal relation between market companies and customer representatives. Our employees are supported by product information on the intra-net.

TP 6

The most important is our physical presence at the customer. This is primarily due to our market company structure. Advertising and technical literature is used in very restrictive manners.

B.9 Image

The image issue is about how customers perceive the company. Here the answers varied, due to the respondents' positions within Tetra Pak.

TP 1

I see two aspects of the question. Before we wanted to create an image as "the good company". This was a result of our slogan "More than the package", emphasizing environmental aspects, ethics and responsibility. Today we communicate safety and security in the delivery of liquid food. We want to be associated with the protecting of what is good. Consequently, we have recently changed our slogan into "Protects what's good".

TP 2

We want to be associated with terms as quality, knowledge, support, long-term commitments and safety.

TP 3

A customer should think of us as a provider of solutions to his problems.

TP 4

The image we want to express towards our customers is a "production solutions provider". When a customer thinks of Tetra Pak Processing Systems, they should think of us as a long-term partner.

TP 5

The maintenance business is not an end in itself. Therefore a customer must consider maintenance as something that decreases his costs and increases his income, leading to improved production economics. For us, this means that our service portfolio must have a positive effect on plant performance.

TP 6

Customers shall perceive us in following terms: competence within the areas of creating and delivering production solutions, safety due to our global presence and corporate size and long-term relationships.

B.10 Marketing Implications

This question deals with the possible connections between offering design, marketing activities and organizational structure.

TP 1

Our focus has shifted from products to solutions, emphasizing the importance of the personal contact. We have also structured our business around certain segments, where we have competitive advantages. Finally, to drive the process from customer need to customer satisfaction we have developed routines for our systems integrated business.

TP 3

We increased our automation competence, in order to meet customer demands and to improve our complete solutions engineering ability.

TP 4

We have noticed that our customers are becoming fewer but larger. This means that the interactive marketing is becoming more and more important, something that requires a higher pedagogical competence at out market companies and key account managers.

TP 6

Our offering as changed over time, but the way it is conveyed has not changed considerably. The interactive marketing is the dominating channel. There have however occurred some organizational changes. We have created several strategic business units, focusing on the dairy & beverage, prepared food, cheese and ice-cream segments. Additionally, we have created routines and procedures for large plant sales.

B.11 Internal Education Incentives

This question is to reflect internal marketing incentives. However, the answers given were not particularly comprehensive.

TP 4

Our internal education issue is very muddled and is exceedingly unsatisfactory. The responsibility question is very unclear. The internal communication is also poorly managed. The responsibility lies on the individual manager, but it is not a high-priority issue. Nor is it represented in the business area management, as is the case with external communication where I am the responsible part.

TP 6

We educate our employees in the product portfolio and in later time also in value-based sales and communication between front- and back-office.

B.12 Customer Contacts and Customer Relationships

This question discusses the relation between employees with dense customer contacts and the required competence profile.

TP 1

We carry out a personality test, called predictive index, to ensure that we have the right people on the right positions. The predictive index is matched with the competence profile for the respective position. However, I believe that the technical background is important for all positions.

Another aspect is that we are quite restrictive with recruiting activities. We do not always have a 100 % cover for all positions within the company, which means that we have a restrictive dismissal policy as well.

TP 3

Competence profile constructions are under progress. I think that it is important to apply a customer value perspective. To do so, we must first define the customer's problem in a clear and consistent way. Secondly, everyone in the organization must work according to this perspective.

TP 4

Such competence profiles do exist, and currently we are mapping the actual status for those employees with dense customer contact. The main issue is to communicate the value-based business perspective instead of the common cost-based.

Appendix C: Interviews at Securitas and Kone

In this part I present the outcome of the interviews with representatives at Securitas and Kone. I have used the same type of questions for these respondents as for the ones at Tetra Pak. The interview form is presented in Appendix A. The persons interviewed at Securitas are Christian Danielsson and Lasse Jönsson and at Kone I interviewed Rasmus Anjert.

C.1 Core Business Activities

The question of core business activities provided, of course, quite different answers. However, the most interesting is not what they answered, but how.

EXT 2

It is security! We sell adapted general solutions to customers, large as well as small. I believe that a lot our work is of preventive nature. It is also very important for us to effectively communicate the actions that we can undertake. We want our customers to consider security as an investment, not a cost.

EXT 3

Kone is a global company specialized in moving people and goods. We manufacture, sell and install elevators and escalators. Additionally, we have begun to sell gates and automatic building doors, as the entrance to a building is the first thing that a visitor sees.

C.2 Customer Value and Benefit

On the question of customer value and customer benefit, both respondents argued for the importance of communicating relationship costs.

EXT 2

The customer benefit is that the customer does not have to think about security issues – Securitas does this for him. It also important to remember that a customer, by choosing Securitas, can save money in a long-term perspective.

EXT 3

Kone does not simply sell an elevator but a total solution to the customer. We deliver the right solution in the right environment to the right quality and in the right time. To achieve this commitment, we must have a high-quality product to offer the customer. Additionally, we have a strong after-sales portfolio, guaranteeing the supply of spare parts for 25 years at minimum. In recent times we have also started to communicate energy savings and environmental awareness to our customer, aiming at building long-term relationships.

C.3 Pricing Strategy

When discussing the pricing strategy, both respondents argue for the fact that their solutions can save money for the customer. There was however differences in the actual invoicing procedures.

EXT 1

The personnel resources are priced after the amount of time spent. We charge an hourly fee which varies with the customer. It depends primarily on the type and scope of the guardians. The technical resources are priced depending on the size of the investment. We take depreciations and tax relieves into consideration. Then the personnel and technical costs are synthesized into a subscription fee for the customer.

We also communicate the fact that a Securitas solution can actually save money for the customer in a long-term perspective, in spite of a, relative competitors, high subscription fee. I think that government and municipalities often act in a short-term perspective and choose the cheapest offering, something that actually leads to higher long-term costs.

EXT 3

Kone is the market leader, which means that we are not the cheapest. Our pricing strategy is based on a market price and not on our actual costs. We are very careful not to make any exceptions from our market price, as a customer then would require an even lower price the next time. The customer pays for a full-service agreement, called a partnership agreement that guarantees them a 98 % accessibility of the elevator. To motivate our price, we argue that the lowest price is not the lowest cost. Among others, we focus on energy costs that can be radically decreased when choosing our solution. We have also changed our quotation routines. Prior, our price was on top of the quotation, now we list a number of arguments to motive the price and we have placed the price on the bottom of the quotation.

C.4 Production Philosophy

The question of production and production philosophy gave rise to different answers, due to the different industry areas operated by Kone and Securitas.

EXT 2

First we conduct a risk inventory (simpler) or a risk analysis (more comprehensive). Based on this we design a customer-adapted solution. For out large customer we also provide on-site personnel to manage the daily operations.

I think that the greatest danger to a customer does not necessarily need to be external. Internal errors or mistakes (staff behavior and action) are often more frequently occurring. Mistakes are always going to be made and Securitas assignment is then to minimize the consequences.

EXT 3

Our production is divided into three processes. A level processes are the manufacturing of volume models, i.e. standardized models. B and C level processes are the manufacturing of customized models. These models require a great amount of engineering, leading to a higher price. However, I think it is important to mention that we do never compromise with either security or quality.

C.5 Trademarks and Branding Strategy

The respondents emphasized the importance of communicating the corporate name in a consequent way. The respondent from Kone was however the only one to mention the importance of the recovery process.

EXT 1

We communicate the Securitas trademark as a concept, focusing on the entirety. We avoid communicating single products in order not to create a split vision. Securitas is also a well-known and well-established brand, something we use in our marketing activities.

EXT 3

We have a slogan related to our logotype: "The Heart of Your Building". Kone is a strong brand that is well-known and well-established. These facts are commercialized in the design of our pricing strategy. We also have a department responsible for branding issues and web-site maintenance. On our web-site, a potential customer can make interactive quotations.

Finally, we have a well-defined process for complaints handling, focusing on short response times.

C.6 The Relation between Product, Trademark/ Brand name and Service

In this section, the respondents were asked to rank the relative importance of the product, trademark/ brand name and service in their company's offering. The quantification of the issues was difficult to make, according to the respondents. However, they gave their view of the respective issues.

EXT 1

I think it is hard to quantify these components. The importance is related to where the customer is in the relationship life-cycle and also the type of customer. However, I believe that the trademark is important for the initial contact. Then the customer needs determines the relative importance of the product and service respectively. For the future, I think that services are likely to increase in importance.

EXT 2

In an initial stage, the trademark is enormously important. Then it is important to focus the total solutions. I believe that total solutions are likely to increase in importance.

EXT 3

It is interesting that certain products, like our MonoSpace-elevator, have become a kind of trademark for a certain type of solution. The service aspect has always been crucial for our business. Our competitors offered elevators similar to ours, and we had to find new ways of competing.

C.7 Critical Success Factors

The critical success factors stated, varied with the respondents' positions within the company.

EXT 1

The most important critical success factor is for Securitas to focus on the core businesses. Earlier a guardian could undertake activities as lawn-mowing or window-cleaning. It is also important that we are in control of our economics and to ensure that every single deal is profitable.

EXT 2

Most important is the entirety focus. To engineer total solutions, we must be able to work efficiently between different internal corporations. We also need to communicate our set of actions to the customer, so that he understands how we will respond to different situations.

EXT 3

I think it is important to us to focus on lean products, in terms of using permitted chemicals and renewable energy sources. As I mentioned earlier, it is important to retain a high safety profile.

C.8 Marketing Activities

The issue of the marketing activities provided comprehensive answers. The respondents mentioned the interactive marketing as the dominating and most important channel, while the importance of external marketing was considered as insignificant.

EXT 2

We arrange and participate in various central and regional activities like industry conventions and seminars. We also arrange some informal events, like tennis games, sailing and golf, to which we invite potential and present customers to participate. In all occasions we always make sure that a Securitas representative is present.

We do not conduct any traditional marketing, the exception being Securitas Direct which operates in the home-alarm market. We have also tested telemarketing with limited result, except for the home-alarm business.

I consider the direct contact between Securitas and the customer to be the most important part. We try to create relationships on different levels. A Securitas regional manager has relationships with the managing director for the customer company and a local manager has relationships with the operative staff. Depending on the level of the relationship, different purposes can be identified. Common to all relationships is that they aim at creating a mutual trust, as Securitas staff often takes part of sensitive information. It is therefore important that the relationships are long-term. Consequently, we do not try to buy a customer at any price, as this can lead to negative publicity. Nor do we try to sell products and services to a customer just to make fast money.

EXT 3

We arrange customer events for our customers (construction companies, tenant-owners' societies). Customer visits are conducted at least once a year. The primarily marketing is conducted by our field personnel. Their behavior, competence and ambition to do the right things are of vital importance for how customers perceive the service. We also have some additional brochure materials and of course the Internet. Pure advertising is not of high priority. Finally, we continuously measure customer satisfaction as a measurement of how well we perform.

C.9 Image

The image issue provided answers regarding how customers perceive the company.

EXT 1

When a customer thinks about Securitas, they should associate to the corporate size, the in-house competence and finally the local presence and the close customer contact.

EXT 2

We want to create an image of a responsible and professional supplier of customer-adapted total solutions. A mutual trust is also an important ingredient.

EXT 3

A customer should associate Kone with quality, both in the material and the working process.

C.10 Marketing Implications

This question deals with the possible connections between offering design, marketing activities and organizational structure.

EXT 1

Securitas focuses on supplying total solutions for security, which means that the process of building mutual trust is becoming increasingly important. We have also introduced a flat organization with as few intermediate levels as possible. The intention is that any employee should consider it easy to get in contact with top management and to create incentives for

empowerment. Finally, we split local offices as they grow larger, in order not to loose the close customer contact.

EXT 2

We act in a business-to-business market, and we have noticed that traditional marketing has infinite effect. Long-term customer relationships are also becoming increasingly important. Additionally, we have realized that the internal marketing activities must be emphasized.

The organization has a flat structure with few intermediate managers. When a local office becomes too large, we split it. This allows us to retain a close contact with our customers.

C.11 Internal Education Incentives

This question is to reflect internal marketing incentives.

EXT 1

We arrange a general guardian education. The guidelines are determined by the government. This is complemented by a repetition course each fourth or fifth year. Securitas also arranges education on the specific objects and buildings included in the guardian's round.

EXT 3

We have an internal course called "The Ambassador" which deals with the appearance and behavior of our staff and how they should best encounter a customer.

C.12 Customer Contacts and Customer Relationships

This question discusses the relation between employees with dense customer contacts and the required competence profile.

EXT 1

For those responsible for a total solution and are situated on-site, we have a group leader course. Otherwise we do not have any particular profiles settled. However, I think the social competence is of great importance for working in the security business.

EXT 3

There are no explicit formal requirements. I do believe that you have to be born to sell. I would say that a common sense, i.e. to encounter others in the same way as you want to be encountered yourself, is very valuable. Finally, you should also learn about your customers – their values, working processes and so on.