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**Abstract**

There has been an increase in the interest in service design, as companies have become more customer-centric and their focus has shifted to customer experiences. The actual organisational purchasing of service design has been given little attention, until recent years. The purpose of this study is to explore the purchasing of service design from the perspectives of sellers (service design agencies) and buying clients (business organisations). In order to understand the phenomenon, also agencies and clients' approaches to service design discipline, purchasing processes, challenges related to purchasing and ways of facilitating the purchasing are explored.

The research follows qualitative research method and utilises abductive reasoning. A proposition framework was formed by combining services marketing, design and organisational buying behaviour literatures, and was tested against real-life business cases. Empirical data was gathered by interviewing eight service design agency representatives and five client representatives in Finland. The results of semi-structural interviews were analysed by finding repetitive themes. The proposition framework was updated according to interview findings.

There were both similarities and differences in service design agencies and clients' approaches to service design. Service design represents a strategic activity to both parties, and it helps in clients' business development and in discovering opportunities. It is an ideology; a way of thinking and working. The driving force for purchasing service design seemed to be something else than service design itself. Projects have been bought for 1) change and innovation related development, 2) channel related development or for 3) customer experience related development.

Seven purchasing challenge themes were recognised: 1) poor or differing service design understanding, 2) selling of service design, 3) varying expectations, 4) difficulty of pre-evaluation, 5) buyers and buying companies, 6) project process and nature and 7) unclear project results. These all can be considered to cause challenges in organisational service design purchasing. Challenges can be caused by either participant, the agency or the client, and take place at any point of the purchasing process. Some of the challenges could be considered as barriers to purchasing or they play a role in an unsuccessful service project – and therefore, result in an unsuccessful organisational purchase. Purchasing could be facilitated in various ways by either participant; some ways are more attitude based, others actionable improvements. Thesis's theoretical and managerial findings can be utilised to both improve the selling and purchasing of service design services.

Key words	Service design; design; design agency; services marketing; services; buying; purchasing; organisational purchasing; professional service
Further information	







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#### Tiivistelmä

Kiinnostus palvelumuotoilua kohtaan on ollut kasvussa yritysten muuttuessa entistä asiakaskeskeisemmäksi ja asiakaskokemusten noustessa fokukseseen. Organisaatioiden ostokäyttäytymistä palvelumuotoilun saralla on tutkittu tähän asti vasta vähän. Tämän tutkielman tarkoituksena on tutkia yritysten palvelumuotoiluostamista myyjän (palvelumuotoilutoimistot) ja ostajan (yritysassiakkaat) näkökulmista. Ymmärtääkseen ilmiötä, tutkielma pyrkii hahmottamaan myös toimistojen ja asiakkaiden näkemyksiä palvelumuotoilusta, palvelumuotoilun ostoprosessista, ostoon liittyvistä haasteista ja oston helpottamisesta.

Kvalitatiivinen tutkimus hyödyntää abduktiivista päättelyä. Propositio-viitekehys muodostettiin yhdistelemällä kirjallisuutta palveluiden markkinoinnista, designista ja organisaation ostokäyttäytymisestä. Propositioita verrattiin oikean liike-elämän tapauksiin. Empiirinen aineisto kerättiin haastatteleamalla kahdeksaa palvelumuotoilutoimiston edustajaa ja viittä asiakasedustajaa Suomessa. Puolistrukturoitujen haastattelujen tulokset analysoitiin teemoittelun avulla. Ehdotettua propositio-viitekehystä jatkokehitettiin haastattelulöydösten pohjalta.

Palvelumuotoilutoimistoilla sekä asiakkailla on sekä yhteneviä että eriäviä näkemyksiä palvelumuotoilusta. Palvelumuotoilu edustaa molemmille strategista toimintaa, joka auttaa asiakkaan liiketoiminnan kehittämisessä ja auttaa tunnistamaan uusia liiketoimintamahdollisuuksia. Palvelumuotoilua pidetään ideologiana; ajattelu- ja työskentelytapana. Palvelumuotoilua näytetään ostettavan muun kuin itse palvelumuotoilun takia. Projekteja on ostettu 1) muutos- tai innovaatiokehitykseen, 2) kanavien kehitykseen tai 3) asiakaskokemukseen liittyvään kehitykseen.

Tutkielmassa tunnistettiin seitsemän palvelumuotoilun ostoon liittyvää haastealuetta: 1) huono tai vaihteleva palvelumuotoiluymmärrys, 2) palvelumuotoilun myyminen, 3) vaihtelevat odotukset, 4) ennakkoarvioinnin haasteellisuus, 5) ostajat ja ostavat yritykset, 6) projektin prosessi ja luonne sekä 7) epäselvät projektin lopputulokset. Kaikki nämä osa-alueet voivat hankaloittaa palvelumuotoilun yritysostamista. Haasteita voi aiheuttaa kumpikin osapuoli, myyjä tai ostaja, ja haasteita voi ilmetä missä tahansa ostoprosessin vaiheessa. Osa haasteista voi muodostua oston esteeksi tai johtaa epäonnistuneeseen palvelumuotoiluprojektiin, ja täten epäonnistuneeseen ostoon. Palvelumuotoilun ostamista voi helpottaa eriävillä tavoilla. Kumpikin osapuoli pystyy tekemään osansa. Osa helpottamistavoista on enemmän asenteisiin liittyviä, toiset toiminnallisempia. Tutkielman teoreettisia ja liiketoiminnallisia löydöksiä voi hyödyntää sekä palvelumuotoilun myynnin että palvelumuotoilupalveluiden ostamisen kehittämisessä.

Asiasanat	Palvelumuotoilu; muotoilu; muotoilutoimisto; palveluiden markkinointi; palvelu; ostaminen; organisaation ostokäyttäytyminen; asiantuntijapalvelu
Muita tietoja	







Turun yliopisto  
University of Turku

# **ORGANISATIONAL PURCHASING OF SERVICE DESIGN**

**Agency and client perspectives**

Master's Thesis  
in Marketing

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# 1 INTRODUCTION

*To be successful in a given marketplace, a company needs to have a strong sense of service design. (--) Companies know that service design is where their growth is, their advantage is, and their future profit is.*  
(Mary Jo Bittner, according to Saco & Goncalves 2008, 13)

## 1.1 Research background

Companies constantly search for ways to gain sustainable competitive advantage in order to protect or improve their market positions (Kotler & Rath 1997, 204), and the confidence in traditional competition processes has decreased (Mootee 2011, 2). As consumers' material needs are well satisfied, the expectations for private and public services have grown (Tuulaniemi 2011, 22). Services represent 60–80 per cent of the gross domestic product (GDP) of the developed countries (Mager 2007, 354; Saco & Goncalves 2008, 10) and services sector has become dominant in the business world (Saco & Goncalves 2008, 10). Therefore, also the demand for various business services (for example consulting) has grown significantly (van der Valk & Rozemeijer 2009, 8).

Companies have realised the importance and need for service-specific approaches in their service business development. There have been investments in research and design development, and new roles and company departments have been formed for continuous service innovation. (Mager 2009, 30.) It is stated, that services will globally be the largest platform for innovations. If an organisation does not utilise the interesting opportunities offered by services, it will unfortunately soon be left out of the game. (Tuulaniemi 2011, 19.)

But services are not necessarily as productive for companies and as satisfying for clients as they could be – services are having a design problem (Moritz 2005, 4). Organisations, both in mature and blue ocean markets, have also found it increasingly challenging to express the value that their offerings provide (Töytäri, Brashear, Parvinen & Ollila 2011, 493). Therefore, service development is needed.

Design is a potential strategic tool that companies can use to gain a sustainable competitive advantage (Kotler & Rath 1997, 204) and the role of design in service companies is changing towards more strategic direction (Design ROI 2012, 55). It is stated that through service design, companies can create competitive advantages, loyal satisfied clients and higher profit margins (Moritz 2005, 4). Service design is said to have a big effect even on the environment and peoples' everyday. (Miettinen & Koivisto 2009, 9).

Leaders' focus has also shifted towards a new management problem-solving tool, design thinking (the core ideology of service design), for solving complex, ambiguous, uncertain and volatile contexts (Mootee 2011, 2). Organisations are focusing more on customer experiences than traditional business transactions (Miettinen & Koivisto 2009, 11). Service design is an emerging discipline that is joining the worlds of business, design, change management, and the service economy (Saco & Goncalves 2008, 10). Design thinking, amongst many other design buzz words, is compared and contrasted to business, and sold as a strategic tool. (Mootee 2011, 3.)

Currently there are approximately 100 agencies offering service design services around the world (Bodine 2013, 5). The global presence of service design agencies is presented in the following figure.

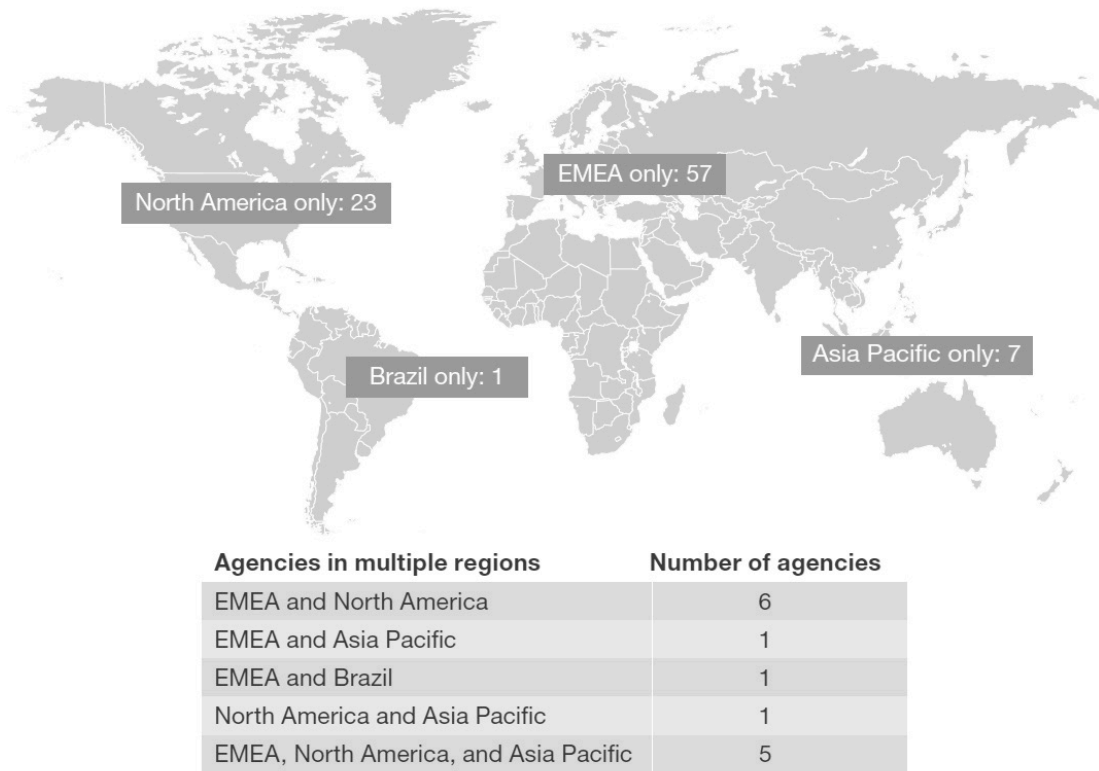


Figure 1 Global presence of service design agencies (Bodine 2013, 5)

More than half of the service design companies are based in Europe. There is a particular strong presence in the UK. (Design Council 2015, 2.) Service design is an industry that is growing quite rapidly and currently consists of small organisations, and many companies have been founded only in the past decade. Half of the service design companies have around 10 employees. Service design is used by both businesses and private sector clients. Many clients are still new to design. (Design Council 2015, 2, 4.)

Design seems to be having a more important role than ever. The interest in service design in Finland seems strong at the moment. The interest has not been estimated to decrease, as the importance of the topic seems to grow. (Tuulaniemi 2011, 13; Bodine 2013, 16.) Service design agencies' approach has also become relevant to management consultancies, interactive agencies and advertising agencies. Agencies have become relevant acquisition targets for global companies. (Bodine 2013, 16.)

Despite the great interest, service design and service development are not necessarily well understood (Menor, Tatikonda & Sampson 2002). Service design might actually be unknown for some customer experience professionals (Bodine 2013, 2). There might also be several challenges related to the purchasing of service design. The potential service design client might find it difficult to understand and evaluate the value potential of a complex knowledge intensive business service (Aarikka-Stenroos & Jaakkola 2012, 17). It might be difficult for the clients to comprehend what they are dealing with, in what kind of process they are involving in and what they actually are paying for. Service design practitioners still have challenges in communicating the value of their work what comes to measurability and business impact (Hertto, Jäppinen, Ketola & Rönholm 2010, 32).

The purchasing and facilitation of service design seems a rather topical subject. For example, Forrester Research house has gathered annual lists of global service design agencies and released reports that aim to help business organisations find potential service design partners (Bodine 2013). In Finland, Grafia (Finnish Association of Visual Communication Designers) has published a guidebook that includes procurement ideas for the service design sector (Jokinen 2012). Business organisations that have practiced service design in Finland have recently gathered together to share experiences on in-house service design projects (SND Meetup). Nevertheless, there seems to be no academic research on service design purchasing and projects, and it deserves to be studied further. Therefore, this research aims to mature the field of service design and services purchasing.

## **1.2 Purpose and motivation of the study**

The interest in the organisational purchasing of service design arose from personal experiences when searching for possible service design internship positions. How are service design agencies different? What are their projects actually like? Which agency is the best? These were some of the most relevant questions. People in charge of purchasing service design in business organisations might have similar kinds of questions and think of how to answer them. Is it even possible to answer these questions

and form a realistic picture of the industry and the market? And what is “purchasing service design” after all; what does it mean when someone purchases “service design”?

Service design is still quite young, but a rapidly growing discipline that holds potential for further research (Mager 2007, 357). It combines old things in a new way, and partly because of this, the full picture of service design might have been left unclear (Tuulaniemi 2011, 12). Service design has been researched since the early 1990s, although most of the publications took place 15 years later when service design gained extensive attention (Blomkvist, Holmlind & Segelström 2011, 308–313).

There is still a limited amount of publications of service design worldwide (Tuulaniemi 2011, 12), but several published case studies exist. There is a lack of academic studies, theory building and studies focusing on the management field. (Blomkvist et al. 2011, 308–313; Kimbell 2011, 41.) Previous research has mainly focused on professional designers who see themselves as service designers, and on their work; how they design for customer experiences (Kimbell 2011, 44). There have also been studies focusing on defining service design as a term or as a discipline, but no studies exist that examine the actual purchasing of service design. Therefore, there is space for further academic research.

In addition, professional service firms, in general, have been scarcely and fragmentally researched (Halinen & Jaakkola 2012, 219). Past research has focused mainly on purchasing of industrial or consumer goods, and on industrial services. Also a significant part of previous customer-in-business-to-business-services related research has focused on information technologies (IT) services (Ordanini & Pasini 2008), design services being left underrepresented.

This study combines services marketing, organisational buying behaviour and service design theories. *The purpose of this study is to explore the purchasing of service design from the perspectives of sellers (service design agencies) and buying clients (business organisations).* The research purpose has been split into three sub-questions to provide a thorough understanding of the topic. The sub questions are as follows:

- 1a. How do agencies and clients approach service design?
- 1b. What are service design purchasing processes like?
2. What kinds of challenges have buyers and sellers experienced in relation to purchasing of service design?
3. How can the purchasing be facilitated?

The study focuses on the whole purchasing process, ending at the post-purchase evaluation. The study approaches the research question by interviewing both parties – the service design provider agencies and the buying client companies. Study’s main focus is on privately held service design agencies and client companies. In order to understand how service design is being purchased, it is also necessary to find out how

agencies and business clients perceive service design. This is being addressed as a part of the first sub-question.

In order to create a more holistic and multi-disciplinary understanding of the topic, the theoretical literature review comprises of services marketing, organisational buying behaviour (OBB) and design literature (see figure 2).

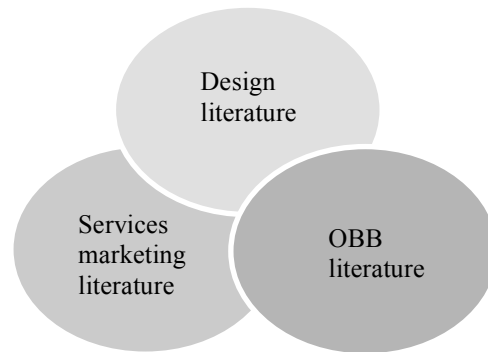


Figure 2 Thesis's literature pool

Design literature is mainly responsible for defining service design and service design processes and methods, whilst OBB and services marketing literature provide the theoretical background for the sub chapter focusing on organisational purchasing of business services. The research propositions, and later interview questions are formulated from the learnings of OBB and services marketing literature. Studies conducted on professional services firms, consultancy firms and on industrial buying are also considered.

Due to service design being a relatively young research area, in addition to drawing from academic literature and publications, also other types of material, such as design documentaries, managerial publications and articles are considered. In this thesis, marketing is considered a philosophy. Marketing is seen as organisational customer-orientation, similarly to the nature of service design, presented more thoroughly in the second chapter.

Design can have several connotations and it can easily be associated with product or industrial design. Design here does not refer to styling or making something more beautiful. In this thesis, design is seen more as a customer-oriented process and it is linked to strategy and innovation. Design is approached as an ideology. Kotler and Rath (1997, 208) have defined design as “the process of seeking to optimize consumer satisfaction and company profitability through the creative use of major design elements - -“, which has been selected as the most suitable design perception for this thesis.

Purchasing is researched in the light of services; more specifically, business services. Purchasing is considered as a synonym to buying even though some nuance differences might exist. Purchasing and selling are usually considered inseparable (Wilson 2000,

784) and therefore thesis's findings consider the implications for both purchasing and selling of service design.

The term "purchase decision" is used with reference to decisions concerning the choice and acquisition of service design services in organisational contexts, excluding individual purchasing for end-user's own use. To facilitate the readability, it is important to define the supplier and the buyer and their relationships in the purchasing of service design. Service design consulting is explored from the business-to-business (B2B) viewpoint. Service provider refers to a professional service design agency or consultancy. Service design agencies' business customers are referred to as clients. These clients are considered operating either on business-to-business (B2B) or business-to-consumer (B2C) fields of business. These clients can be either service or product companies. Client's end-users can be either organizations or individual consumers. It is important to distinguish the client (a business customer) from the clients' end-users (organisations or individual consumers).

### **1.3 Structure of the study**

This study commences with an introduction chapter (chapter 1), followed by the theoretical chapter (chapter 2) and the chapter on methodology (chapter 3). The introduction presents the background and current situation of purchasing service design, and presents the purpose and motivation for this research. The second chapter defines and discusses the term service design and presents the key service design processes, methods and tools. It also presents the special features of services that are relevant for this study, and discusses the nature of organisational purchasing of professional services. The aim is to build on the theoretical understanding of purchasing services by adding the characteristics of purchasing specifically business services. Also possible challenges related to business services purchasing and ways of facilitating the purchasing are discussed.

The third chapter presents the selected research methodology and design. This thesis follows qualitative research and utilises abductive reasoning. Based on the theoretical background, research propositions for challenge themes in organisational service design purchasing are formulated. Propositions are based on organisational buying of professional services in general and this thesis examines how these theoretical findings manage to describe the purchasing of professional service design services. The suggested propositions will guide the empirical part of the study. The research design chapter also presents the way the data is collected, the interview setting and the interviewee backgrounds, and finally how the data is analysed and evaluated.

The empirical findings are presented in the fourth chapter. The aim of this chapter is to answer the research question through three sub-questions. The findings are presented in the order of the research sub-questions: 1a) approach to service design, 1b) service design purchasing process, 2) service design purchasing challenges and 3) service design purchasing facilitation. Each topic is further divided into agency and client perspectives, and empirical findings are presented according to this division.

Main research conclusions and managerial implications are discussed in the fifth chapter. In addition, analysis of the limitations of the study and suggestions for further research are provided. The whole study is summarised in the final, sixth chapter. The interview structures for both agencies and clients are presented in appendices 1 and 2.

## **2 PURCHASING OF SERVICE DESIGN SERVICES**

This chapter presents a theoretical background for the purchasing of service design services, based on services marketing, organisational buying behaviour and design literatures. Relevant service features, definitions for the term service design and service design process are discussed, and some of the well-known service design methods and tools are presented. Also special features of purchasing services are presented. Recognised challenges in business service purchasing and means of facilitating the purchasing are presented.

### **2.1 Special features of services**

Service components are not only physical objects, but rather a combination of processes, people, skills and materials mixed together to form the “planned” or “designed” service (Goldstein, Johnston, Duffy & Rao 2002, 121). On the other hand, service as a business logic means facilitating interactive processes that support customers’ value creation in their everyday practices. “Everyday practices” means that a service activity should support some activities or processes of a customer, regardless whether this customer is an individual, a household or a business organisation (Grönroos 2008, 300) – the user.

The basic and generic service characters (Grönroos 2007, 53–54) may be of specific importance when considering the possible challenges in purchasing service design services:

1. Services are process-like by nature and consist of activities or a series of activities where different types of resources are used (goods, people, physical resources, information, systems, infrastructures).
2. Services are produced and consumed simultaneously, at least to some extent. They cannot be separated from each other and services cannot be kept in stock.
3. The customer does not only receive a service, but participates in the service process as a production resource, at least to some extent, and this becomes a part of the solution. Therefore, the customer is a co-creator and co-producer of the service.

Also other basic service features may be relevant for the purchasing of service design. Services have been found to differ from goods by the assumptions that they are intangible, heterogeneous, inseparable and perishable by nature (IHIP) (Calatone & Di Benetto 1993 in Smeltzer & Ogden 2002, 55). Services are also described as being

interactive by nature (Grönroos & Ravald 2011, 7). It has also been discussed that services do not actually result in an ownership of anything (Grönroos 2007, 55).

A consumer, a customer – a human being – is in the centre of the service (Tuulaniemi 2011, 26), takes part in the service process and interacts with the service provider's systems and infrastructures (Grönroos 2007, 53). Therefore, services are always perceived subjectively (Grönroos 2007, 54) and consumers form their service experiences every time encountered with the service. A service experience, per se, cannot be designed, as it is subjective and exists in the customer's mind. (Tuulaniemi 2011, 26.)

Professional services can be distinguished from other, more general services. These services are usually characterised by expertise possession (developed by formal higher education) and expert judgement exercising in delivering the service. Professionals share a group identity and are mostly self-regulatory. (Hill & Neeley 1988, 18.)

## **2.2 Service design definition**

Service design, as such, emerged in the early 1990s (Mager 2007, 354). Service design owes a part of its origin to American and British design consultancies, American design consultancy IDEO being the forerunner. Not only private companies have had an impact on service design, but also public institutions in England (UK Design Council) and in Germany (Köln International School of Design, KISD, in Cologne) have played an important role. (Saco & Goncalves 2008, 10.) Also Service Design Network, an international non-profitable service design forum dedicated to academics and practitioners, has developed and strengthened the knowledge of service design (Service Design Network). Service design has been utilised for both private and public sectors.

Multiple definitions for describing service design exist. Service design is an approach to design experiences, with the help of product design, industrial design, sociology and business strategy (Design Council 2015). Service design is a different way of approaching the way the relationship between organisations and clients is considered. Service design is a holistic, multidisciplinary, integrative field that helps either to innovate new or improve existing services. (Moritz 2005, 4.) Service design approaches service development and innovation analytically and intuitively at the same time (Tuulaniemi 2011, 10).

According to marketing as a philosophy, companies should analyse their customers' needs and meet those needs better than their competitors. Client needs are met by offering offerings that create value for the customer. (Halinen & Jaakkola 2012, 219.) This marketing ideology seems very close to the ideology of service design. Service

firms should lead their business by having customer need satisfaction in the core (Parasuraman, Berry & Zeithaml 1983, 31).

Probably the most used and cited service design definitions is by a service design pioneer, service design professor Birgit Mager (2007, 355) from the University of Applied Science in Cologne:

*Service design addresses the functionality and form of services from the perspective of clients. It aims to ensure that service interfaces are useful, usable, and desirable from the client's point of view and effective, efficient, and distinctive from the supplier's point of view.*

Generally, service design helps organisations discover the strategic business opportunities in services (Tuulaniemi 2011, 24). Service design is like an interface between organisations and clients (Moritz 2005, 171). Service designers construct several service contact points or touchpoints, between service organisations and clients, including for example material objects, environments and interactive encounters (Secomandi & Snelders 2011, 20). Service design is not just abstract planning for customers' feelings and experiences. It aims to concretely combine both users' needs and expectations and the goals of the service provider in a functional service. Service design aims to create service "products" that are economically, socially and ecologically sustainable. (Tuulaniemi 2011, 25.)

In addition, service design can be conceptualised in varying ways. This is also closely linked to how design is seen. In the following figure, Kimbell (2011, 45) has presented a framework for different ways of thinking about services and the differing natures of design.

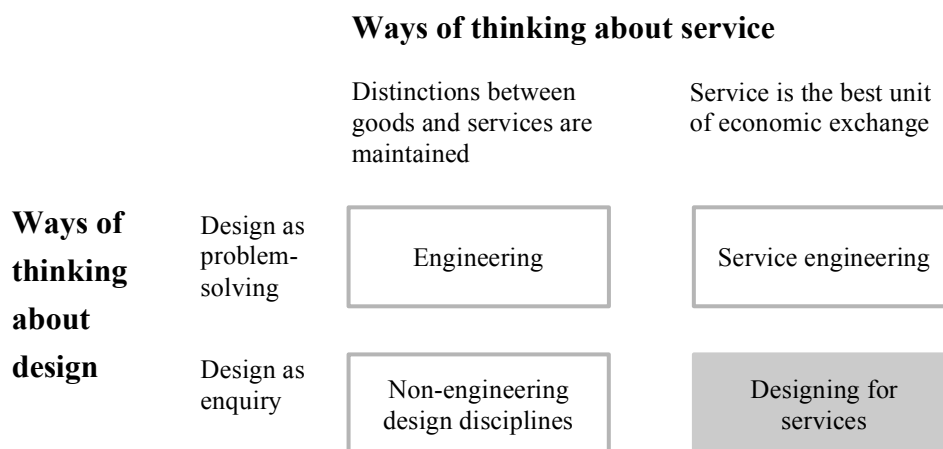


Figure 3 Approaches to conceptualizing service design (after Kimbell 2011, 45)

Kimbell's figure presents four different ways of understanding service design: as engineering, non-engineering design disciplines, service engineering or designing for services. Design can be either seen as problem solving or as an enquiry, where meanings are constructed with diverse stakeholders. Service, per se, can be regarded as a best unit for economic exchange or as something different from goods.

The "engineering" quadrant distincts goods from services conventionally, and sees design as a traditional way of solving problems. When design is seen as "non-engineering design discipline", design is understood as an exploratory process of enquiry, that can be applied to different artefacts (to products or services). Traditional design school sub-disciplines such as industrial design, interior and interaction design fit this category. "Service engineering" corner sees design as problem-solving, but through the process of exchange. The foundation comes from engineering and focus is on design. (Kimbell 2011, 45). The most interesting service design conceptualisation regarding this thesis is the last, designing for services.

"Designing for services" regards design as a strategic activity. It sees design as exploratory enquiry but does not make a strict distinction between goods and services. The design goal is never fully accomplished and "designing for services" (rather than designing services) remains incomplete as the complete service design cannot be fully imagined, planned or defined. This is due to the number of several engaging actors with different value relations. Here the end result is not the design goal, however, rather a "platform for action" where several actors can engage. Services are thought of as the core basis of exchange of value. (Kimbell 2011, 45, 49–50.) This latter category plays an important role in how services are seen in this thesis; as exploratory and participatory.

There are certain additional features that describe service design (Stickdorn 2011, 34; Saco & Goncalves 2008, 10–11). These features and ways of thinking are also required from the service designer, client and project team when designing services:

- Capacity-building
- Co-creative
- Constant reframing
- Evidencing
- Holistic
- Multidisciplinary collaboration
- Sequencing
- Sustaining change
- User-centred

Service design is always being described as user-centred, having the end-users in the centre of all doing, and co-creative, meaning that services are designed in co-creation with service designers, providers and users. It is usually holistic and multidisciplinary; including people with various educational backgrounds. Service design is about constant problem reframing, evolvment, and it aims to support and sustain the change related to the project. (Stickdorn 2011, 34; Saco & Goncalves 2008, 10–11.)

Service design focuses on customer experience (Saco & Goncalves 2008, 12) and the key value for success is the quality of the service encounter. One key aim for service design is a 100 per cent customer satisfaction (Tuulaniemi 2011, 12). The goal is to optimise the customer's experience by focusing on the critical points in the customer experience. The service process, working or operating habits, service spaces and service interactions can be optimised. In addition, also elements disturbing the service experiences can be eliminated. (Tuulaniemi 2011, 26.) It is vital to note that experience itself cannot be designed – only the conditions that lead to the aimed experience (Mager 2007, 355). The customer co-constructs the service experience and the value (Miettinen & Koivisto 2009, 11). The ultimate goal is that the customer forms a positive experience. (Tuulaniemi 2011, 26.)

Service design ideology is close to service-dominant-logic (SDL) as the latter also places the customer to the centre, and considers all goods and objects as services (Ordanini & Pasini 2008, 290). Service designers can see service as both social and material, and the distinction between products and services seems rather irrelevant for them. Material objects play roles in constituting value-in-use. Designers may understand service as both relational and temporal because value is created in practice; users and stakeholders interact with service firms through practical engagement with artefacts and people, over time and space. (Kimbell 2011, 48–49.)

Most common job roles within the industry are service designer, strategist, design researcher, visual designer and business designer (Design Council 2015, 3). There is no one specific education path for service designers. Due to its multidisciplinary nature, people with various backgrounds can practice service design (Mootee 2011, 4). Earlier, many service designers had an art-school education in product, industrial or interaction design (Kimbell 2011, 41), but nowadays also people with business and engineering backgrounds are involved in practicing service design. What connects all these designers is that they are considered as creative problem-solvers who begin to look at every problem as a design problem (Brown 2009, 36, 38), from the end-user's perspective.

The concept of *design thinking* is specifically important and closely linked to service design ideology. According to Mootee (2011, 3, 6–7), design thinking can be seen as a way to implant customer-centricity and empathy, as a means to solve complex problems and as a methodology to foster exploration and experimentation.

*Applying Design Thinking to business problem solving - - enables organizations to identify strategic options in order to make better, more informed decisions even in the face of extreme ambiguity. (Mootee 2011, 5.)*

Kimbell (2011) and Brown (2008), on the other hand, define design thinking as framing problems and opportunities from a human-centred perspective by using visual methods to explore and generate ideas, and engaging potential users and stakeholders. Some practitioners consider design thinking as being specific tools and techniques, applied to whatever issue (Alexander Osterwalder, co-author of *Business Model Generation*, in *Designing the New Business* 2012). Whether the exact term “design thinking” is not used by practisers and consultancies, they may describe it as “transformation” or “user experience transformation” (Yang & Huang 2012).

Compared to business management, it is argued that design thinking’s culture, customs, values and beliefs are potentially more empathetic, human centred and courageous. Despite this, design thinking is not exclusive to designers; it is an ideology that anyone in any other discipline can utilise (Mootee 2011, 3–4). Other disciplines that are closely related to service design are service management, service marketing, service engineering, and also interaction and experience design (Mager 2007, 354–355).

The following chapter concentrates on introducing the common features of a service design process and some usual methods and tools used in service design projects.

### ***2.2.1 Service design process***

Service design is an iterative process by nature that integrates user-oriented, team-based interdisciplinary approaches and methods in constant-learning cycles (Saco & Goncalves 2008, 12). Service design can be viewed as a constructive process that involves both professional designers and managers, and other stakeholders (present or past customers and service personnel) (Kimbell 2011, 48). Service designers seek to understand the nature of their client firms’ offerings and the creation of value through the practices of end-users and others such employees, instead of relying on pre-defined categories of science, technology, product or service (Kimbell 2011, 48).

Several service design process models exist, ranging from shorter three-step-models to a model including multiple steps (Miettinen & Koivisto 2009, 11). Service design projects can differ a lot from each other, and therefore there are no absolute order of process phases and the phases can sometimes overlap and inter-link (Moritz 2005, 149). The used process model usually also depends on the service design practitioner, agency or project. Service designers may actually consider their entire development activity as designing (Kimbell 2011, 48). Some well-known service design process models are compressed into one general example in the following figure.

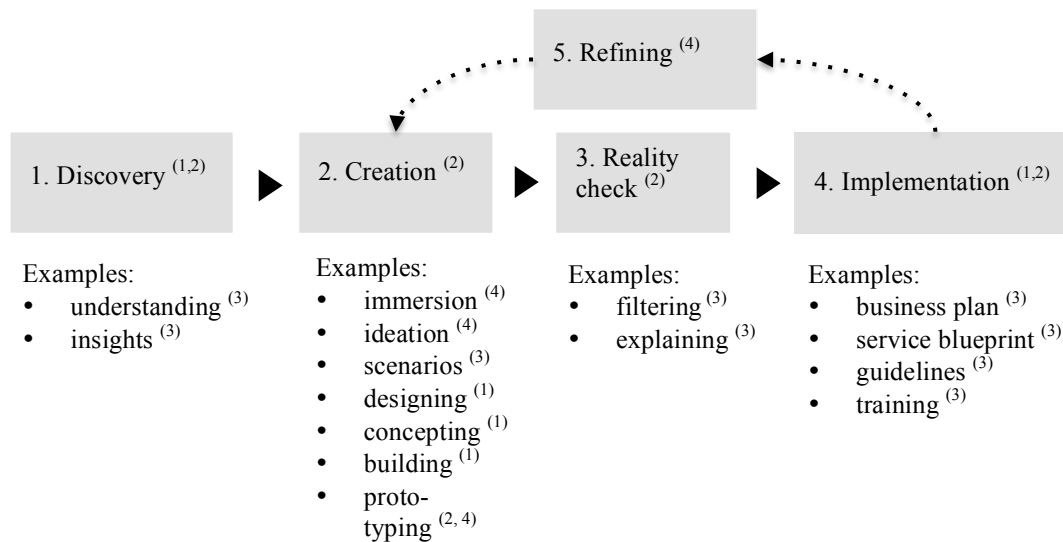


Figure 4 Service design process example (modified from van Oostrom 2009<sup>(1)</sup> in Miettinen & Koivisto 2009; Mager 2009<sup>(2)</sup>; Moritz 2005<sup>(3)</sup>, Vianna et al. 2012<sup>(4)</sup>)

A simplification of the service design process could include phases of 1. discovery, 2. creation, 3. reality check, 4. implementation and 5. refining. A service design project can start with discovery (see van Oostrom 2009, in Miettinen & Koivisto 2009; Mager 2009), meaning that the client or participant familiarises himself with and gains understanding of the service design field, and identifies the possible need for service design. In this phase, also agencies could also be learning about the clients, context, providers and relationships (Moritz 2005, 123–127).

The creation part (see Mager 2009) can include all the thinking, ideation and building and prototyping that happens before an idea is reality-checked, prior to implementing. The creation part scopes the project more, develops strategic frameworks, turns complex data into insights and scenarios, and develops ideas, solutions and turns them into clear concepts (Moritz 2005, 128, 132). Every encounter between the end-user or consumer and service provider are considered and planned (Shostack 1984, 136), and the means of a whole service experience is created in this phase. Some parts of the creation phase, for example ideation, can occur throughout the process, from beginning to end. A new project can also start straight from the creation part, if for example an idea or a hypothesis already exists, and that is wish to be prototyped and tested. (Vianna, Vianna, Adler, Lucena & Russo 2012, 20).

The best ideas or concepts are evaluated and selected in the reality check phase (see Mager 2009), by experts or based on pre-selected evaluation criteria. Relevant decision-makers should be involved at this stage. The quality and performance are tested. For

example legal requirements, economical or technical restrictions could be considered at this stage. This phase could also include the visualisations of ideas and concepts as potential scenarios and show their future possibilities. (Moritz 2005, 136–140.)

The developed concepts, prototypes or processes are then implemented (see van Oostrom 2009, in Miettinen & Koivisto 2009; Mager 2009, Moritz 2005). This phase provides everything that is needed in order to make the service happen, from planning to roll out (Moritz 2005, 144). The service development does not end at the implementation, though, but continues as constant refining and developing should be conducted after the launch. This could be done for instance by gathering user feedback, and learning and developing the service concept. (Shostack 1984, 133; Vianna et al. 2012, 20.)

Managers and designers must make decisions about all of the components of a service, when designing a new service or redesigning an existing service. Many decisions are required even for a fairly simple service, considering all the phases: from ideation to design. Decisions need to be made at several organisational levels: from strategic to operational and service encounter levels. A big challenge is to guarantee that the decisions at all levels are made consistently and focus on delivering the precise service to selected customers. (Goldstein et al. 2002, 121.)

### **2.2.2 *Service design methods and tools***

Service design takes design methods from the design field and combines them with more traditional service development methods (Tuulaniemi 2011, 24). Elements and tools are gathered from several domains to reach various, sometimes even contradictory, objectives: from customer appreciation and satisfaction to problem resolution, economic and environmental sustainability and practical beauty (“beauty that works”). A variety of tools are also brought from the social sciences (Saco & Goncalves 2008, 11–12). This idea of combining methods is not a new innovation, but rather the way service design combines old, existing things, in a new way (Tuulaniemi 2011, 24).

Service design aims to include the customer, the end-user, of the service to the service planning (Tuulaniemi 2011, 25). One important part of the designers’ work is to make the complexities of a service visible and comprehensible, and help clients with the decision-making about the redesign of the services (Kimbell 2011, 48–49). Service design is not just abstract planning for customers’ feelings and experiences. For example, with the help of visualisation and characters, the intangible parts of services are made visual. (Tuulaniemi 2011, 25.) Some of the distinctive tools of service design are gathered in the following table.

Table 1 Distinctive tools in service design (modified from Mager 2007, 356–357; Miettinen & Koivisto 2009, 15–24; Stickdorn & Scheider 2011)

Distinctive tools in service design		
<ul style="list-style-type: none"> <li>• bodystorming</li> <li>• business model canvas</li> <li>• context mapping</li> <li>• contextual interviews</li> <li>• (cultural) probes</li> <li>• customer journey drawing or maps</li> <li>• customer lifecycle maps</li> </ul>	<ul style="list-style-type: none"> <li>• ethnography</li> <li>• experience prototyping</li> <li>• fieldwork: observation and documentation</li> <li>• five whys</li> <li>• idea generation</li> <li>• personas</li> </ul>	<ul style="list-style-type: none"> <li>• scenario based design</li> <li>• service role-play</li> <li>• service safaris</li> <li>• service staging</li> <li>• shadowing</li> <li>• stakeholder maps</li> <li>• storyboarding</li> <li>• storytelling</li> </ul>

One of the most well-known tool, the customer journey, aims to present the complete service process from the client's perspective, with its emotional, material and procedural components. Another holistic tool, the storyboard, visualises the service process with all roles, scenery, props and script, from customer's perspective. (Mager 2007, 356–357.) Also service blueprints, originally developed in service marketing, can facilitate a service development in identifying problems before they possibly occur. They also aid to visualise new market opportunities and analyse profitability. (Shostack 1984, 133, 135.) Designers may also represent the relational and temporal nature of service in visual form, for instance by creating two-dimensional documents depicting touchpoints in the customer journey or drawing the service ecology (a bird's eye view of the service) (Kimbell 2011, 48).

### 2.3 Nature of purchasing services

Services purchasing may differ from the purchasing of materials because services and materials are created in differing processes (Smeltzer & Ogden 2002, 55). A key characteristic that differentiates purchasing of services from purchasing of goods is quality. Quality is measured and perceived more subjectively with services. (Wycott 1992 in Smeltzer & Ogden 2002, 55.) Purchasing services and materials might also differ from each other due to purchasing professionals' differing process perceptions for purchasing services and materials. It has been argued that purchasing of services is more complex than purchasing of materials, and the complexity is usually related to experienced risk. For example, the more complex the purchasing process, the higher the risk for the purchasing organisation. (Smeltzer & Ogden 2002, 55, 59.)

Universally accepted classification for services purchasing does not seem to exist (Smeltzer & Ogden 2002, 66). Purchasing – per se – can be seen either as a strategic action or something unorganised. In the latter case, purchasing is rather seen as a transaction, as buying. (Axelsson & Wynstra 2002, 17.) The term “purchasing” is considered to end at post-purchase evaluation, not only in the contract signing moment, as the customer decision process endures all the way to consumption and post-purchase evaluation (Hill & Neeley 1988). Purchasing can also be seen to comprise of all activities that lead to an incoming invoice. (Axelsson & Wynstra 2002, 17.)

Purchasing can also be divided into relation-oriented and transaction-oriented purchasing, relations-oriented being the “modern purchasing philosophy”. Transaction-oriented purchasing is more competitive whereas relation-oriented purchasing focuses on collaboration. (Axelsson & Wynstra 2002, 213.) Therefore, service design purchasing could be considered more strategic and considered relation-oriented, collaboration-like.

Services are heterogeneous and always unique by nature, partly because of their human producers. The results of professional services are always unique and based on the skill level of the professional providing the service. The skills are not applied in a similar way each time with equalling results. Professionals cannot predict the actual service outcome in advance, and with certainty. (Hill & Neeley 1988, 20–21).

It has been assumed that separate theories might be needed for organisational and individual purchasing. Consumers have been seen as impulsive individual buyers whilst organisations purchase as a rational group. (Wilson 2000, 780–781.) On the contrary, individuals purchase for themselves but also collectively on behalf of others, only their behaviour changes when placed in different contexts. When purchasing for themselves, individuals purchase according to their own perceptions and wishes, but in organisational purchasing, many powerful societal influences (i.e. organisational) exist. Organisational purchasing is vastly based on research on expensive or strategic purchasing. It can be seen as a rational and logical, professional activity, excluding the habitual, intuitive and experiential actions. (Wilson 2000, 780–781, 783.) Webster and Wind (1972) have identified five different buying roles: a 1) user, 2) influencer, 3) buyer, 4) decider and 5) gatekeeper (in Wilson 2000, 787).

In B2B service context, the client plays two roles, being the customer and the co-producer of an offering (Martin, Horne & Schultz 1999, 55). The service content is defined by the interaction and collaboration between the service company and the client. The basis for the service comes from the professional company’s expertise and resources. (Halinen & Jaakkola 2012, 224.) Clients participate in the innovation, production and delivery phase of an offering and do not merely receive and consume the offering, as service offerings are produced and consumed simultaneously. The client

also makes the actual purchase at the same time. This is especially the case in business-to-business context. (Martin et al. 1999, 55.)

Also, the buying of professional services differs from the buying of more generic services. For instance, consumers' search processes and how they make purchasing decisions over these different types of services are distinct. (Hill & Neeley 1988, 17–18.) Business services are usually purchased by manufacturers or by private or public service providers (Axelsson & Wynstra 2002, 19–20). Purchasing of a professional service is usually characterised by budget, cost and profit considerations and takes place in the context of a formal organisation, for instance in the decision-making-unit. (Mitchell 1994, 316). One traditional view on the objective on purchasing is to get the minimum price for the lowest total cost-in-use. Also buyer's emotions, personal goals, and internal politics have an influence in the buying decision process. (Webster & Wind 1972, 13.)

In order to evaluate any service provider, there must be some kind of general understanding of the supplier's business (Axelsson & Wynstra 2002, 166). Business customers often assess and value potential supplier companies' corporate brands and base their purchase decision on these. Brand perceptions may be based on company-specific factors or attributes, rather than product (or brand) specific attributes. Some of the attributes might be related to product offering delivery, distribution or support services. Also company industry, financial stability and global coverage can function as attributes. (Mudambi et al. 1997, according to Aspara & Tikkanen 2008, 45). Additionally, companies' network roles may affect perceptions, example attributes being companies' capabilities, competencies, power and size. Also service provider's intentions to partner up and cooperate with clients may shape the perceptions related to the company's corporate brand image. (Aspara & Tikkanen 2008, 46.)

## **2.4 Purchasing of business services: process and evaluation**

Consumers, organisations and professional services all have different characteristics in their purchase decision-making (Jaakkola 2007, 95). The decision process for professional services differs from the process for more generic services. The differences are listed in the following table.

Table 2 Differences in the decision process for generic vs. professional services (Hill & Neeley 1988, 18)

<i>Decision process</i>	Generic services	Professional services
<i>Problem recognition</i>	<ul style="list-style-type: none"> <li>• Buyer defines problem</li> <li>• Little (if any) advisor role by provider</li> </ul>	<ul style="list-style-type: none"> <li>• Buyer dependent on provider to define problem and advice</li> </ul>
<i>Search process</i>	<ul style="list-style-type: none"> <li>• Relatively little willingness to expend effort</li> <li>• Sufficient information available</li> <li>• Use of advertising</li> <li>• Buyer has expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Willingness to use great effort</li> <li>• Insufficient information available</li> <li>• Little use of advertising</li> <li>• Buyer uses personal information sources such as referrals</li> </ul>
<i>Evaluation of alternatives</i>	<ul style="list-style-type: none"> <li>• Many alternatives to evaluate</li> <li>• Relatively easy comparison</li> <li>• Evaluation criteria are known</li> </ul>	<ul style="list-style-type: none"> <li>• Fewer alternatives to evaluate</li> <li>• Difficult comparison</li> <li>• Evaluative criteria not known</li> </ul>
<i>Choice</i>	<ul style="list-style-type: none"> <li>• Relatively clear-cut</li> </ul>	<ul style="list-style-type: none"> <li>• More uncertain</li> </ul>
<i>Use and post/purchase evaluation</i>	<ul style="list-style-type: none"> <li>• Outcome is uncertain but consequences are minimal</li> <li>• Redo is possible</li> </ul>	<ul style="list-style-type: none"> <li>• Outcome is uncertain but consequences are serious</li> <li>• Re-do may not be possible or desirable</li> </ul>

The differences in the decision-making process for general and professional services stretch from the early problem recognition phase to the service use and post-evaluation phases. Generally, in professional services, the buyer is more dependent on the service provider and more effort is being placed in the search of a right service provider. Service outcomes are usually uncertain and re-doing the service is not usually desired or even possible. (Hill & Neeley 1988, 18.) These features affect the professional services buying processes and it could be discussed that finding a suitable service provider is usually of considerable interest for the buyer.

Several purchasing process models and descriptions for organisational buying behaviour have been proposed. Industrial buying has generally been held rational by nature. (Dempsey 1978, 257–258.) A traditional way of presenting professional services purchasing is a rational and a linear decision-making process (Burton 1990, 57). For

example, in purchasing consultancy services, the decision making process can consist of eight following stages (Stock & Zinszer 1987, 7)

1. problem identification
2. determining whether the problem is to be handled internally or externally
3. identifying possible consultants
4. searching for information about consultants
5. evaluating consultants
6. selecting consultants
7. managing the project and
8. reviewing the consultant's performance.

Seth (1973) has also presented a more profound framework for organisational buying behaviour, focusing specifically on business-to-business context, but that is considered too complex for examining the purchasing of service design services. For this thesis, Stock & Zinszer's (1987) decision making stages provide a suitable starting point.

According to Burton (1990), organisational buying decisions and buyer behaviour consists of three main aspects: 1) the psychological world of the buying individuals, 2) the conditions affecting the joint decisions and 3) the process of joint decision making (including conflicts among the decision makers and its resolution). Buyer's knowledge, prior experiences and different contextual variables may affect the presented objective information, and thus affect a person's choice alternatives. The alternatives are always compared against a "reference point", which usually functions as a "zero point". (Burton 1990, 57–58.)

The buyer sees the choice problem, the alternatives and possible consequences of made choices through a decision frame (Burton 1990, 55). Nevertheless, it is usually troublesome for the buyer to construct this decision frame for services, due to intangibility, inseparability and heterogeneity of services. As services are said to be more difficult to evaluate than goods, the decision-framing process for services may actually be based more on best practices and heuristics, rather than on quantitative processes. (Burton 1990, 57–58).

Nevertheless, the reality of organisational buying behaviour can differ a lot from linear and systematic models. Buying decisions are not necessarily systematic decision-making processes and can be affected by ad hoc situational factors. These situational factors can be for instance temporary economic situations, production-related events, organisational changes, ad hoc changes in the market etc. Industrial buyers may also base their decisions on non-rational or non-realistic criteria. (Seth 1973, 55–56.) Therefore, no one and explicit, in-depth description of a non-systematic process, which would include the influence of situational factors, ad hoc decisions, and limited rationality, exist (Makkonen, Olkkonen & Halinen 2012, 774).

The buying process's goal is not to run a rigorous, systematic buying process, but to reach an optimal and satisfactory solution within real-life restrictions (Carter et al., 2008; Hirschman & Lindblom 1962; Lindblom 1959; Simon 1955, according to Makkonen et al. 2012, 775). Buyers do not systematically move towards the desired goal through a thorough analysis, but instead, they shift away from the problematic situation, little by little (Braybrooke & Lindblom 1963; Wilson 2009, according to Makkonen et al. 2012, 775). Rationality is to utilise limited information from previously known sources, finding goodenough solutions and reaching satisfactory outcomes (Makkonen et al. 2012, 779).

Regardless of the degree of systematic purchasing process, buyers somehow evaluate the possible service providers. The buyer assigns value to each alternative and this way evaluates the service alternatives. (Burton 1990, 60.) When a company is choosing a new service provider, careful evaluation of the provider should apply before the choice is made (Axelsson & Wynstra 2002, 165). Usually a face-to-face meeting with the professional is required in order to evaluate provider's qualification for the service needed (Hill & Neeley 1988, 20). Evaluation does not end at choosing a service provider; in addition to evaluating provider's performance also the service relationship is evaluated throughout the project (Axelsson & Wynstra 2002, 165).

Buyers are usually willing to invest considerable physical and mental energy in the search for information on appropriate evaluation criteria, alternatives and the qualifications of professional services (Hill & Neeley 1988, 18). There might actually be as many evaluation models as there are buyers evaluating (Axelsson & Wynstra 2002, 173).

The distinct characters of services have an impact on how customers frame choice situations (Burton 1990, 55). Examples of the evaluation elements used can be categorised into three grounds and are presented on the following table.

Table 3 Evaluation elements (modified from Axelsson & Wynstra 2002, 173–174)

1. Product and its attributes	2. Performance of the provider	3. Underlying capabilities of the provider
<ul style="list-style-type: none"> <li>• product quality</li> <li>• specific characteristics of the product</li> <li>• price levels</li> </ul>	<ul style="list-style-type: none"> <li>• delivery reliability</li> <li>• flexibility</li> <li>• communication between provider and customer</li> <li>• the quality level of the services related to the core products</li> <li>• supply costs</li> <li>• supply or delivery times</li> <li>• stability in supplies</li> </ul>	<ul style="list-style-type: none"> <li>• ability to participate and contribute in product development</li> <li>• ability to flexibly adapt to changing demands, for instance cancellation of orders</li> <li>• geographic location</li> <li>• technological standards</li> <li>• ISO certification</li> </ul>

Evaluation elements can be categorised in three: 1. product and its attributes, 2. the performance of the provider and 3. the underlying capabilities of the provider. Product attributes can be for instance price and quality, whereas provider performance can include for instance delivery reliability, flexibility, communication between provider and customer. Underlying capabilities refer to for example flexibility, adaptation skill and physical location. (Axelsson & Wynstra 2002, 173–174.) Economically oriented criteria have been the most important evaluation attributes. These attributes can be for instance delivery capability, quality, price, and past performance. The importance of seller attributes probably varies according to the buyer, the type of buying task and the type of organisation that is purchasing. (Dempsey 1978, 258, 266.)

Halinen and Jaakkola (2012, 221) have researched professional service firms and listed factors affecting the selection of a professional service firm:

1. reputation for excellence
2. professional expertise and experience
3. interaction and communication skills
4. good personal relationships
5. cost-efficiency and process management
6. understanding of the client's needs, objectives, and business sector.

In selecting a professional service firm, the most important choice criteria for selecting for example management consultants are their reputation and their experience in the client's industry. The second important choice criteria are the buyer knowing the specific consultant, buyer having prior experience with the consultancy firm, prior

experience with the specific consultant and consultancy from having experience in the client's industry. (Halinen & Jaakkola 2012.)

The most important information sources have been the buying firm's past purchasing records, communications with other company departments, and contacts with the salesmen. Positive past experience with a provider increases the provider's likelihood of being chosen again as a partner (Dempsey 1978, 262–263). Positive word of mouth (WOM) and peer endorsements play a role also in corporate buying. WOM is one main way of sharing information among service buyers. (Gould 1988; File, Cermak & Prince 1994, according to Smeltzer & Ogden 2002, 55.)

Price is not considered as high on the list of important evaluation criteria in business-to-business markets. However, price can play an important role in discriminating a proposal otherwise similar to others. However, the major reason for rejecting a consultant is the lack of industry experience. (Dawes et al. 1992, 187–191; Mitchell 1994, 330.)

## **2.5 Challenges in business services purchasing**

People within organisations tend to believe to be experts in buying services (Smeltzer & Ogden 2002, 58), even though that might not be the truth. When purchasing business services, several challenges may arise. These challenges can be related to the buyer (client company or organisation) or to the provider (seller, for instance a consulting firm). Challenges can be compared to risks, and they may arise at any point of the purchasing process. Reasons for the challenges in purchasing professional work may partly derive from history; professionals of the information society are still a relatively new class. (Jokinen 2012, 6.)

Purchasing a professional service involves a high level of perceived risk (Hill & Neeley 1988, 20). A consumer may experience this in selecting and using of professional services. The risk can be of a physical risk or, but more likely, a financial risk. (Hill & Neeley 1988, 18.) It is harder to evaluate the financial outcomes of services, compared to materials (Mitchell & Greatorex 1993, according to Smeltzer & Ogden 2002, 55). Financial risk may be the relative high cost of obtaining professional services or for example an open-ended pricing system, where the final price is unknown. The latter can occur because the professional cannot accurately estimate the extent or depth of services required based on the time required or the degree of complexity. This is why many professional services are priced on time-spent basis. (Hill & Neeley 1988, 18.) It is also challenging to objectively estimate whether a service is worth a certain amount or not. "The tendency to perceive a price-quality relationship

may be particularly strong for important, complex service decisions that are associated with significant pre-purchase dissonance.” (Burton 1990, 63–64.)

To mention a few, also conflict of interest, length of purchase commitment, organisational risk and extent of linked decisions may increase the risk involved in the decision of purchasing of for example industrial professional services (Mitchell 1994, 315). One major factor to the high-perceived risk is the inability or undesirability of having the service redone, either by the same or another professional. A service cannot be reversed. (Hill & Neeley 1988, 21.)

Different kinds of perceptions for purchasing services and materials exist – especially for the complexity of the processes. Purchasing complexity is often related to risk. (Smeltzer & Ogden 2002, 54–55.) Purchasing managers find the process of purchasing services more complex than the process of purchasing materials (Smeltzer & Ogden 2002, 60). On the contrary, top management is said to find service purchasing less complex than material purchasing. As a result, inexperienced buyers can be assigned to purchasing services. (van der Valk & Rozemeijer 2009, 10.) The complexity of purchasing services may depend on the clarity and preciseness of the material specification or statement of work. Service statements of work are not as complete as material specifications. (Smeltzer & Ogden 2002, 58.) Services are also ambiguous by nature and psychological involvement is needed. (Mitchell & Greatorex 1993, according to Smeltzer & Ogden 2002, 55).

Usually it is hard for the consumers to build a decision frame for services (Burton 1990, 58). The service characteristics that increase the difficulty of decision framing are presented in the following table.

Table 4 Characteristics of services that increase the difficulty of decision framing (Burton 1990, 59)

<i>Characteristics</i>	<i>Implication</i>	<i>Decision framing</i>
<i>Intangibility</i>	Buyer defines problem Little (if any) advisor role by provider	1. Difficult to determine appropriate decision criteria (attributes) upon which decision should be based 2. Difficult to assess one service provider against another
<i>Inseparability of production and consumption</i>	Services are not produced and consumed until after they are sold	1. Makes “trial” use, demonstration, or “sampling” difficult or impossible 2. Difficult to determine how to evaluate service until after sale

<i>Heterogeneity</i>	Services vary from each other and differ across producers and service encounters	<ol style="list-style-type: none"> <li>1. Difficult to make generalisations about decision criteria from one service to another</li> <li>2. Decision criteria and importance of criteria may change across service encounters</li> </ol>
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Evaluating professional services in advance, in the pre-purchase face, is difficult. Customer might find it difficult to see and evaluate the benefits of purchasing a given service due to its intangible character and inseparable production and consumption character (Burton 1990, 61; Grönroos 2007, 54). Intangibility can make it difficult or impossible to measure pre-purchase and post-purchase factors (Mitchell & Greatorex 1993, according to Smeltzer & Ogden 2002, 55). Professional service assignments' process and outcomes are heterogeneous, customised, and difficult to predict and demonstrate in advance (Halinen & Jaakkola 2012, 220–221). Selecting the right comparison criteria, evaluation attributes and reference points are not necessarily straightforward and service providers may be hard to compare (Burton 1990, 58–60; Hill & Neeley 1988, 20). If decision criteria are not formulated well, consumers will look for cues in the environment to help them (Burton 1990, 62). All in all, selecting a service provider might be more difficult than framing a decision between product brand alternatives (Burton 1990, 58).

The information that the consumer has is almost always inadequate, especially when the service is purchased for the first time. This is caused by poor information availability and external information sources, such as friends, family or advertisements. Buyer is usually dependent on other, often personal, sources of information in the search process. One main source of information is referrals from another professional, who is perceived to have credibility based on expertise. However, this expertise is not necessarily related to the buyer's needs. (Hill & Neeley 1988, 19–20.) Services might also be perceived poorly due to a gap between what an organisation aims to provide (strategic intent) and what its customers might need or expect (customer needs) (Goldstein et al. 2002, 124).

Usually professional services are purchased infrequently, buyer has not necessarily previous purchasing experience and therefore no developed evaluative criteria, and buyers do not usually feel qualified to evaluate professional's abilities. That is why several professional opinions might be used for additional evaluative information. (Hill & Neeley 1988, 20.)

Also the real customer need might be difficult to determine and specify. This is the case for instance when it is impossible to measure the need characteristics. It is argued that in professional services the consumer is more dependent on the professional's

evaluation, definition and diagnosis of the problem. It might even be challenging for the buyer to recognise or define the nature of the problem. The buyer might not even recognise the need for professional advice. Rarely the problem is recognised before it has reached a more serious level. Variable causes to a problem and several possible solutions are typical for professional services. (Hill & Neeley 1988, 18.)

What might also be troublesome is the possible heterogeneous and dynamic nature of the market. The customer might find it hard to trust the seller's reliability. These types of situations represent different degree of uncertainty in the need, the market and the transaction. Also the exact nature of needs for materials and services are difficult to interpret. (Håkansson, Johanson & Wootz 2002, 53–54.)

Several people are usually involved in the decision making process in organisational buying. This means complex interactions among people, individual and organisational goals. (Webster & Wind 1972, 12.) Buyer's purchasing experience and the type of purchasing experience (whether he has bought services or materials before) (Smeltzer & Ogden 2002, 54) and buyer attitudes matter (that can vary from enjoyment to aversion) (Wilson 2000, 789). Services are also essentially determined by the service consultant. Problem diagnosis and solution rely on the perceptions, skills and intuition of the consultant. This has been found to form a fundamental problem in production of industrial consulting services. (Mitchell 1994, 329.)

What comes to services, cost analysis and negotiation are said to be more difficult compared to materials purchasing. Not much emphasis has been put on analysing service pricing and costs. Formal training for service analysis does not exist. (Smeltzer & Ogden 2002, 58.) Total service cost and performance are relatively hard to estimate, and it is challenging to forecast future supplier performance (Smeltzer & Ogden 2002, 59–60).

The customer might find it difficult to understand and evaluate the value potential of a complex knowledge intensive business service (Aarikka-Stenroos & Jaakkola 2012, 17). After all, value is challenging to define and to measure (Grönroos 2008, 303). It is not easy to communicate value to customers in professional services, as the output of the service materialises only during or after the service delivery. The results may not be easy to evaluate or guarantee. Value conflicts are likely to emerge between the service suppliers and buyers. Experienced value is not related to the solution outcome itself, but is also generated through the process of exchange (Aarikka-Stenroos & Jaakkola 2012, 228, 22–23). Varying service-related factors, the relationship of the parties and the usage context affect how the customer perceives the value (Halinen & Jaakkola 2012, 224). Value is not produced – only resources out of which value can be created are produced (Grönroos & Ravald 2011, 7). Created value can be measured both in financial terms (being for instance revenues, cost savings) and in intangible measures (for instance in trust gained, affection, comfort, easiness of use) (Grönroos 2008, 303).

In services, it is challenging to manage the quality control in advance. The quality is experienced only when the service is being sold and consumed. (Grönroos 2007, 54.) Service process and perceived quality are hard to maintain consistent, as there are several actors affecting the service production and delivery process. One service does not appear similarly to different customers, therefore, the service is not being the “same” for them. (Grönroos 2007, 55.)

Additionally, the post-purchase evaluation of a professional service is challenging. Even after experience with the company is acquired, service organisations may be difficult to evaluate and position in relation to competitors (Burton 1990, 63). It can also be impossible to precisely determine if the problem was solved correctly and the consequences of poor service may be delayed. (Hill & Neeley 1988, 21.)

## **2.6 Facilitation of business services purchasing**

Facilitation can be realised either by the service supplier or the buyer. The buyers are usually pressed on time, resources and results, and the professional can do a lot to develop and ensure the goodwill and trust of a client (Hill & Neeley 1988, 22).

Edvardsson and Olsson (1996, according to Halinen & Jaakkola 2012, 225) highlight the importance of clear propositions; developing a service offering that makes it clear what the company will provide to satisfy customer needs and how this is to be done. Clients also base their value perceptions on how useful the service is to their business (Lapierre 1997, according to Halinen & Jaakkola 2012, 225). It is vital to achieve a mutual understanding of what generates optimal value for the customer (Aarikka-Stenroos & Jaakkola 2012, 23).

Customer’s part of the perceived risk is higher in selecting and using professional services, and this affects the decision process. Openly discussing the involved risks and for instance developing risk-reducing incentives can reduce associated risks. The efficiency of the purchasing process and benefits (for the provider and the consumer) may also be increased. (Hill & Neeley 1988, 21–22.) According to professional services marketing literature, it is important to reduce client’s risk and uncertainty when she is buying complex, intangible services with unclear service outcomes. Literature suggests that customer relationship management and reputation building could reduce these experienced risks. (Halinen & Jaakkola 2012, 224.) In the following table, Hill and Neeley (1988, 21) have gathered managerial implications for increasing the effectiveness of the consumer decision process.

Table 5 Strategies for enhancing the effectiveness of the consumer decision process for professional services (Hill & Neeley 1988, 21)

Strategy	Implementation
<i>Increase available external information</i>	<ul style="list-style-type: none"> <li>• Provide qualifications information to other professionals</li> <li>• Increase visibility through seminars, publications</li> <li>• Develop brochures outlining service for clients</li> <li>• Prepare videos explaining service and possible outcomes</li> <li>• Provide list of references, testimonials</li> <li>• Use contact interview to provide detailed information</li> </ul>
<i>Increase the customer's control of the decision process</i>	<ul style="list-style-type: none"> <li>• Involve client in initial stages of service design</li> <li>• Involve client in aspects of service delivery and post service requirements</li> <li>• Provide exit points</li> </ul>
<i>Reduce most apparent risks</i>	<ul style="list-style-type: none"> <li>• Discuss risks openly</li> <li>• Provide risk-reducing incentives (free progress visits)</li> <li>• Provide redress procedures</li> </ul>

By increasing available external information, increasing customer's control over the decision process and reducing the most apparent risks, the customer's decision process for professional services might be supported and made more effective (Hill & Neeley 1988, 21).

Usually customer's attention is paid to information search due to a high level of perceived risk. One solution for facilitating the purchasing decision for professional services is to increase the amount of external information available in the client market. Participating in seminars, publishing articles and affecting potential referral sources can increase visibility. Consumer involvement and knowledge can be increased by running seminars for the client market, participating in talk shows, radio or television, in addition to producing traditional brochures with detailed information on the service. Video material can be produced for potential clients. The aim is to reduce time and effort of information search and evaluation. (Hill & Neeley 1988, 20–22.)

One critical point of reducing risk is to make full use of the contact interview, for instance by paying effort to understand the client's position and provide answers to all basic questions, whether or not explicitly asked (Hill & Neeley 1988, 21–22).

As the decision is challenging to frame, service marketers and providers can "help" the customer to construct a decision frame. Manipulation of the decision frame has often been shown to impact the ultimate decision. With the help of promotional and personal selling, a frame can be created that is advantageous to the service organisation

or disadvantageous to competitors' service offering. This can even reposition the service marketer and all the competitors. (Burton 1990, 59–60, 63.)

There should be more focus on the supplier evaluation when purchasing services, compared to the purchasing of goods (Axelsson & Wynstra 2002, 181). In addition, instructing potential clients on the appropriate evaluative criteria is necessary in many cases (Hill & Neeley 1988, 21–22.). On the other hand, the less the comparison criteria, the easier it is to compare the offers (Sorsimo 2012, 54). Parasuraman and Zeithaml (1983, according to Mitchell 1990, 329) have studied industrial market research services and found that the client group ranked usefulness of results and understanding of client's problem as the most critical factors in the evaluation criteria. On the other hand, these two factors were ranked less service-critical by the service providers.

Clients might consider the following points when evaluating consultants (Mitchell 1994, 326–327). Preparing for these points might facilitate the service purchasing.

1. Has the consultant demonstrated a real insight into the needs of the organisation?
2. Does the quality of presentation of the proposal give the organisation confidence that the end product will be of a high professional standard?
3. Does the consultant have the necessary back-up facilities?

The evaluation model and used criteria need to be adapted to the kind of operation that the supplier is performing. Whether the service to be bought is highly dependent on the interplay between the buyer and the seller, it most likely requires a closer look at the supplier, the interaction partner, than at the service as such. (Axelsson & Wynstra 2002, 181.)

Customers pay special attention to the visual parts of a service. Service intangibility can be “decreased” by making a service more tangible for customers. (Grönroos 2007, 54–55.) In order to convince buyers, selling firms can support their sales efforts with tangible evidence of the value they can deliver, creating both pre-purchase and post-purchase value (Töytäri et al. 2011, 493). Also compensation activities can be stated and made available, in case of customer disappointments. In case that a service provider cannot meet the required needs, a comprehensive referral system (a referral network) should be in place and actively updated for the sake of customer trust and development. (Hill & Neeley 1988, 22–23.)

Supplier companies' images, perceptions related to the company brands and reputations have a significant importance in influencing the purchasing decisions made by business or organisational customers (Kauffmann 1994; Lehmann & O'Shaughnessy 1974; Möller & Laaksonen 1986; Levitt 1965; Shaw, Giglierano & Kallis 1989, according to Aspara & Tikkanen 2008, 44, 52). Professional service firms

have to be able to sell credible promises, even though the results of their services are not easy to evaluate or guarantee. Good company reputation, customer relationship and network building, and positive word-of-mouth communication can improve organisation's credibility. (Halinen & Jaakkola 2012, 228.) Reference lists and recommendations can also increase confidence (Hill & Neeley 1988, 21–22).

Perceptions related to personal (selling) contacts can be focused on supplier company's customer-facing personnel, the sales personnel, and their behaviour. For instance personnel's expertise, competence and likeability can affect the perceptions formed. These are all of significance in building corporate brand image among business customers. (Aspara & Tikkanen 2008, 46.)

Another direction in facilitating the decision process is to involve the client in the service process as much as possible. The idea is to increase the amount of control the client is experiencing. (Hill & Neeley 1988, 22.) The quality of service execution is always higher when both designers and managers think through potential problems together in advance (Shostack 1984, 135). Follow-ups with clients during and after service provision can be of critical importance and keep the client informed and more at ease. Also providing exit-points for the client can reduce the feelings of powerlessness and being "locked-in" once a choice is made. The professional service provider "can clearly outline and specify the points at which the client will be given choices and the opportunity to delay or opt to end the service agreement". (Hill & Neeley 1988, 22.)

Goldstein et al. (2002, 124–126) stress the importance of having a service concept idea. According to them, service concepts enable a more focused decision-making during the planning process. But prior to the design process, the designers and managers have to share a mutual vision and definition of a service concept. Service concept concretises the nature of the service, defines and integrates the *what* and the *how* of service design. *What* refers to what to deliver (market position and type of customer relationship). *How* refers to how that strategy should be implemented. The *how* is executed in the design of service delivery system. The first step in the process of service concept execution is the service design planning. Business strategy and service design are linked in service design planning. Service concept also supports and facilitates the measuring of financial performances of a service design, by helping in verifying the right kinds of performance measures for the delivery system. When purchasing service design, drawing and sharing service concept visualisations can facilitate the shared understanding of the desired outcomes within the project team (Hertto et al. 2010, 34).

Without measurable links to business goals, design work itself is a useless activity (Hertto et al. 2010, 36). Design projects should accomplish an acceptable return-on-investment and create value for the corporation (Bau 2010, 102). It is vital to identify the most important key performance indicators (KPI) or conversions. These metrics are more typical with digital service optimisation, but can also be implemented in for

instance face-to-face customer services and service environments. (Hertto et al. 2010, 34.) Measuring the return of service design investment can be possible if the service KPIs are selected with caution with the client to reflect the actual business challenges, whether it is new customers, new leads, sales etc. This also facilitates the designers' work: they understand what is expected from their work. KPIs are usually set for the business targets and customer experience KPIs can be forgotten. Net Promoter Score (NPS) is a way to assess the success of design work from a customer point of view. (Hertto et al. 2010, 35.)

### **3 RESEARCH METHODOLOGY AND DESIGN**

This chapter explains the selected research approach and presents the formulated research propositions that guide the research process in this thesis. Also data collection, interview setting, interviewee backgrounds and data analysis and evaluation are discussed.

#### **3.1 Research approach**

Qualitative research approach was chosen, because the phenomenon of service design purchasing wanted to be explored and understood better. Qualitative research provides the tools to focus on a limited group, depict and understand the phenomenon in more detail through the interviewees' personal experiences and opinions. Compared to quantitative research, qualitative approach enables the individual's own voices and opinions to be heard, as the language used is usually less formal (Hirsjärvi & Hurme 2009, 24, 28).

According to postmodern research, human behaviour is greatly dependent on the context and people's behaviour cannot be predicted or controlled. Qualitative research aims to contextualise, interpret and understand the actors' viewpoints. This research model is said to be based on both humanistic and natural sciences. Methodologically qualitative research is based on an inductive process, which means that it proceeds from specific to general and several, simultaneous factors affecting the result area of interest. It is always bound to its context. Theories are formulated in the hope of understanding the greater picture. Qualitative research studies and tries to depict emerging processes, and aims to find cultural patterns and diversity. Qualitative research starts with general concepts or ideas, which will change over the research. (Hirsjärvi & Hurme 2009, 21–22, 25.)

This research's approach sees reality as subjective, multifold and socially constructed. There can be as many realities as there are individuals. In this light, qualitative research may have an idealistic tendency. Qualitative research is also said to be naturalistic; taking place in natural surroundings. The research strategy presumes that the object and the researcher interact, meaning that the researcher is participating in the creation of the objective. Qualitative research takes a participatory aspect. Researchers aim for empathetic understanding. The researcher himself is seen more as an instrument. (Hirsjärvi & Hurme 2009, 22–26.)

Usually qualitative research focuses on a smaller number of cases and aims at a more thorough analysis. Qualitative data can, in its simplicity, be data in the form of written text. This can be gathered from for instance interviews, observations, personal diaries,

autobiographies, letters or other kinds of written, visual or audio data. (Eskola & Suoranta 1998, 18, 15.)

Qualitative research methods have commonly been considered as “softer” methods and can be seen as less scientific compared to quantitative methods. In some cases qualitative research may be of higher quality than quantitative research. Occasionally qualitative research is thought to be a subjective way of producing knowledge. (Eskola & Suoranta 1998, 13, 21.)

The research follows a *constructivist paradigm* where the aim of the research is to understand and reconstruct the interpretations that people hold, aiming for a consensus, but keeping a possibility for new interpretations as the information improves (Guba & Lincoln 1994, 113). The research utilises abductive reasoning that aims to create new propositions based on research evidence. The “explanatory” research propositions are formed from the existing theoretical base. Abduction aims to develop categories where the empirical observations would fall. (Timmermans & Tavory 2012, 170–171, 180). The research setting is presented in the following figure.

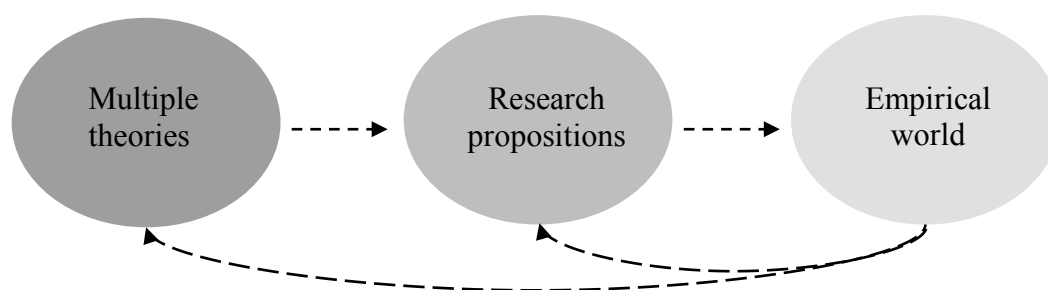


Figure 5 Research setting: abductive reasoning

In this study, research propositions are formulated from a compilation of multiple theories and ideas. The propositions are later compared with real-life business scenarios, in the thesis’ empirical part. The study’s empirical findings will add to the first version of research propositions and the propositions will be updated in the concluding part of the thesis. Abductive analysis can be called an “act of insight”. It is iterative by nature and aims to narrow or discard possible theoretical leads. It should be borne in mind that abduction is less certain by nature, compared to induction and deduction, but holds more potential for innovation. (Timmermans & Tavory 2012, 180, 171.)

### 3.2 Research propositions

Based on the current theoretical findings and understanding of organisational buying behaviour, services marketing and design, preliminary propositions for key challenges of organisational purchasing of service design are suggested in the following table. The propositions are shortly opened and related literature sources are presented.

Table 6 Preliminary propositions for key challenges of organisational purchasing of service design

Proposition (P)	Explanation behind proposition	Related literature source
P1: Poor or differing service design understanding cause challenges in service design purchasing	No one unified definition of service design or design thinking exists. Practitioners have various backgrounds. Consumer information is almost always inadequate.	Hill & Neeley 1988
P2: Varying expectations for service design cause challenges in service design purchasing	There can be various project types and objectives. Customer need might be difficult to determine and specify. Customer can find it difficult to understand and evaluate the value potential of a business service. Experience and value are co-constructed by the customer.	Hill & Neeley 1988; Aarikka-Stenroos & Jaakkola 2012; Miettinen & Koivisto 2009
P3: Difficulty of service design pre-evaluation causes challenges in service design purchasing	Services are heterogeneous, intangible and cannot be tried prior to purchase. There are fewer supplier alternatives, their comparison is difficult and evaluative criteria is not known.	Burton 1990; Grönroos 2007; Hill & Neeley 1988
P4: Buyers and companies, their backgrounds and motives, cause challenges in service design purchasing	Individual vs. organisational purchasing motives may differ. Psychological world of the buying individuals; emotions, personal goals, internal politics etc. may have an influence in the buyer. Buyers may have differing buying roles. Buyer's knowledge and prior or lacking purchasing experience may affect the decision.	Wilson 2000; Webster & Wind 1972; Burton 1990; Hill & Neeley 1988
P5: Service design's differing project process and nature cause challenges in service design purchasing	Several service design process models exist. Projects are iterative and cyclical by nature, including for instance prototyping and trial and error. Quality and process perceptions are always subjective. There is a high level of perceived risk.	Kimbell 2011; Shostack 1984; Wycott 1992 in Smeltzer & Ogden 2002; Hill & Neeley 1988

Five preliminary propositions for challenges of organisational purchasing of service design were formed: 1) poor or differing service design understanding, 2) varying client expectations, 3) difficulty of pre-evaluation, 4) buyers and companies and 5) project process and nature. These all can be considered to cause challenges in organisational service design purchasing. Preliminary propositions are based on organisational buying of professional services in general. This thesis will empirically examine how well these

more general theoretical propositions manage to describe the challenges of purchasing of professional service design services. Additional propositions can surely be formed. The challenge is to decide which set of propositions to select for the study and for abductive analysis (Timmermans & Tavory 2012, 172). These propositions were selected as most relevant for the scope of this study. They were also most interesting for the researcher and considered interesting from the theoretical and managerial point of view.

A proposition model is formed from the preliminary propositions, to guide the whole research process. All preliminary challenge propositions are placed according to general purchasing phases, excluding the problem recognition phase. Due to the length of the proposition statements, they are shortened in the following figure.

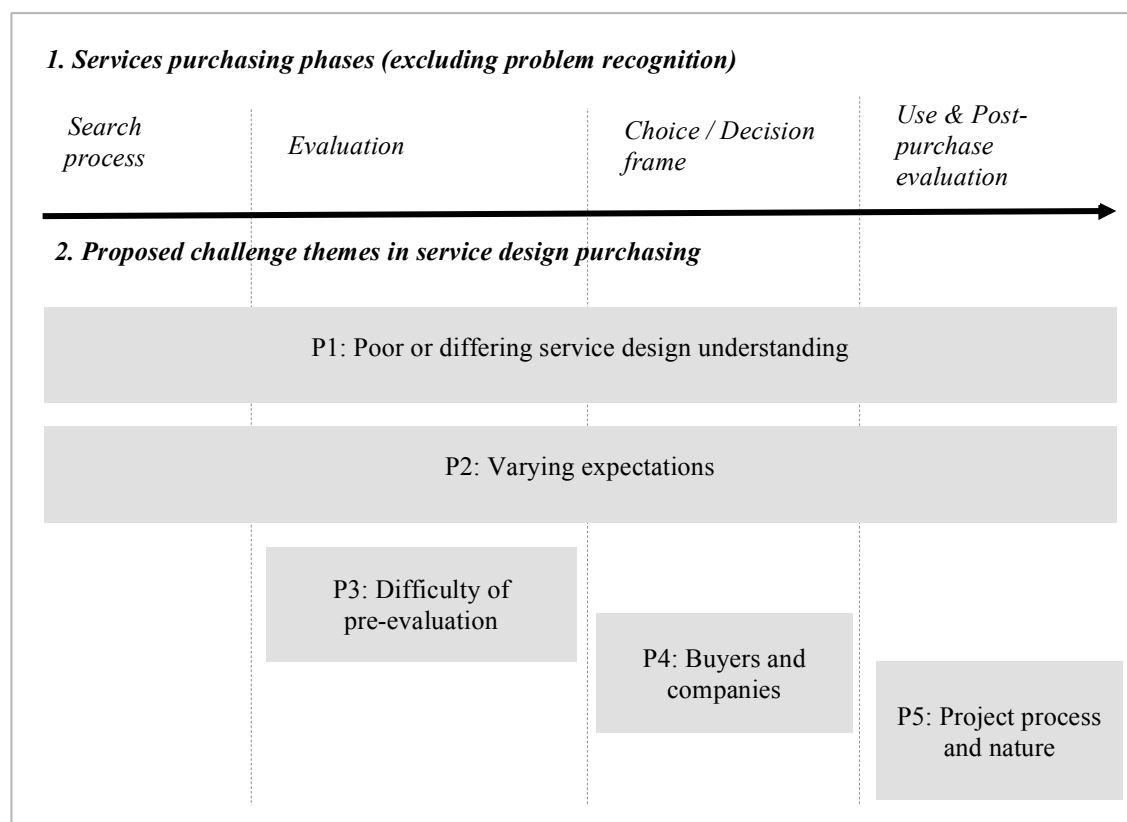


Figure 6 Propositions for challenge themes in purchasing of service design

Propositions 1 and 2 can be considered to be present in all of the four services purchasing phases presented in the model. Propositions 3, 4 and 5 are thought to take place in particular parts of the purchasing journey. All of the propositions are empirically tested in the agency and client interviews. This model is later further developed and specified with the empirical findings from real-life business situations in the concluding chapter. The model will also function as a means to present both the challenges and the suggested ways to facilitate the purchasing. Research question

themes addressing these proposition themes are presented in the operationalization table in the next chapter.

### **3.3 Data collection**

The data collection method of this study is interviewing and the interview approach focuses on answering the “what” and the “how” questions. Constructionist approach, on the other hand, focuses on how meanings are produced during interactions, and the interview situations resemble everyday conversations, where pre-planned interview questions are utilised as initiators of conversation. (Eriksson & Kovalainen 2008, 79–80.) The basic point of interviewing is to find out what kinds of opinions a person has, through conversations led by the interviewer (Eskola & Suoranta 1998, 86). Due to the ambiguity of the research topic and little previous research, both sides of the purchase, the seller (service design agencies) and the buyers (clients, business organisations) are interviewed in order to form a holistic understanding of the phenomenon.

The interview type selected for this study is theme-centred interviews that can resemble semi-structured interviews. Theme interview is the most popular interviewing method in business studies. This interview type was chosen because it allows more freedom for the interviewee and it is more conversation-like and allows a two-way influence. It also helps interviewees to present more personal opinions. Theme interviews have theme areas that are selected in advance. All the themes are covered with each interviewee, but not necessarily in the same order or with same intensity. The interviewer is able to guide the interview without controlling it too much. Interviewees are also allowed to pose additional questions. Themes in interviews also facilitate the later transcribing process and data analysis. (Koskinen, Alasuutari & Peltonen 2005, 104; Eskola & Suoranta 1998, 86–89.)

This interviewing method was chosen because open atmosphere and discussion wanted to be encouraged. The interviews had to be conducted anonymously due to agencies and clients’ business secrets and some recent job position changes. Therefore, direct quotations have to be presented without interviewee names or position descriptions. All the discussion topics need to be covered with each interviewee, but the order of the questions and the flow of the interviews may vary. One challenge is that during a discussion an interviewee can cover some topics in advance and already answers questions that are yet not asked. Extra attention is required in situations as such.

The study’s interview questions were formed based on the literature review. The interview question set comprises four themes: the 1a part of the interview focuses on interviewee’s personal background, company-related information and on interviewee’s

approach to service design. The 1b part focuses on purchasing behaviour and on service design purchasing processes. The second part covers purchasing challenges, followed by the third part addressing the facilitation questions. Interview questions were designed slightly differently for agencies and clients, but both covering the same themes. The operationalization of the research questions can be found in the following table, and the interview question themes for agencies and clients at the end of this study in the appendices 1 and 2.

Table 7 Operationalization of research question themes

Purpose of research	Research sub-questions	Theoretical framework	Operationalized question themes
“The purpose of this study is to explore the purchasing of service design from the perspectives of sellers (service design agencies) and buying clients (business organisations).”	1a. How do agencies and clients approach service design?	Chapter: 2.2: Service design definition	<ul style="list-style-type: none"> <li>• Interviewee background and working position</li> <li>• Company information</li> <li>• Service design definition and organisation’s approach to it</li> </ul>
	1b. What are service design purchasing processes like?	Chapters: 2.3: Nature of purchasing services 2.4: Purchasing of business services: process and evaluation	<ul style="list-style-type: none"> <li>• Need recognition</li> <li>• Buying objectives</li> <li>• Triggers for purchasing</li> <li>• Purchasing / selling processes</li> <li>• Project and supplier evaluation</li> <li>• Selection criteria</li> <li>• Buyer roles, backgrounds and responsibilities</li> <li>• Service contract and pricing</li> <li>• Project financing</li> <li>• Value creation</li> </ul>
	2. What kinds of challenges have buyers and sellers experienced in relation to purchasing of service design?	Chapters: 2.1: Special features of services 2.2: Service design definition 2.5: Challenges in business services purchasing	<ul style="list-style-type: none"> <li>• Expectations and experiences</li> <li>• Barriers to purchasing</li> <li>• Past purchasing experience</li> <li>• Internal challenges</li> <li>• Specific features of service design projects</li> <li>• The role of design terminology</li> <li>• Misunderstandings, conflicts, dissatisfaction</li> <li>• Client participation in co-creation</li> <li>• Definition and use of KPIs</li> <li>• Project impacts</li> </ul>

	3. How can the purchasing be facilitated?	Chapter: 2.6: Facilitation of business services purchasing	<ul style="list-style-type: none"> <li>• Triggers for purchasing</li> <li>• Important project phases</li> <li>• Client's awareness and level of service design knowledge</li> <li>• Pre-evaluation of quality and value</li> <li>• Successful purchasing / selling process</li> <li>• Ideal buyer and project participants</li> <li>• Supporting pricing and contracts</li> <li>• Quality measurement</li> <li>• Client-agency interaction</li> </ul>
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It is preferable to design “working hypotheses” or propositions for what the research analysis could bring. Therefore, research propositions were made for the most important sub-question in this thesis: the challenges in purchasing service design. Even though propositions are made, room is left for learning as the research proceeds. (Eskola & Suoranta 1998, 20.)

Usually interview questions cannot be set straight according to the theory. The purpose of interview questions is to provide all the necessary information that can later be interpreted with the help of the theory. Theme interview question form is usually open. Interviewees are allowed to answer in their own words. (Koskinen, Alasuutari & Peltonen 2005, 109.)

### 3.4 Interview setting and interviewee backgrounds

The interviews took place in the summer and autumn of 2013, between June and September. All the interviews were conducted face-to-face in Helsinki area, except for one client interview that was done via a Skype call. All the interviews were conducted in Finnish. All the interviews were recorded and later transcribed in the interviewing order. All of the four sub question themes were covered in all of the interviews and a total of approximately 11,5 hours of interviewing data was gathered.

Altogether six agency interviews were held, where eight agency representatives participated from five different agencies. Four client interviews were conducted with altogether five client representatives participating. The client interviewees held top or middle management positions. Agency representatives were either top management or held titles such as CEO, client director, service designer or researcher. Purposefully a broad and realistic viewpoint wanted to be gathered.

Design agencies providing service design consulting were selected for the interviews based on researcher's own network and recommendations. Agencies with varying business focal points were purposefully interviewed. The aim was to gather a group of

agencies that would provide service design for different kinds of client needs, for instance physical and digital service design.

Different kinds of client companies who had bought service design projects were approached with the help of service design agencies. All the clients were existing or former clients of the interviewed service design agencies. Clients were selected according to the degree of service design used in their project and clients' ability to take part in the thesis interviews. Clients were also purposefully chosen to have varying personal experience in service design. This was done in order to collect a representable and a truthful client sample.

As the interviews were conducted anonymously, no names of the interviewees are presented, only job titles are mentioned. Agency and client companies are referred to as capital letters and all the interviewees are referred to as "he", in spite of the gender. The following tables present the agency and client interview lists.

Table 8 List of agency interviews

Agency	Interviewee	Date & Place	Duration
Agency A	Client director	18.6.2013, Helsinki	1h 14min
Agency B <sup>1</sup>	Service designer	26.6.2013, Helsinki	1h 17min
Agency B <sup>2</sup>	Chairman of the board	21.8.2013 Helsinki	46min
Agency C	Managing director, Client director, Service designer	4.7.2013, Helsinki	1h 32min
Agency D	Designer / Researcher	9.8.2013, Helsinki	56min
Agency E	Interaction designer	14.8.2013, Helsinki	1h 33min

Agency A's interviewee is responsible for service design business and service design projects in their company. He has worked in service design field for six months and has worked on the client's side in the past, for several years.

Agency B's first interviewee has been part of the company since its foundation, he is one of the founding partners and has practiced service design ever since. His has worked with digital and online service development in the past. The second interviewee is the chairman of the board, who does service design from the business development angle. He is responsible for sales and projects.

Agency C had three interviewees. The first is the only one with service design education background and has past working experience in the client side. The second has an information technology background and has several years of experience in service development. The third has a digital marketing, service development, advertising and marketing communications background.

Agency D's interviewee is an industrial designer and has researched user-centric design in the past. He currently works as a half-time researcher and a half-time designer.

Agency E's interviewee is an architect and an industrial designer, with experience in spatial design, city planning and product design and development. Nowadays he works with digital interfaces and interaction design.

Table 9 List of client interviews

Client company	Interviewee	Date & Place	Duration
Client A	COO	27.6.2013, Helsinki	59min
Client B	Head of marketing, Digital specialist	8.8.2013, Helsinki	1h 3min
Client C	Concept manager	28.8.2013, Helsinki	1h 21min
Client D	Development manager	30.9.2013, Skype call	44min

Client A's interviewee is responsible for his company's digital business, digital marketing, sales, business and IT development (new products, partnerships, sectors and strategy). He has over 20 years of experience in helping Finnish technology companies go international.

Client B had two interviewees. The first has his whole working experience in B2B sales and marketing, and has his educational background in engineering. He is responsible for his business unit's marketing. The second has 15 years of experience in B2B marketing and has focused only on digital development for the past few years.

Client C's interviewee is responsible for all of his company's distribution channels and digital channels, also for new concept creation and concept development.

Client D's interviewee has a marketing and finance education background. He has worked in sales in the past and currently is the head of development. He has been with the company for 23 years.

### 3.5 Data analysis and evaluation

There are several ways to analyse qualitative research data and there are only few standardised techniques. The analysis of qualitative research is always data-based as it aims to build theories from the empirical data (Eskola & Suoranta 1998, 19). Analysis usually already begins during the interview situations. The researcher uses either inductive or abductive reasoning. Abductive analysis is utilised in this thesis. It is based on some kinds of leading, theoretical ideas, which are to be proved or disqualified based on the data. (Hirsjärvi & Hurme 2009, 136.) Abductive analysis aims to produce creative and original insights. New theories do not arise straight from the gathered data, but could be later developed with more research and by utilising deduction (by gathering more data) or by utilising induction (to find themes, patterns and

generalisations). (Timmermans & Tavory 2012, 180.) In this thesis, theory aims to facilitate the research process by guiding the researcher to find new information. Theory can also help to structure new information found. (Eskola & Suoranta 1998, 82.)

Qualitative analysis usually includes researcher's own interpretations of meanings. Usually interpretation is intuitive and does not proceed with regularity. Research's interpretations and reliability can be supported by other research focusing on the same phenomenon and providing similar interpretations. (Eskola & Suoranta 1998, 219, 213.)

In this study, the researcher interprets the transcribed interviewing data. Transcribing organises the data and the transcript is clarified by excluding unnecessary parts such as repetitions and non-relative comments. The actual data analysis is about condensing, classifying, finding the narrative, interpreting and finding meanings through ad hoc procedure; the researcher does not utilise only one means of analysis, but rather takes necessary actions to elicit the meanings. (Hirsjärvi & Hurme 2009, 137–138.)

The empirical findings are presented under each research sub-question in the fourth chapter. Each sub-question is answered first from the agency perspective and then from the client perspective. The interview findings are themed and similarities and patterns are searched from the interview materials. All the data is presented in a written form, condensed from the interview transcriptions. Relevant interviewee quotes from the interviews are also utilised. The key findings of each research sub-question are presented in a table at the beginning of every sub-chapter.

There are no formal methods nor rules in qualitative research on what kinds of conclusions can be drawn from a specific data. It can be considered that making conclusions in qualitative research is intuitive. In this sense, the quality of qualitative research may be questioned as the interpretations vary according to research and researcher. (Koskinen, Alasuutari & Peltonen 2005, 229–230.) Qualitative research has been criticised for having somewhat unclear criteria for evaluation reliability. Qualitative research findings are not eternal and cannot be taken out of place, thus findings can be historically changing and local. (Eskola & Suoranta 1998, 209, 16.)

Research evaluation is basically the judging of the goodness or quality of a study. In qualitative research, and especially according to the paradigm of constructivism, goodness and quality are evaluated according to the *trustworthiness*, *transferability*, *dependability* and *confirmability* of the research information. (Guba & Lincoln 1994, 114.) Information analysis is made during the whole research process.

*Dependability* (similar to reliability) evaluation cannot be separated from the research evaluation. Study's dependability is usually evaluated through the reliability of the research process. The researcher himself is the key criteria for study's dependability. Dependability is evaluated by comparing whether the researcher's definitions and interpretations equal with those of the ones being researched. Data analysis is reliable

when it does not contain contradictions and is *repeatable*. (Eskola & Suoranta 1998, 2009–2012; Guba & Lincoln 1994, 114.)

In interviews, the interviewer always participates in the creation of the data. More commonly the role of the data is to function as a source of inspiration and as a catalyst for reasoning. Traditionally data facilitates the invention of propositions. The data always just represents a limited sample or a case. (Eskola & Suoranta 1998, 216.)

Also data *sufficiency* and analysis *coverage* have to be considered. Data sufficiency can be found through analysing data saturation. Data coverage means that interpretations are not made based on random sampling from the data. (Eskola & Suoranta 1998, 216.) *Confirmability* (similar to objectivity) can be improved by involving several interviewees or persons in the observations. Several interviews or observations also influence the accuracy of the data collection method. (Eskola & Suoranta 1998, 214; Guba & Lincoln 1994, 114.)

Possibly one of the most important choices made during a research process is that which of the clues from the data are more thoroughly observed and analysed. Usually choices are made based on theories or discussions around the research literature. In business research, expert opinions play an important role in this choice. (Koskinen, Alasuutari & Peltonen 2005, 230.) Research *credibility* (similar to internal validity) refers to the findings being credible from the perspective of the research participants (researcher and interviewees) (Guba & Lincoln 1994, 114).

For evaluating the analysis evaluability, it is important that the reader is able to follow the researcher's deduction. Research *transferability* refers to the possibility of another researcher repeating the research and making similar interpretations of the data (Eskola & Suoranta 1998, 217; Guba & Lincoln 1994, 114.)

## 4 PURCHASING OF SERVICE DESIGN

In this chapter, the empirical findings from service design agency and client interviews are presented. The chapter is divided according to the sub-questions and each theme is further divided into agency and client perspectives. The first sub chapter focuses on interviewees' perspectives on service design, the second on the purchasing process, third addressed the challenges related to purchasing and the last one comprises of the possible ways of facilitating the purchasing. Empirical findings are organised and presented according to recognised repetitive themes.

### 4.1 Approach to service design

This sub-chapter presents agencies and clients' approaches to service design. The interviewed parties had some similar and some differing viewpoints. All the interviewees shared the same view that service design is hard to define exclusively. The similarities are gathered in the following table.

Table 10 Common approaches to service design, from agency and client perspectives

Common approaches to service design, from agency and client perspectives
<ul style="list-style-type: none"> <li>• Is about business or service development</li> <li>• A method: a way of thinking, approaching and solving problems</li> <li>• Empathic: has a more humane approach, feeling-based</li> <li>• User-centric development</li> <li>• A change tool or somehow related to change management</li> </ul>

The following sub-chapters present the full findings of agency and client approaches.

#### 4.1.1 *Agency perspective*

Service design agencies' main approaches to service design are gathered in the following table.

Table 11 Agencies' main approaches to service design

Agencies' main approaches to service design	
<ul style="list-style-type: none"> <li>• Ideology that guides working</li> <li>• Has foundations in marketing theory</li> <li>• Aims to see the big picture, the whole service offering, and context where everything is being designed in</li> <li>• A new kind of human-centric development tool</li> <li>• About influencing and developing customer experiences</li> <li>• Something between user experience (UX) and interaction design (IX)</li> <li>• Methods and interaction distinguish the projects</li> </ul>	<ul style="list-style-type: none"> <li>• Participatory by nature, including key stakeholders in the project</li> <li>• Iterative by nature</li> <li>• Client's internal engagement and commitment is important</li> <li>• Propositions or ideas are always tested or prototyped</li> <li>• Decisions are always based on something and justified</li> <li>• A methodology that can be utilised for various needs</li> <li>• Agencies have varying approaches to service design</li> </ul>

Interviewed agencies mentioned and highlighted different things when defining the term service design. Half of the interviewed agencies did not want to define the term at all when asked, because they were aware that several competing definitions exist. For the majority of the agencies, service design is specifically about business development and more of a way of thinking; how people approach things. It is about believing in a particular way of thinking or working.

*Service design is more of an ideology that guides majority of the projects, whatever the concept. The philosophy of service design is being involved more and more. (Agency)*

*I find it hard to define (service design) exclusively. It's somehow interwoven between user experience (UX) design and interaction design. The core thing in it is that it truly tackles the end-users and the service process, different channels - - there are several types of things that you can offer under service design, depending on the client's needs and the defined focus. (Agency)*

Service design can be seen as a way of developing business through utilising somewhat different and new tools. Service designers approach business problems from designer's perspective, by "thinking by hands" and by prototyping and trying things as fast as possible. The aim is to concretise findings and ideas. The approach to projects can be different, which comes from service design's nature; some of the interviewees

see service design as a toolbox that helps to focus on human centricity and customer value. The aim is to keep the customer in the design process and customer's experienced value in the centre of everything. One agency has experienced that it has worked well to tell the clients that "what the agencies do is that they try to truly understand their client's customers". Organisations need to make money with services, and service design helps organisations to develop services that customers are possibly willing to pay for.

Service design aims to see the big picture. It aims to improve and control the whole service offering or system instead of a single particular feature. When one particular service is being improved, the entire big picture and this specific service's position needs to be understood. Some see that service design is about creating wholly new services or developing existing services.

*I think it's the perspective where things are looked at from a bigger perspective. – If service design is to be done correctly, in an ideal way, it would take a stand on everything. (Agency)*

The idea in service design is to understand the whole context where everything is being designed in, and who it really is that the design is being done for, who are involved in different ways and with different roles. Service design is very human centric and tackles the challenges of "improving the everyday life".

*– if you think about it through customer experience, then services are one of the most important interfaces influencing customer experience. And service design focuses especially in developing this interface. (Agency)*

Service design is user-based or user-centric design where people are encouraged to participate as broadly as possible, from service providers to service developers and users. When compared to other types of designs, in service design, the designer holds more of a facilitator's role. It is in service design's nature to gather a big group of stakeholders together to work on a project. Interviewees emphasised the importance of internal engagement within the client companies.

*The design in the service happens only then when people's behaviour is being changed – because people are the service. (Agency)*

Interviewees did not see service design as a completely new emerging field. They thought that the core of it has already existed for a longer time and some regarded the foundation being in marketing, but with a stronger design influence. One agency

thought that service design is basically the same philosophy as marketing, but with a new name.

*- - the core function of marketing is to understand the customer need and build the company offering and communication around it - - what has happened in the meanwhile, that marketing has ended up doing something completely different? And service design basically brings marketing's core philosophy back - - (Agency)*

In addition to services development, service design methodology can also be utilised for various other needs: brand development, strategic marketing, digital strategy development etc. Service design was also seen as a good way to implement strategy or commercialise new business models.

Agencies agree that service design approach's benefit is its participatory nature; it aims to bring all stakeholders (end-customers or end-users, customer organisations and service design agencies) into the design process. Another benefit is its humane approach. It aims to bring individual viewpoints together, to broaden organisational or societal contexts and understanding. Service design influences in the working method; the approach is customer-oriented, not company-oriented. It can even give a focus, an objective for what the company is working on.

All interviewees agree on that in service design projects the decisions made are always based on something. Propositions or ideas are always tested (for example prototyped) and justified. Through understanding the (end) customers, a vision can be formed of what the customers value, and where business potential can be found. This is regarded as a strong selling argument, as service design facilitates the change away from purely subjective viewpoints in service development. Then there are not only individual ideas competing against each other.

All the agencies think that one of the biggest benefits that service design creates is internal commitment. It has helped for example company silos to search for right kinds of relations to each other. It was stated that it could even be more important to encourage internal people to participate and stakeholders to provide input, than only to bring client insights to the design process. It seems that sometimes service design can be about some kind of change management.

*- - service design is a fantastic change tool for organisations. But it means that then the company management has to have the will to do things differently. - - it's a fantastic tool for the management to tell the employees what the customer need is, and start to build the customer service interfaces to match these needs. (Agency)*

All interviewees referred to some kind of a will for organisational change when discussing service design. When utilised at a project level, service design will not change the whole company, it might only change one service and improve its usability and user experience. Service design projects may have positive bottom-up effects, though. According to agencies, service design can serve as a booster for doing things differently in a company and enable it to create something new. Several agencies referred to their clients having stated that service design has let their “mind to fly”.

The role of service design varies in agencies. Agencies providing service design may describe themselves quite similarly for instance on their web pages, even though they might actually have quite different kinds of projects. Service design mostly depicts the methodology that the company is using, and therefore puts it in the “service design category”.

Two agencies clearly stated that they are fully operating around service design. They do not offer anything else but service design; everything they do goes under the service design umbrella. One of them stated that this is the reason why the agency’s approach is usually different compared to other types of business consultancies. The difference can be found for example in the project structure or how co-design is being utilised, or how the customer is kept along during the project.

Another agency has more of a traditional design agency profile with roots in user-centric design. They have done visual identities and created service environments, primarily spatial solutions. They have approached user-centric design a bit more every year and a few years ago the term service design came along into their everyday.

One agency doesn’t want to compartmentalise itself at all, because they have a wide range of skills in their portfolio. They operate on a broader field and take part in manifold tenders and competitions. They are specifically interested in developing new services and service business. Other agencies seem to have a stronger specialty in something, which usually comes from their background and history. For instance, if they have used to be a product design agency in the past, it now shows in their approach. One agency is more interested in improving the whole service experience, and preferably does projects where spatial, digital and service design are combined.

One agency regards itself more of a strategic design agency, rather than a service design agency. This agency believes in adapting the best suitable methods in the design process, rather than finding a right category for the agency itself. They believe that one of the most important brand interfaces are service touchpoints, and they want to develop those in order to optimize the customer experience. Through this also the client’s brand can be strengthened.

Interviewees felt that service design projects are different from other types of consulting projects by their methods and project interaction. Project conversations

might be more humane, and more around contextual and emphatic understanding, as other types of projects might be more process-oriented or mechanical. These service design project features have had variable responds among the clients: some have been excited, others sceptical. Also certain degree of fuzziness in the project, between the start and the execution, usually describes service design projects. Not everything can be predicted in advance in a project that involves several people and new insight gathering. What is unique is that service design projects do not necessarily require expensive tools or special machinery. Some consider that service design is actually something that the client organisations' own employees should be doing.

#### 4.1.2 *Client perspective*

Clients' main approaches to service design are gathered in the following table.

Table 12 Clients' main approaches to service design

Clients' main approaches to service design
<ul style="list-style-type: none"> <li>• A theory</li> <li>• A concept</li> <li>• Related to industrial design</li> <li>• Helps companies find their pain points and face their challenges</li> <li>• A good approach to start strategic work</li> <li>• Company's offering and process are thought from customer perspective</li> <li>• Driven by customers' changed requirements</li> <li>• Projects are end-user focused and end-user involvement is mandatory</li> <li>• Linked to digital services</li> <li>• Suits new or start-up companies well</li> </ul>

Service design is familiar to some in the client companies. For the majority of the client companies, service design is still a rather new thing and is not yet widely known. Some companies are aware of service design, at least to some degree. They have familiarised themselves with the topic and might be aware of the key terms. Some company business units might even have earlier experiences in purchasing service design.

All interviewed clients agree that service design is business development, driven by consumers' changed requirements. Service design has helped the clients to understand that customer expectations are higher and customer experiences can be improved. Service design projects are also considered to be more strongly end-user focused than other projects. They seem to have a more human angle. End-customer or user

involvement is seen as mandatory. Clients predict that their colleagues and other employees might relate service design to industrial design quite easily, which is a quite well-known field in many industries.

Service design is seen for instance as a theory, concept or as a change management case. Service design could help companies to find their pain points better, and find out how to distinguish better from competitors. Service design has been regarded as a good approach to start for instance strategy work. It is considered to bring a broader customer understanding to the basis of doing things. The findings from a service design project are not necessarily completely new to the client company, but might have a stronger impact when coming from an outsider, from a professional service design agency.

*- - understanding of what motivates them (customers) and how they really act, cannot be achieved from just asking. That is the most valuable and inspiring offering. That will aid in designing from the point of view of everybody. (Client)*

*Service design equals the future to me. Service design utilizes different kinds of techniques to discover the company's competitive advantage. (Client)*

For some, service design is a way how a company faces its problems and starts solving them. Service design is also characterised as feeling-based. Good service design can be about feeling good when using for example a tool, service or a network etc. Thus, service design is about usability and customer experience.

Company's service offerings and processes are being thought from the client need perspective, which actually determines company's strategy, or at least the majority of company's strategic choices. The result might be a completely new company culture. Service design can also be thought to include marketing and sales concepts. According to the interviewees, service design thinking suits especially start-up companies well, as well as new, to-be-found companies.

For one client, service design is more about customer-centric design. For her, service design comprises of certain methods. Tested design methods can be used in all design work, not only in designing of products. They do not like nor use the term of service design anymore, as today it seems to be too coloured and over-used. She would rather use design thinking and talk about how to utilise it in the company's concept development.

*As a term, service design is starting to be old. (Client)*

Some clients link service design to digital services and to well designed digital interfaces due to their work backgrounds and past digital service development projects. Digital service development also seems to be a current topic of interest due to service digitalisation.

## 4.2 Purchasing process

Agencies and clients shared some viewpoints on service design purchasing processes, but mostly highlighted different points in the interviews. Shared perspectives are gathered in the following table.

Table 13 Common perspectives in service design purchasing processes, from agency and client perspectives

Common perspectives in service design purchasing process, from agency and client perspectives
<ul style="list-style-type: none"> <li>• There is no clear one model for purchasing or selling of service design projects</li> <li>• Purchasing processes range from informal conversations and trust building, and to interest towards learning more about service design, to competitions and long public tendering with public evaluation criteria and procurement processes</li> <li>• Service design projects are purchased for:               <ol style="list-style-type: none"> <li>1. change and innovation development (thinking, know-how, knowledge transfer, people or team, change force, new innovations)</li> <li>2. channel development (user interfaces, physical spaces)</li> <li>3. customer experience related development (customer-centricity improvement)</li> </ol> </li> <li>• There is usually one buyer and project responsible from the client side</li> <li>• Clients do not necessarily think about purchasing service design per se</li> <li>• Clients do not always have concrete prior experience in service design</li> <li>• People and personal chemistry seem to be of great importance for clients in agency evaluation</li> </ul>

Full agency and client interview findings are presented in the following sub-chapters; agency perspective being discussed first.

### 4.2.1 Agency perspective

Service design agencies' main perspectives in service design purchasing process are gathered in the following table.

Table 14 Agencies' main perspectives in service design purchasing process

Agencies' main perspectives in service design purchasing process	
<ul style="list-style-type: none"> <li>• Most service design projects are single projects</li> <li>• It is challenging to sell larger service design projects</li> <li>• Service design is sold like any other type of professional service</li> <li>• Only few agencies educate clients about service design</li> <li>• Minority of agencies do research and get sales contacts from seminars and educational events</li> <li>• Minority of agencies have dedicated salespeople</li> <li>• Clients' have become aware of service design through friends, colleagues or from educational courses</li> <li>• Driving force for clients' purchasing is usually something else than service design itself</li> </ul>	<ul style="list-style-type: none"> <li>• Clients' project needs are various; from recognised problems to pre-defined project outcomes, but always about business-development</li> <li>• Service design might be tried when client's old ways of solving business challenges do not work anymore</li> <li>• Agencies also answer tenders and briefs that are not directly aimed at service design agencies</li> <li>• Personal contact, positive past experiences, credibility, quality, price and people and their personal track-records matter the most to clients in pre-evaluation phase</li> <li>• Buyers come from different business units</li> <li>• Projects are usually funded from business development, marketing or IT budgets</li> <li>• Project contracts are similar to other professional services</li> </ul>

Service design seems to be sold like any other type of a professional service. Usually the sales process starts from building trust between the buyer and seller. Most of the buying processes might have an informal start. Many times client relationships have started from conversations with clients that have led to an offer. Tendering is not always necessary. Conversation can start from the potential client company's interest in hearing and learning more of service design. Nevertheless, building general awareness of the topic seems to be rarer than common. Clients might contact the agencies to learn from service design, but these cases do not necessary lead to sales. Some agencies see that explaining service design ideology is not that needed any more as it was four to five years ago. On the contrary, justifications for why service design approach is beneficial and for instance what happens after the project are still needed. In general, client companies seem to be investing in things that will improve their existing business situation. Most of the service design client cases seem to be single projects.

Agencies have different approaches in getting service design clients. One agency explained that they started off by mainly coming from the "customer understanding angle" in selling. Two agencies are actively practicing PR by educating and talking about service design. Their senior employees also educate people at schools and at companies. The agency also gets sales contacts through seminars and educational events where they hold lectures or speeches. One agency is also planning to do research, to support the selling.

Only one agency has most of its client contacts coming from active sales; they are the only one with full-time salespeople, focusing on arranging meetings with potential customers. Their salespeople have background in sales, and not in design. They contact potential clients, explain what service design is and how it could be utilised for the company. Usually it is not known what the potential project could include during the first meeting, but the project is preliminary outlined and sketched together with the client. Agency's designer will also join the first meetings.

All the agencies also attend competitions or tendering processes. Agencies might answer to clients' briefs that are not directly aimed at service design agencies. Clients might ask for one thing, and agencies might usually challenge the brief and propose a bit different project approach with a service design angle. This kind of an approach might be beneficial to service design agencies, as they could differentiate from regular marketing agencies' approaches. In tenders, very detailed project plans are usually required, which is contradictory to service design's nature; being iterative and constantly learning by nature. Project plans require lots of detailed work, even before the agencies know the client's real problem or understand their business well.

There seemed to be no one model or general characteristics for selling service design, as there are differing approaches to the discipline. Some stated that there is no such thing as "selling of service design", the need for such a project needs to come from somewhere else. Others saw that service design, as such, is not of interest to the companies – but rather the potential business results achieved.

*We are not trying to sell service design to anyone; instead, we try to see what the biggest challenges are that the company actually faces, and where the company can actually be supported. (Agency)*

*No client has purely bought service design consulting. (Agency)*

Particular for the purchasing is that the primary driving force usually is something else than service design itself. Usually clients' challenges are related to business development, in general, or finding of a new business direction. The challenge can be strategic or something more concrete, for instance a challenge with the size of an average purchase. Agencies might not build project proposals by utilising the term service design. Project proposals might be built around customer experience or customer understanding instead, depending on the client company and what is suitable for them.

*I still feel big projects cannot be bought or sold under service design. It (service design) is still a small element that is sold as a part of something else. I believe this is to change within a couple of years. (Agency)*

*Many projects have not been purchased as service design cases, and it is not being pushed (by the agency) that “now we are doing service design here”. It (service design) is being integrated in the project subtly. (Agency)*

All agencies agree that a bigger project would be more optimal for service design utilisation but it is challenging to sell a bigger service design project to the client as a new, first time project. This can be overcome by selling a smaller teaser project to show agency’s capabilities, skills, ways of working or what new service design brings. Alternatively, if the project is large by nature, agencies may propose a separate pre-definition phase for the start.

*If a client has a large request, the best way to start is to sell a pre definition phase for the project: in order to define the “world” we’re after here. These are a bit hard to sell but these have happened. (Agency)*

Most clients have become aware of service design through hearing about it from someone (for instance friends or colleagues who have had good service design project experiences). Some have read about service design, and some might have taken a course, for instance at Aalto University’s service design program for professionals (Aalto Pro). Service design has been present at seminars, but minority of the agencies educate continuously at different seminars or at schools. Although, most agencies consider that educating might be beneficial.

Some agencies seem to tell only very little about service design. They feel that it is not that relevant, as only few clients are interested in fancy methods. Some agencies have started some of the projects by explaining about service design to all project participants, but this is not that common. Agencies have explained service design to their clients, through explaining terminology and by utilising former cases.

Client needs can be various from recognised problem to pre-defined project outcomes. The need may come from the top level or from the operational level. Client might come in with a recognised problem or challenge that has not been too specified or on the contrary, client might request a pre-defined end result or even a project deliverable (such as customer profiles or service journeys, service blueprints that have been seen or read somewhere else). Purchasing processes may also start with an idea of what is wished to be done, or with a budget that is needed to be used. It seems usual that

when agencies discuss with the clients, it is realised that the pre-set end deliverables will not solve the customer's challenges, but rather something bigger, possibly a change project, is needed.

Sometimes customer does not exactly know what they need to buy in order to solve their problem and what the actual end result but they recognise a problem in their business, and consider that service design could be beneficial. When the customer has recognised the problem, he might need help to locate the right kind of potential to solve the problem. Another option is that client has a clear goal, and service design method could bring something new in and improve their business, as the client's old ways of solving problems do not seem to work anymore.

Clients can have several types of entry points to service design projects. For one agency, clients come through the need to change their brand or business strategy, and want to go from there towards more comprehensive business development. A couple of agencies' customer relationships start mostly from visual identity projects. The client may point out a clear need to the agency in the beginning of joint discussions but sometimes the real problem that is trying to be solved is unclear even for the client.

*Usually you will not figure the real design brief out from the first client meeting. – You will figure the real need out after proper conversations or after preliminary work. (Agency)*

Customers may want to try service design and they approach a selected number of agencies and ask for an offer. Some clients approach through a recommendation and want to talk more about service design's potential. Also existing companies, who have previously bought something else from the agency might end up buying service design later. In that case there is no competition involved.

Some agencies regard that clients do not end up investing in service design projects per se, but in projects that give them solutions to their problems. Clients do not necessarily consciously purchase service design. Some of the agencies have a strong reputation and strong references that attract new clients.

Credibility, quality, price and people seem to matter the most for the clients in the pre-purchase evaluation situation. Agency employees' personal track records are also of clear importance. Personal contacts and positive past working experiences seem to have an important role on the Finnish market. Also people and personal chemistry have been mentioned to have an important impact in the purchasing. References are important in showing what kinds of services and solutions the agency or employees have done in the past. In addition, references also communicate about quality to clients. Clients might also like the agency's specific way of working.

*I think there are two criteria (for evaluation): a perfect correspondence to the client brief - - and the agency communicates that they agree to operate within this framework. This is purely about safety. Another aspect is that they (the agency) think greater than others, they can really help us to lead through the change better than others. (Agency)*

There is no one specific need that is being fulfilled by purchasing a service design project. Service design seems to be a new, alternative option to the older ways of solving various challenges. For instance, when traditional process leaning and optimizations cannot help anymore nor produce new kind of value and better revenue. Some agencies say that their clients might already be stuck in their situations, and do not know how to proceed. According to agencies, clients have mainly bought service design for know-how and knowledge transferring, a change force, for improving customer-centricity or new innovations. Service design has also been bought for a specific team or people. Also new start-up companies have bought concept work from service design agencies for their product or business development.

Project objectives have for instance been the improvement of profit structure, new business development, change in internal operation mode, service development or understanding the diminishing market share and improving it, to mention a few. Most projects aim to improve services and develop customer experience and thus improve the customer satisfaction. They can either be completely new services or about developing the existing. Several companies may have “customer centricity” already in their strategies, but need help in behaving in that manner and need help in turning the vision into concrete actions.

Agency-client co-operation might develop to a direction where the customer wants to absorb know-how and spread this particular way of working in his own organisation. Clients might also hire a service designer from the agency to work in-house for a longer period of time. The designer can even be directly employed to work in the client company. This is more of a common investment for bigger client organisations than small.

In existing organisations, service design might be bought as a change force for something new, for instance for user experience transformation or for building a new user experience unit. Some clients have usually bought management consulting work or coaching, and tried to use those to change the same things that were targeted in a service design project.

Buyers vary and they come from different company silos, depending on the project. Usually there is one person from the client side having the project ownership. If there are several buyers, they might come from different silos. The buyer usually is a person responsible for the business operations, business development, or a head of some

operations or a brand, concept, service or product manager. The client can be a head of one, specific product or a head of a business unit. In larger projects he might be a director, vice president or a CEO. Also smaller projects might involve the CEO. Some agencies have also worked with start-up companies.

The buyer might be a person with a vision, that is being supported within his organisation. The buyer is usually excited about service design and has taken the task to talk warmly about it, but might be quite alone with his views.

*Quite often there is this one person who has participated in a seminar or educated himself, someone eager. He sees the potential (of service design) but needs to sell it (the idea) first internally. (Agency)*

Usually the buyers have some kind of experience in purchasing professional or consulting services. Buyers are very rarely novice buyers. Agencies do not have deeper knowledge of the buyers' past experiences in buying. Some of the agencies have had clients who are running their first service development projects. Most of the buyers have little or no previous service design purchasing experience. There have even been projects where the client organisations have not been aware of service design thinking or tools, and learned about the methodology as the project proceeded.

What seems to have affected the purchasing is the buyer's possible strong background in product or industrial design. Product design heritage can be so strong that the client might find it hard to let go of that ideology.

Usually the buyer is the one also participating in the project. Usually also other people from the organisation join the project. It seems to be rarer to have service design agency working in tight collaboration with the client's in-house design team. Some agencies aim to sell directly to the management, to CEOs or to the board of directors, and in this case they would be participating the project actively. Nevertheless, it is less usual for managers to be actively involved in the project, during its whole duration.

According to agencies, service design and development should always be co-designed; including tight collaboration with the key stakeholders from the client side, but in reality there are differing expectations to this. Some customers prefer that the project is mainly executed by the agency and final findings and suggestions are just presented to them. Some clients are too busy to participate in the co-design, and wish to outsource the whole project and only want the end results. Others may prefer a project where the agency is only supporting the client's own process, and the client does the most work. Clients who are interested in learning the process, methods and tools, wish to participate more in the projects.

Agencies have rarely thought of or discussed with the clients where the project funds come from. Service design projects seem to be funded usually from business

development or marketing budgets. Funds might come from different business development silos. Some agencies have seen that money allocated to marketing communication has been directed to service development. Also internal development funds are used. It is rare to have specific service design budgets. Usually projects have been budgeted in advance, and agencies, together with the clients, think about how this particular budget can be cleverly used.

*It's good if the money comes from business development budget, then we see that this development is at the core (of the business). (Agency)*

Majority of the agencies see no difference in the contracts in comparison to other professional services contracts. Some of the agencies take the client's contract form and adjust it if needed. There seems to be a need for a model for constant developing. What happens six months or one year after a service launch, is usually not known. The development of a project should not end at the service or project launch phase.

At least one agency aims to define different responsibilities in the project contract; what kind of a role does the agency and the client hold in a project. Some agencies define what is included and excluded from the project, even in great detail. Also non-disclosure agreements (NDA) can play an important role in some projects and might be of strict nature.

Service design projects are priced differently. Pricing seems to depend on the size of the collaboration project. Pricing has been either fixed, hourly based, or modular pricing. Some agencies regard that a fixed priced project is easier for clients to purchase, as the project content changes and lives during the project. Few agencies have utilised incentive pricing, meaning that whether the measurable goals are reached, the agency gets for instance 20 per cent more, and 20 per cent less if the target level is not reached.

*That (incentive pricing) gives a good boost to working, an entrepreneurial-like motivation - - both sides are serious, this is not some rehearsal. (Agency)*

As project outcomes, service design projects have been successful in increasing for example company revenues, raising the Net Promoter Score (NPS), and cutting company costs. In addition to primary project outcomes, service design projects have also had other types of, secondary outcomes. Customers have taken a different approach to their own way of working, client organisation's employees have started to collaborate across silos and appreciate collaboration. Employee self-empowerment has improved, there has been growth in collective know-how and even a cultural change. Employees

have started to take responsibility in a new way. Also a neutral meeting point has been created (facilitated by a service designer) for changing ideas and experiences, and there has been disappearance of prejudices. Sometimes service design projects have also helped the organisations to meet or talk to their end-customers for the first time.

#### 4.2.2 *Client perspective*

Service design projects seemed to be of great interest for the clients. Service design was seen as a fresh and a new approach. Clients' main perspectives in service design purchasing process are gathered in the following table.

Table 15 Clients' main perspectives in service design purchasing process

Clients' main perspectives in service design purchasing process
<ul style="list-style-type: none"> <li>• Trial, single projects and longer service design partnerships have existed</li> <li>• Some clients present public evaluation criteria for potential agencies</li> <li>• Case references are highly important in agency evaluation, especially in business-to-business (B2B) projects</li> <li>• A project can start from:               <ol style="list-style-type: none"> <li>1. Open challenge</li> <li>2. Recognised or defined problem</li> <li>3. Pre-defined project deliverables</li> <li>4. Decision that service design approach is needed</li> <li>5. Tendering for a service design partnership</li> </ol> </li> <li>• Buyers' titles: CEO, business developer, head of operations, service manager, marketing manager, concept manager, product manager</li> <li>• A good brief seems important in agency-client communications</li> <li>• Active client investment is needed for a good project outcome</li> <li>• Projects seem to be long and time-consuming</li> <li>• KPIs were set on some projects</li> </ul>

Service design projects have been bought for multiple reasons. Interviewees' buying objectives are gathered and grouped in the following table.

Table 16 What clients mentioned to have bought

Channel related (digital/physical) development	Change and innovation related development	Customer experience related development
<ul style="list-style-type: none"> <li>• Digital services</li> <li>• Physical services</li> <li>• Product development</li> </ul>	<ul style="list-style-type: none"> <li>• Thinking</li> <li>• Design</li> <li>• Ideas</li> <li>• People</li> <li>• A team</li> <li>• An external push</li> <li>• Broader viewpoint</li> <li>• A new way of working</li> <li>• New tools</li> <li>• Methodology</li> <li>• Change</li> <li>• Change in internal operations</li> <li>• New innovations</li> <li>• New business development</li> </ul>	<ul style="list-style-type: none"> <li>• Customer understanding</li> <li>• Customer orientation</li> <li>• How to differentiate</li> <li>• Experience development</li> <li>• User interface design</li> </ul>

Clients' reasons for purchasing service design can be grouped into three development areas: purchasing reasons that are related to channels (either digital or physical), change and innovation or experience. What stood out was one client's mention that he had bought "thinking". According to him, there is not usually enough courage to undertake a change, and only something old is copied, if "clever thinkers" or "tough change agents" are not hired. If the client wanted to create change, long-term client-agency-relationship has been of significant importance.

Clients' purchasing processes seem to have varied. The agency might be found through old, existing contacts, recommendations, events or through agency case presentations. Clients have bought single projects directly from the agencies or had longer service design partnerships with agencies. Some projects have been trial purchases by nature. Service design projects have also been bought through clients' regular procurement processes. According to clients, the buying process did not differ from company's other procurement processes.

When evaluating potential agencies, some clients require a certain years of experience from potential partner agencies. Experience seemed to be rated higher than for instance trend awareness. One client has asked agencies to self-evaluate themselves and the agencies' old customers to rate the agency. Design agencies' earlier B2B references seemed to be of high importance for companies operating in B2B business. Agencies' past large B2B clients are a valuable reference and seem to have a positive impact on the decision making.

One client had run a public tendering process for a continuous service design partnership. They had to give out public, see-through criteria, which were based on the client's perception on good service design, good partnership, collaboration, creativity and what was expected, and how these were going to be measured. Partnership enabled easier buying later on, as sourcing department was only participating at the start. According to the client, the public tendering process should be kept open, and applicants should be able to see the evaluation criteria. The tendering process for services was seen as less straightforward compared to tendering for products.

For some clients the selection of partners is very much about personal chemistry. Many clients had a feeling of "going forward" or "getting things done" with a good and suitable agency. Buying was referred to as "building a team". One client stressed the importance of a person buying from a person, instead of companies interacting.

One client encountered with service design when they were creating a digital strategy for marketing communications. They did not know service design and its methods when selecting the partner agency. They liked how the winning agency had approached the set task and their proposed process (that was service design influenced). The client was not aware that they were buying service design. For them, service design represented a working method that the agency was suggesting. The client ended up choosing the agency because they were the only agency in the pitch that proposed a service design approach, which seemed fresh and appealing to the client. The agency managed to convince by having prepared well, showing to truly understand the company, having done some research proactively in advance, and explained why things should be done this way and why this method should be chosen. The client felt that the offer was tailor made for them, not just a standard form. The client felt that the agency really showed effort and was truly interested and committed to them as a company. The pitching and selling process service design like.

Clients did not necessarily think about service design when purchasing projects. Previous service design experience is not necessarily required from the client. In most cases service design has been introduced and discussed by the agencies, during the projects. Nor is it common for the clients to have concrete prior experience of service design projects. They might be aware of the field and methodologies. What seem to differentiate from clients' earlier projects are the project method and execution.

Purchasing seemed clear and straightforward to those clients who had a clear goal set for their projects. If the client had no previous experience in purchasing service design, they evaluated the potential project against their previous project experiences. Buyers have had previous buying experience in for instance buying other types of design: spatial, furniture or industrial design.

The measuring of price-quality ration seemed to be challenging, even with past purchasing experience or similar project experience. On the contrary, some feel that

purchasing a service is easier than for instance purchasing a product as the buyer can influence in the quality of the service outcome by having a tight control over the project and actively participating in it, and by stepping in if the project is going to a wrong directions and minimizing risks.

One client ended up not choosing agencies who presented ready solutions in their project pitches. According to the client, you cannot give the definite outcomes or solutions in advance. Very detailed development themes are impossible to point without familiarizing with the problem or challenge and the company first.

There might only be one buyer for a service design project with full responsibility or a reporting responsibility to the CEO. He might also be the active member in running the project. Having the same people buying and participating in the project was referred to as start-up company way of doing. In one case there was a team responsible for purchasing; one specialist evaluating different agency offers and giving a suggestion that a superior then accepted. Sourcing might participate in bigger project decisions. Frame agreements could also be made for constant collaboration needs.

A good brief seems to be very important in the client-agency communication. Clients, who already have had previous experience with service design agencies, seem to have a better understanding of how to brief the agency. In one client organisation, the in-house service designer has had the role of an interpreter or a middleman between the client and the design agency.

For a good project outcome, an active client investment is believed to have an important role. All clients seem to have participated quite intensively in their service design projects, having regular meetings and also much unofficial communication with the agency. Some clients regard that agency team members are truly part of the client's own team. Clients seem to have had trouble-free relationships with the agencies, as they have been in contact and collaborated tightly, and both know design terminology well enough. However, some clients have had intentions to participate more in the project than actually was possible.

Active client participation in the project was new to some clients and changed their view from how agencies and clients can work together. Projects seemed to take a lot of time from the buyer or key person. Projects require mostly daily work, from few hours to a full day. Most projects seemed to require lots of preparation and communication on the client side. Not necessarily every client can or want to invest that extra time. Sometimes the clients have only briefed the agencies. Therefore, there was a wish for a clear process or agreement for client-agency participation in the project.

In some cases the project was of great internal interest and more people wanted to participate in the project than what was originally planned. On the contrary, some of the interviewees regard that the smaller the core participating team is, the better. If larger, decision-making becomes more complex; democracy causes more voting, likeability

issues and disagreeing people. What comes to some special parts or tasks in the project, agencies have also worked quite independently, for instance in gathering information and insights through observations and interviews. Clients rarely take part in these. This is usually due to resource reasons. Usually clients have participated at least in workshops that agencies and clients have together.

The interviewees had contradicting views for including the management level in the project. Some interviewees felt that middle management should be participating more towards the end of the project, for tighter engagement and easier rollout and execution. Others saw that the management should not participate all in the project, as they are the furthest away from the everyday reality of customer interaction and service delivery. They found it more valuable to include the operative people instead.

*We had development and marketing departments and operations (participating). The greatest value were the comments from the operative people. If we were too far from the reality, they brought us back and told that this and that will not work. - - It would be important to engage the operative people. (Client)*

Some projects had a clear set of key performance indicators (KPIs) to monitor the success of the project. Those were for instance certain project and project module outcomes and turnover or profitability as financial KPIs. Also increase in more leads, better revenue, increase in sales, customer stability, customers' willingness to purchase more. Most important non-financial indicator was Net Promoter Score (NPS). Qualitative indicators were for example increased end-customer satisfaction and decreased service lead-times. Nevertheless, client or end-customer satisfaction is not necessarily continuously measured.

Some clients have had no KPIs at all in their projects and admit that that has been their weakness. They realise KPIs should be used, but they have not been considered beneficial for the whole company. Internal KPI has usually been revenue. One client interviewee's goal was to improve their organisational function in a way that it would function as an internal benchmark within the company.

In addition to project outcomes, projects seem to have secondary and possibly even greater impacts in the client organisations, varying from a strategic impact on the whole organisation to internal cultural change. Service design projects can give and identity or create a whole organisational culture in the client company. This is the case especially with new companies, building everything from the start. Service design projects have aided the clients to define their whole strategy, set their position, and also drive a wished cultural direction. The outcome might even be a tool that changes the market, through a new business model.

Value has been experienced through final outcomes, especially service outcomes with expected business impact, and particular deliverables of the projects. Also personal motivation through new professional learnings was regarded valuable. Some clients see that agencies' main value is that they can raise questions, encourage the client to think differently and help to open the clients' eyes from their current ways of thinking and working.

*Service design woke us up. We cannot continue the same way if we want to follow our vision (of being the World's best service company). You have to earn the service with your actions. That was the biggest benefit.*  
(Client)

Service design also brought more understanding on how to distinguish from the competitors. Projects provided new kind of tools for future work and some projects consisted of separate modules that the client could independently utilise, separately from the project.

A strategic agency-client service design partnership could be of great value as the relationship can continue also later, after the project in the client's execution phase. The learnings from previous projects could also be utilised in other projects in the future. For instance, the agency partner could help and support the client when they are purchasing concrete tools, software etc., as the agency already knows the client's end-customers.

Service design projects have facilitated in breaking prejudices within the client companies. Projects have also offered an opportunity to concretely and safely try new things for instance by prototyping, testing and validating, without continuous questioning and "what-ifs", and seeing that bad things do not necessary happen from taking new approaches to doing things. There have also been synergy benefits within company's different units or silos. Some clients have realised to combine internal forces for the first time or in a new way.

Service design projects' contracts seemed regular and similar to other types of consulting and advertising agency contracts. Some projects required stricter non-disclosure-agreements (NDA) than others. Some projects were divided for instance into modules in the contracts. In this case, modules have been priced separately. Clients have been familiar with this type of pricing and may even prefer it, as it is easier to control the spending. Modular pricing seemed to have made the pricing more transparent. Some projects have also had hourly based pricing that resembles the pricing that for instance some advertising agencies and consultancies are using, which is familiar to most of the clients. Some clients are also willing to agree to pay for results instead of working hours. Service design projects have been financed – depending on the project scope –for

instance from marketing, IT, concept development, product management or business development budgets.

### 4.3 Challenges

The common perspectives, that both agencies and clients share, in challenges related to purchasing of service design are gathered in the following table.

Table 17 Common perspectives in challenges related to service design purchasing, from agency and client perspectives

Common perspectives in challenges related to service design purchasing, from agency and client perspectives
<ul style="list-style-type: none"> <li>• Client’s poor or inexistent understanding of design language and terminology</li> <li>• Client or client management not seeing the potential and benefits of service design</li> <li>• Poor or no collaboration; client’s inability to participate in the project or agencies not involving clients as much as planned</li> </ul>

Full agency and client interview findings are presented in the following sub-chapters; agency perspective being discussed first.

#### 4.3.1 Agency perspective

Service design agencies’ main perspectives in challenges related to service design purchasing are gathered in the following table.

Table 18 Agencies’ main perspectives in challenges related to service design purchasing

Agencies’ main perspectives in challenges related to service design purchasing	
<ul style="list-style-type: none"> <li>• Challenging for agencies to communicate all possible project results and benefits</li> <li>• Way of selling service design; focusing only on processes, methods and tools</li> <li>• Possible lack in right kind of reference cases, or an inability to talk about confidential past projects</li> <li>• Agency not figuring out the client’s real challenge or his real expectations</li> </ul>	<ul style="list-style-type: none"> <li>• Too high project expectations</li> <li>• Wide range of wishes for the project</li> <li>• Client forgetting what is required of him during the project</li> <li>• Creative co-working methods not liked by all clients</li> <li>• Clients inability to understand conceptual thinking</li> </ul>

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Agencies might be talking to a wrong person in the client company</li> <li>• Only few experienced service design buyers</li> <li>• Clients might not see the need for service design</li> <li>• Clients do not know what they are purchasing</li> <li>• Pre-evaluation of the service is challenging</li> <li>• Too expensive for a trial project</li> <li>• Not enough courage to try a “new type of a project”</li> <li>• Service design’s position within client company unclear</li> <li>• Client not having enough buying and implementation power</li> <li>• Client might need to put extra effort in convincing and selling a project internally</li> </ul> | <ul style="list-style-type: none"> <li>• Client companies shifted far away from true customer-centricity</li> <li>• Service design is something the client companies should practice themselves</li> <li>• Contradicting expectations for the project or brief</li> <li>• Misunderstandings in the project plan</li> <li>• Inability to communicate about the project in a similar way to all client stakeholders</li> <li>• Project methods might feel heavy</li> <li>• Project outcomes might not solve the client’s problem</li> <li>• Projects left at a concept level, designed services never launched</li> <li>• Challenge of setting project measurement tools, or not measuring the project performance at all</li> <li>• No project follow-ups</li> <li>• Not finding out what kinds of long-term impacts the project has had</li> </ul> |
|---|--|

From the agency perspective, there can be two kinds of challenges related to clients’ service design purchasing; challenges arising from the clients’ or from the agencies’ experiences. Both viewpoints’ findings might hinder the clients from investing in service design projects.

As the field of service design is still young, there are only few experienced service design buyers. One challenge is that the client companies do not know what they are purchasing. It is easier for the clients to purchase something they are used to purchasing. That is one of the reasons why agencies offering service design have lost to traditional management consultant or architect agencies. Also the pre-evaluation of the service is easier when the client knows what he is going to get. It is challenging for the agencies to communicate all the possible project outcomes, effects and benefits in advance.

Whether client organisations are currently doing well, and their traditional working methods seem to work, they might not see the need for service design. They might not see the point for improvement. What service design could do is to help them to transform from good to excellent companies, usually by also tackling qualitative, softer elements. This might face resistance if client stakeholders do not believe in qualitative research and findings, and prefer for instance only quantitative, the way they might have always done things.

Client companies might also think and say that they already do know what their end-customers appreciate and want, but that thinking might only be based on guesses. Usually service design projects include some kind of end-customer insight gathering

and analysis but organisations can think that these are not necessary, or they have enough of customer understanding it already. Nonetheless, if the client keeps on doing things the same way as before, it is hard to expect new and different kinds of results.

One challenge is that clients do not necessarily comprehend what they will get out of the project, what kinds of phases are included and what for example the documentation covers. It helps when agencies can show earlier cases and projects but strict NDAs in past projects may hinder agencies from having references to present for potential new clients. Agencies might even lack the right kind of reference cases for their potential new clients.

There are contradicting expectations for the client brief. Some agencies require a clear and specific brief, others might find that limiting. Clients are probably used to presenting tight, well-thought briefs with everything strictly defined from schedule to budget. It has sometimes been forgotten that everything cannot be defined very precisely and well in advance in service design projects. There needs to be room left for corrections. Agencies wish for flexibility and courage, which can be a leap for the buying companies.

*I still haven't encountered a case or a project that has truly and comprehensively utilised service design. (Agency)*

Clients do not necessarily see where service design is positioned within the purchasing company; whether service design belongs for example to marketing or business development, and who should run these development projects – especially if organisation's budgets are divided between silos. Also agencies might talk to a wrong person in the organisation or can find it challenging to find the right person who would be responsible for service design development.

Also as service design is a rather new thing for many, the client might need to put some extra effort in getting the permit for such a project and budget. A reformist marketing or development manager who is willing to try a new kind of a project, might fail to get a budget from the management due to poor proof of financial benefits or management not seeing the need for a new kind of an approach. Management might not see the benefits of service design, or regard service design as a new trend or pure humbug. It might also be challenging to think what else to leave out if prioritising service design. One cannot constantly add something new to the business, without cutting down something from the old. Companies might have also shifted too far away from true customer-centricity and purchasing of service design might feel too far off.

Agencies have heard that they were not selected because the client did not have enough courage, even though they were possibly the best option for the client. Clients rarely have the courage to invest greater sums in new service design projects. This

missing investment may hinder greater service design projects from being born. If the first project is completed well and the agency has lived up to its role as a service designer and possibly a change agent, the chances for greater projects increase. Whether service design project is done only narrowly, and executed on a small scale, the project outcome might not reach its full potential. Service design projects have been characterised as heavier and more demanding projects with possible several iteration rounds. Service design might be considered too expensive for a trial project, with very high expectations and wide range of wishes.

One challenge is that service design is something that actually organisation's own employees should be doing. The development of the company core business cannot and should not be fully outsourced. Some service designers have considered that they are a company's development manager's worst enemy. A development manager has once been put to side due to service design agency filling his position better. Service design's role is neither to step on anyone's toes in the client organisation, nor make anyone's position threatened. Service design is about providing an "acceleration injection" or a boost for client companies. The idea is that companies learn from the agencies and transfer that learning to their own assets and improved working model.

Challenges may arise from the way agencies sell service design. It seems that agencies start easily to talk about the processes, methods and tools – that are mostly interesting to other designers. Agencies have sometimes been too big, expensive and ambitious with their processes whereas clients are interested in the end-results. The challenge is to communicate *how* the end results are reached with the help of service design – without talking too specifically about the end results and going too deep in the process, method and tools. Even though service design agencies have managed to pass long tendering processes, they still need to justify themselves sometimes.

There have only been little misunderstandings and conflicts in service design projects. Some basic project misunderstandings and hassle are common to any kinds of projects. One cause for misunderstanding in the client side might be mainly in the project plan; it is not always comprehended that it serves as an offer or best estimate of what is going to be done in the project, and should be treated as such. For instance, clarification or justification of the project scope is very natural in service design and the plan is even expected to change along the project as more is done and learned. The changes in project direction might not be properly written down and communicated clearly to everybody. This might be forgotten if the customers are actually actively taking part in the project. If the direction is updated, also project outcome and expectations change.

Another thing that might cause conflicts is client's inability to participate in the project, which sometimes may cause for instance delays in project's upcoming phases. Also agencies, when in pressured by time, might work by themselves, and not involve

the client as much as first planned. Co-creation does not really occur, when agencies prepare and work by themselves, and just present final findings to clients. This is against the service design working ideology.

Minor conflicts have been experienced in relation to pricing; for instance, what is included in the project price and what is not. Client may want a lot but are not always prepared to pay for it. Rarely has dissatisfaction been caused from client and agency disagreeing on suitable service design tools.

Clearly not all clients are aware of the service design term. Some agencies see that the term “service design” is still understood and utilised by a small circle of people or practitioners. It is considered young as a sales argument. Contradictorily, other agencies see that the term is already getting old or even dying. At least people seem to be aware of service design in the fields where it seems relevant. Traditional product businesses seem to be at the starting point in service development. Heavy industries have not, expect for couple great examples, done much service design related yet.

If a customer has not bought design before, he might not understand what buying service design is about. On the contrary, agencies agree that clients do not necessarily have to know anything about service design prior to purchasing. An open mind and willingness to test something new and gather new type of information are more important. Agencies should be able to communicate all the critical points and create trust; what can be done and accomplished with service design.

Nevertheless, the client should not have wrong information about service design or false expectations; for example believing that end-user research is done around a table at the agency’s premises with the project team, not realising how time and resource consuming qualitative research is, and not understanding the importance and benefits of qualitative research. One agency recognises that one specific challenge comes from client’s inability to understand conceptual thinking, utilised in service design:

*When we talk about concepts and for example meanings experienced by the end-customers’, and start to design meanings, then we might figure out that the client organisation has people who only see everything through practice. (Agency)*

When agencies talk about meanings and intangible capital, those might not necessarily mean anything to their clients. Clients may feel that the agency has not achieved anything or created anything concrete, even though there has been plenty of design work done.

One possible risk lies in the comments or insights gathered from the client’s end-users, their behaviour and motivations. Whether the client organisation is not able to interpret the comments, and find larger connections and meanings, they might

generalize a single comments believing that those are absolute truths and let them guide the whole development work too much.

Design language and terminology has not caused specific big challenges in projects. Some agencies see that new terminology has caused some challenges, others do not see it as a problem at all. One agency considered that if design language is not familiar to the client and he does not know what is being talked about, whole service design could appear risky. People might mix terms and people do not necessarily want to reveal their ignorance to things. Clients have asked about some key terminology even in the middle of the projects.

The challenge in selling is to find the right type of language, when addressing the customer's core things in business. A common language has to be found in order to form relevant conversations. The use of design terminology seems to suit some environments and should be avoided in some others. Agencies see that projects should be named in a way that they suit the company feel, and in a way that it gets buy-in easily.

*There are no challenges with new, forward-looking companies. But when you go to second tier companies or SMEs in Finland etc. then clients usually talk about sales, marketing or customer service development (instead of service design). Then the project might be named accordingly. (Agency)*

*Concepting, customer insight gathering, service design etc. - - do not necessarily mean anything to smaller companies. These don't exist. For them sales is this - - and marketing is that - - and service is that everything goes without problems. (Agency)*

It might be challenging to communicate the same message to all the company stakeholders so that they all understand it the same way. The team can consist of different kinds of persons, with various backgrounds and even different languages. What comes to for instance participatory methods, they are explained though doing. Then it is not up to interpreting terminology precisely the same way.

One agency wants to use design terminology cautiously, not to be identified too tightly as a design company. According to them, design agencies talk a lot about service design, when service design actually represents only a minor part of their revenue. On the contrary, another agency sees that service design as a term is so over-used and they prefer to avoid using the whole term, even though their whole business is built around service design. They see that so many started to use the term that it lost its content

completely. Apparently the situation is better nowadays, compared to that a couple of years back.

Clients may have either clear or more challenging expectations for service design projects. Clear expectations are really concrete ones, for example increase in purchasing frequency or increase in customer visits. Challenging expectations are all kinds of expectations when the client is excited about service design.

*- - people get excited about the tools and methods – instead of discussing whether those are really needed. (Agency)*

In that case it is hard for the agency to figure out what the real expectations are. If service design is being utilised for the first time, better business or positive cash flow are usual expectations.

Some agencies know that their clients' expectations were answered in the project, but they do not necessarily know what the specific expectations were. This indicates that service design agencies need some service designing themselves. Agencies felt that they actually should talk more about the expectations with their clients. Clients might not necessarily even know what can be expected from a project. In general, clients seem to have been satisfied in the project outcomes, but it is not necessarily known whether their expectations related to project outcomes were met or even exceeded.

Sometimes clients have even been more satisfied than what they have expected to be. Especially agencies' engaging way of working and committing the whole agency and client seem to have contributed to good levels of customer satisfaction. This way the customer also feels that he has participated in the organisational change, whatever that then is. Also the execution phase, launching of the services, seems to create good customer satisfaction. Though, if a project includes more radical innovation, it also requires lots of courage from the client in the execution phase.

It might lead to disappointments if the clients expect to get something revolutionary out of how their customers behave, but the findings are actually small realisations. These small findings can actually be important improvements that end up changing the big business picture. Sometimes clients might have very high expectations for something totally new or revolutionary to be found from their (end) customers. This might be because they have seen extraordinary cases from big and well-known international agencies such as the American IDEO. Clients should have realistic expectations and also comprehend that though many smaller improvements, a bigger change can be realised.

Clients might expect what they are used to expecting from earlier design or consulting projects. For instance, if they have had experience in buying visual work, they might expect visualisations as an outcome, and in that case all other outcomes can

be considered as extra or “not needed”. When clients expect a lot from the agencies, they might forget what is required from them. In an ideal collaborative project model that could be quite a lot, for instance investments, allocated resources, committed people, key persons participating, and responsibilities for different topics.

*A design bottleneck for the project is that how much the client as an organisation invests his own time (in the project). (Agency)*

*– it doesn't work if just someone from the organisation participates every two weeks. Same people should be involved from the start to the end for the project to be under control. (Agency)*

Most agencies try to encourage clients to participate as much as possible. The point is also to do and learn new things together during the project. Client participation has also provided better outcomes and right decisions with better probability. Some clients have understood the importance of participating in the projects. Most people are excited when included in something new, from the very beginning. Some seem willing to share things with their agency. Nevertheless, a collaborative model might be hard to create if it is not part of the company's way of working. The collaborative way does not have to mean working together all the time, though.

*Conflicts have appeared when client members or silos have been “forced” to collaborate in a new way, before they have understood the benefits of co-working. (Agency)*

There needs to be real willingness for doing things differently, and excitement in the client side. Clients cannot be forced. Clients might invest in a service design project, but not necessarily have the time for the project. There have been cases for example where clients have not appeared at scheduled meetings or workshops, or during the launch phase there have not been enough courage to execute the new service and the project is paused.

Co-creation is a genuine objective, but the execution is challenging. Some clients seem to be very eager to participate and they enjoy working together with their end-customers and with the agency. Thus, some clients do not want to participate on any new level, for example “standing up and filling post-it notes”. New, creative ways of co-working clearly seem to be outside of their comfort zones. Younger clients seem more experienced in different means of co-working.

Clients have been taught about co-working at the beginning of the projects, for instance through intensive workshops. After that it is easier for the client to convince

everyone else internally about the “how” working method. A starting workshop is considered as rather a heavy start for a project and requires a lot from the agency, but has been found beneficial.

One of clients’ possible challenges is that as their total work and project load constantly grow, they expect the agencies to do more for them, and do not have the time to work together. Participants are still facing the fact that they only have certain amount of time to invest in a service design project, unless they take time off from something else.

In several projects the used methods have felt heavy and clients have preferred to work in silos. In that case there is no cross-utilisation of knowledge, competences and responsibilities. When many people collaborate, conflicts have emerged from for example responsibility issues. Clients might have been negatively surprised over the projects; measuring might be challenging and project results might not be measured immediately but after a longer period. Other disappointments may be caused from for instance the client not being able to create a desired internal change in his company.

According to some interviewed agencies, internal resistance towards service design and towards change are not that common what it used to be few years back. Some agencies see that service design has only faced general internal resistance to change, that could also happen during any other development project. Agencies might not really know what the real reasons behind the client resistance are. There have not been experiences that someone from the client side is absolutely against service development per se.

*If you say you are against service design, it would be like stating that you are against service business development. (Agency)*

There seems to be internal resistance when a project is to change the internal ways of working. The new insight and research found might conflict with current planning, design and way of doing things. The bigger the project, it is more likely to include some sort of internal change. If people, whose work is for example redesigned, are not part of the project and do not get to influence it, can the actual change phase become troublesome. There might also be a risk of designing a concept not fitting in their reality and important insights might be missed.

Another challenge can be that the buying client might not have enough buying power or rights, and finds himself stuck between the organisation and his boss. In these kinds of situations, the client might need help and external support in increasing his role and power within the company, to help with internal assurance. One of the clients’ challenges can be that they do not know how to bring different parties together, and get

different organisational units to communicate. Sometimes the real problem is not a business or a concept problem but rather an internal political or a power struggle.

*We do think a lot about who are the key people there in the organisation, who should participate, in order for the change to happen. If professionals are just working together, it's going to be a long road if the project is presented to a broader audience after everything is (already) done. (Agency)*

Past service design cases and their benefits have faced some hesitance; how have other companies benefitted from service design the most, and how are these results relevant to a particular new company. There have been cases where the company CEO has seen service design as some kind of a rehearsal and does not seem to believe in it.

*80 to 90 per cent of our projects are under a NDA, and we cannot tell anything about those. -- You know that you would be excellent (for the new client): you would have good experience, skills and know-how, business field experience, similar project experience -- but you cannot talk about these. - - This causes the greyest hairs at our end. (Agency)*

There has been vast degree of project outcomes, from new business models to specific service artefacts or details improving the total customer experience. The insights for providing distinguishable value for customers and finding competitive advantage can sometimes be rather small, qualitative findings. This might be something new for the clients. Nevertheless, one challenge regarding the outcomes might be that the solution provided by the agency does not necessarily solve any relevant big problems; outcomes might be additional, nice artefacts instead of something really affecting the client's business financially. Most service design projects or cases are still relatively new; enough time has not passed to provide information on long-term project effects, measurable values and how the outcomes have developed over time.

There have been past cases where lots of designing and service development have been done, but the services are never launched. The execution is more likely if the service has been designed comprehensively, possibly including client's different silos and key persons. Sometimes the outcomes may have also been negative, for instance when there has been streamlining or focus on performance increase in the company. When clients' services have been optimized, and for instance digitalised, some employees have been left without jobs, or their positions have been redefined. This could be a challenge when considering client engagement.

Not all agencies are using any kinds of performance indicators, as they might find the relevant project measurement tools hard to set. That is one of the reasons why project performance can be problematic. Even though the majority of the agencies agree that tools should be set and they do recognise that the usage would be important, and the KPIs should be identified early in the project – it has just been challenging to find the business KPIs. These are always very customer-specific. Some agencies do not even have a record of cases where KPIs have been used successfully. The relationship with the client might end at the end of the project, and there is no follow-up on what happens for instance six months or 12 months after the project; what kind of impacts the project has in long-term. Projects might also have positive side effects that are realised only later on after the project.

If used, the main KPIs have been Euros, customer satisfaction and net promoter score (NPS), which seems to be used increasingly. Also the total number of clients, number of new clients, increase in the size of average purchase, increase in cash flow, improved staff or employee satisfaction, positive effects in work motivation, time spent in the service, conversions and shortening of customer journey have been used for example. Also market share and profitability were mentioned. KPIs are usually related to sales increases.

*It is a raw fact – that this (service design) has to increase company revenue. (Agency)*

In addition to project measurement tools, one agency highlighted that the client should be aware to set a measurable target for what he is buying, so he is not just buying “performance”. If the project goal is to increase only customer satisfaction in general, the project is usually quite loose. Still, there have been projects without any clearly defined objectives. One agency pointed out that if targeted outcomes are set too tightly in advance, the actual project outcome could be compared to the project contract. Even though the end results might be better than what was estimated first, something might end up missing from the preliminary list, and client ends up disappointed.

Organisation budgets are set well in advance, so this might complicate the purchasing of service design, as there are rarely specific budgets for service design. In many cases the client has already decided what he is going to execute in the project, which does not necessarily leave room for open service design development. If the client has not budgeted any development projects, it is really challenging to start one afterwards. In addition, organisation’s different silos may compete over the budget money and projects.

*Many times we have felt that there hasn't been a clearly defined budget (for the service design project) and that's why it (service design) is hard to purchase. (Agency)*

What comes to the project pricing, if the project pricing is fixed, it might be more challenging to evaluate the project. Fixed-priced projects are a challenge for both the client and the agency, as the total cost and work done may vary.

*Partly, one frightening factor may be that service design projects are priced as a one big lump. And then the client thinks that this is a big investment, and is afraid of investing. (Agency)*

**4.3.2 Client perspective**

Clients' main perspectives in challenges related to service design purchasing are gathered in the following table.

Table 19 Client's main perspectives in challenges related to services design purchasing

Clients' main perspectives in challenges related to service design purchasing	
<ul style="list-style-type: none"> <li>• Whoever can utilise the term service design and sell it</li> <li>• Agencies and offers are hard to compare</li> <li>• Challenging to measure price-quality ratio or evaluate project propositions</li> <li>• Agencies not investing enough time in getting to know the client and his business</li> <li>• Not many reference client companies to exchange experiences with</li> <li>• Insufficient client resources</li> <li>• Buyer being left alone in his project from the company's side</li> </ul>	<ul style="list-style-type: none"> <li>• Client not understanding what is required from him in a service design project</li> <li>• Service design facing internal resistance in client companies</li> <li>• Service design's possible credibility issues</li> <li>• Not being able to see the "big picture" in the project</li> <li>• The fear of losing the carrying idea, the "common thread" in a project</li> <li>• Numerous decisions made fast in a project</li> <li>• Neglected project performance indicators</li> </ul>

According to the clients, basically whoever can utilise the term service design and offer service design services. The term is not bound to any official certificates. Non-traditional design agencies have also started to offer service design. There might be a risk that for example traditional marketing agencies offer service design without real competences, and "ruin the service design term and reputation by selling the traditional marketing propaganda, not proper service design".

It has been challenging for clients to compare the agencies and service design project offers, as something intangible a value-based is being sold. Possibly therefore project parts or module prices are easily being compared. That is what the buyers are also used to doing and it might be easier for the client to purchase what is familiar and safe.

Service design seems to have faced some credibility issues. Service design research does not have a history of presenting strong business or financial results, and lots of convincing has been needed by the agencies and in the client companies. There are not too many reference companies a client could turn into to ask for their service design experiences. Clients have had troubles in communicating and teaching about service design within their organisations. Majority of the heads of business management have not been familiar with the idea of service design.

One challenge can be the insufficient client resources. The buying client might be the only one involved in the client side and left quite alone with his project.

*The buyer had to leave for another project in the middle of the service design project. The results were not the best possible, because the key person couldn't continue to the end. There were great expectations, the project was expected to be a saviour. Other hurries affected the project negatively. (Client)*

If the client has had in-house service designers, they have been given free hands to do almost whatever they have wanted, but the clients have sometimes struggled to get the permission to utilise an external service design agency.

Challenges may arise when the client gets internal briefs from his colleagues, that she should “brief onwards” to agencies. It seems that a client organisation does not always manage express its desires clearly to the person responsible in buying service design. In that case, service design buyer operates as an interpreter between the organisation and the service design agency. Her task is to understand beyond the organisations wishes, what is really wanted to be solved and why. Clients have also felt that they have had to make numerous decisions fast during the project. The client needs to be “awake”, energised, acquainted with the topic to make right decisions fast.

One of the biggest challenges in service design projects is the threat to lose the carrying idea in the project – the “common thread”. It might be troublesome if the agency is only focusing on service designing, and not seeing the client’s bigger picture in business. That might lead to whatever, purely coincidental project direction. Another challenge might be that there has not necessarily been any continuity in the service design project, and they have been left as single-project with small impact.

It has been challenging and time consuming for some clients to understand what is meant by the term service design. Service design methodology has also been

questioned. It has not been understood correctly and has been thought of to being something that “tries to think what customer might think and want”. Service design has faced resistance as it is something new and has not fitted to the company’s “we have done things always this way” mentality. Sometimes the clients’ own backgrounds, especially if in heavy industries or in industrial design, have restricted or hindered the service design understanding. Some challenges were related to how to communicate internally and solve credibility issues. Also familiarizing colleagues with the terminology was of a challenge.

To some clients, design terminology has not caused any challenges. Only when explained forward to colleagues, some terms needed to be explained in a different way, from the receiver’s perspective. Agencies have altered or changed some terms to better suit the clients’ needs and understanding better. One client had noticed and realised that the service design ideology is similar to traditional marketing theories. Some things are basically discussed but everything is just presented under the service design umbrella term. Generally, there seems to be no other terminology related challenges between the client and the project members from the agency side, as they were all familiar with the terminology and were in close and frequent contact during the project.

Agencies have not always invested enough time in understanding and getting to know the client’s business. It is required that all the project participants have done their homework well, and that they all understand at least the basics of the client’s business well.

Service design projects have had diversity in their scopes; they have been more strategic and also executional. As the projects might be very tightly linked to the clients’ strategy, service design projects might take a while, as nothing concrete can be executed before the strategy is set. Service design projects might even require board member participation.

*- - I know that I am on the right track when someone comes to tell me that “now the company is in danger”. (Client)*

Projects that started from the very beginning, from zero, seemed to face no internal resistance. This was referred to as an ideal situation and resembles running a project for a start-up company.

Some clients seem to prefer strategic consultant-like agency-client relationships. According to one client, service design teams seem to lack the strategic consulting skills, and for example the ability to process large amount of data and model it. This would be a skill required for instance in the beginning of the project. Some clients would even decrease the service design skills and increase the change management and strategic thinking skills in a service design team.

Projects have had general project performance indicators such as staying in schedule and in budget. Service design related indicators have been for example the length of the end-user's purchasing path, how well the service functions and how much it generates income. Also statistical data was gathered after, to support the sales. Profitability indicators should be in use quickly. There has not necessarily been for instance any prototyping or testing of newly designed services, that is usually of character of service design. However, all the performance indicators were not necessarily set in advance or during the project, but were thought of afterwards. Client companies' everyday realities with tight everyday schedules seem to have a strong, sometimes limiting impact.

Defining the content for a service design project contract has sometimes been challenging. Some clients prefer a lighter contract with main project principles, leaving more room for adjustments and change, others require very detailed and scheduled project plans with even pre-defined project deliverables.

#### 4.4 Facilitation

This section presents agencies and client's views on how the purchasing of service design could be facilitated. The common perspectives, that both agencies and clients share in ways to facilitate service design purchasing are presented in the following table.

Table 20 Common perspectives in ways to facilitate service design purchasing, from agency and client perspectives

Common perspectives in ways to facilitate service design purchasing, from agency and client perspectives
<ul style="list-style-type: none"> <li>• Agencies sharing their knowledge, educating clients and for example CEOs</li> <li>• Service design agencies bundling or productizing their services better</li> <li>• A clear project brief from the client to the agency, with clear challenge or problem definition and project objectives</li> <li>• Tight collaboration and open communication between client and agency</li> <li>• Mutual trust, respect, openness</li> <li>• Sharing of a common project goal</li> <li>• Developing agency-client relationship towards a long-term strategic partnership</li> </ul>

Full agency and client interview findings are presented in the following sub-chapters, agency perspective being discussed first.

#### 4.4.1 Agency perspective

Service design agencies' main perspectives in ways to facilitate service design purchasing are gathered in the following table.

Table 21 Agencies' main perspectives in ways to facilitate service design purchasing

Agencies' main perspectives in ways to facilitate service design purchasing	
<ul style="list-style-type: none"> <li>• Agencies giving sample workshops</li> <li>• Agencies could communicate better about service design, in client's language</li> <li>• Well-made project case references and individual track records from agencies</li> <li>• Agencies listening and talking to clients and helping in the problem definition phase</li> <li>• Agencies could offer a framing workshop or "starting consulting"</li> <li>• Different size project proposals, giving choice for the client</li> <li>• Agency has a proper project role</li> <li>• Agency supporting client in internal selling and convincing</li> <li>• Agencies supporting the client on his mission</li> <li>• Agencies helping client in talking to management or board members if needed</li> <li>• Clients having stronger knowledge or experience in service design</li> </ul>	<ul style="list-style-type: none"> <li>• Clear project owner and project lead from client side</li> <li>• Including all relevant stakeholders in the project</li> <li>• Strong internal commitment and involvement from client side, informality</li> <li>• Clients having decision power and ability to implement, good relationships to management</li> <li>• Co-operation between the agency and the client in building the project plan</li> <li>• Project plan clearly written and communicated, with clear targets</li> <li>• Concrete measuring of project results and good key performance indicators</li> <li>• For better results, projects should include insight, research or desktop analysis phases of existing information or research materials</li> <li>• Project having a clear business impact</li> <li>• A follow-up period after the project</li> </ul>

Client's better service design awareness would have a facilitating influence, what comes to purchasing service design. Raising the general awareness of service design and service design agencies could facilitate the selling. Some agencies educate in addition to doing projects. Some agencies see it as a strength that the agency is conducting academic research, others might see it as too theoretical. Nevertheless, projects do not usually start with an educational part. There are also examples of client organisations hiring in-house service designers, to educate about service design. According to some interviewees, this might be happening more in the future. Internal resistance could be overcome by giving time for everybody to understand the concept, potential benefits and impact of service design. Agencies should be as concrete as possible when communicating these, and listen to the client.

*- - agencies should take the time in the beginning, to talk and listen (to the client) and not just push a certain process model - - (Agency)*

*One idea is - - to help them (the client) in the (problem) definition phase  
- - A smart client would give time for the definition phase. (Agency)*

A clear brief is needed for service design; it needs to address what the company's real problem is and the objective for service design. It is vital for the project's success that also the customer understands what is sought in the project, as their company, time and money are involved. Both the agency and the client have to be on the same line with the business goals and with other project targets (client satisfaction goal etc.).

In order to prevent misunderstanding, when further defining the project challenge or problem, it might be good to write down and clearly communicate when a new or different direction has been set, as then the end result will potentially be different. Some agencies determine specific terminology used in a project and project goals together with the client for instance in the project kick off day.

Service design is strongly about people, and agencies need to be customer service oriented. Agencies could improve how they communicate about service design, to facilitate potential clients' purchasing. A good service design salesperson would actively talk with the client and help him in the decision-making. Salesperson can enquire what for instance needs to be done for the client to get this matter further in his organisation.

*Agencies need to learn to truly listen to and to better understand their potential clients when making offers. We shouldn't expect the clients to learn about us – vice versa. (Agency)*

One idea presented was that selling of service design could be done through gathering all the important decision makers in the company together and talking about the company's customer loyalty journey, and finding out what causes their customer to leave – and highlight how much profitable it would be not to lose these clients.

Few agencies try to participate in client's internal pitching meetings to the management, if possible, to help in communicating about the project plan. Agencies see that the client, if new to the service design field, might need the agency as a support to communicate about the matter more effectively.

One agency proposed the idea of utilising network thinking in selling of service design projects. Instead of agencies competing traditionally, different talents could be gathered in a pool where required skills could be selected and utilised when needed. In this case, clients would be "renting" the skills needed from agencies. This might provide

special substance know-how better than any single agency could provide alone. It was discussed that this might improve the quality of service design projects.

One agency sees that service design should be sold as modern in-bound sales or as part of marketing strategy development. In-bound here refers to the opposite of traditional outbound marketing, that usually relies on advertising and sales promotion.

A common dilemma is that clients might ask several agencies for pitches, and have free work done by several agencies. One idea to avoid free agency work, is to buy “starting consulting” from for example three service design agencies, talk and try to define the challenge together with them, one to two days per agency, and this way to approach the company challenge from a broader perspective. This way the client would get to know the agencies better and choosing a project partner might be easier. To facilitate the purchasing, some agencies have discussed, ideated or even run a framing workshop with the client, to understand the real challenges better, to frame the project scope and possible solutions better, before formulating a project offer.

Nevertheless, however the project is planned and structured, clients are mainly interested how their problem of challenge is being solved – regardless of the solving method. Service design as a method is not an absolute value per se.

The project starting phases seem to require facilitation from the agency. Agencies and clients could define the problem-to-be-solved together and without having the client deciding the project deliverables by themselves (for instance a retail solution or a website) already in advance. This would give time for real need definition, for instance in a form of a definition project.

*In an ideal situation, a very open conversation round with meetings will precede the project start. (Agency)*

The agencies could provide a better offer for their potential client by co-operating together with the client when building the project plan. Some agencies see that the more the agencies and potential clients do together, the better the projects. One agency suggests that the better the agency is able to explain to the client that “this is what you are buying here”, the more likely the client is to purchase. Also concretely explaining what the project work includes, what it is like, what do project participants do, how are the responsibilities shared, what the outcome would facilitate etc.

With time there will also be more experienced buyers. Companies will have service design savvy employees and different kinds of buyers in the future. There are already lots of students actively participating service design events.

Naturally the service or project issue owner should be involved from the client side. This depends on the client, company size, whether it is a private or public company etc. It would be important to include all relevant stakeholders from the service in the project

– from the beginning – especially as the end-customers experience services as a whole and do not separate different client silos or responsibility areas from each other. The project should have a proper project lead from the client side and the service design provider should also have a proper role in the project.

*If done properly, service design projects take a stand on the business model or on the value proposition of the service business. It is clear that the executive group should be involved. At least in the beginning, middle and in the end of the project. (Agency)*

Some clients have had prior service design experience, which facilitates the purchasing. That enables a faster start for the project, when one does not need to start building the understanding from the very beginning. A good client would have enough experience on business development and understands that projects should always include the insight and research gathering phases (or a desktop analysis of existing research information), in addition to other phases. He should also understand that the traditional way of working in silos leads to poor results. He should be experienced enough and see that by working in collaboration better results can be achieved. If the client understands the value in investing in intangible capital, he will understand the project benefits better and be less likely dissatisfied.

Right kind of key performance indicators could improve the client's satisfaction in the project and could be included already in the agency sales phase. Agencies could define the ways to measure the project effects and the timeline for measuring, together with the client. Clients seem to have also appreciated good project documentation that they get to keep. Well-made project documents have been shared widely and have spread the service design thinking further.

*There should be a natural follow-up period after the project. There should be something that happens after the project. That our responsibility doesn't end when we have finalised the project. If we want to hold on to our customer, we should be doing this. (Agency)*

Internal project commitment seems to be essential. When clients' services are developed, not only the physical servicescape is being changed, but also the human interactions and behaviours are addressed – including company employees. It is vital to include key stakeholders, especially people from the company who are involved in the service creation or improvement, otherwise internal commitment is harder to establish. If for instance these employees are not included in the project, they might experience the change as a negative, if just being informed afterwards about the changes. Involving

customers strongly in projects has had positive effect in project ownership and customer satisfaction. One agency mentioned that it is important to remind the customer that “he is the one who gets the crown if the project goes well”, that is, agencies should support and boost the client in his mission.

Evaluating the service and service quality in advance could be facilitated through set targets. Discussing the possible outcomes and real aims, not only the planned concept or service, but what happens after the realisation of a final service, together with the client. Measuring should be concrete, not only abstract or too broad, for example “increasing of customer satisfaction”. Targets could also be matched with what the client company is already trying to achieve.

Also providing plenty of good, open project case references would help the client. References decrease the abstractness of projects. Clients can identify themselves with agencies’ past clients’ challenges, and see how the challenge was approached and solved. Past cases could also show what kinds of end results were accomplished, what the clients got, what was done, how much time and input was required and what were the costs etc.

In addition to previous references and results agencies have accomplished, also people in the proposed project team have had an important role in convincing the clients to invest in a service design project. Clients have for instance bought projects from teams that do not have references yet, but have good personal track records, well presented skills and past experience, and seem to get along and work well together as a team. This has indicated that the team might also be nice to work with. One agency has no pyramid structure; all their employees are at senior level and represent a broad spectrum of competences. This might have had an effect on client’s buying decision.

*We have not been selected in a project by being the toughest alternative as a professional, but there has been a trust for instance in the head of strategy, that he will definitely solve the client’s problems. (Agency)*

What also seems to have facilitated the purchasing is to give the client a choice by offering a couple projects of different sizes. Some interviewees believe that the project should be outlined in a way that outcomes may be reached quickly, that is, projects should not be too long. According to one agency, offering a cheaper project first has facilitated the purchasing. They call these smaller projects “business card projects” where targets are set tightly and realistically. Other examples of smaller projects are for instance quick concepting projects, that have provided starting material for the actual project, and support for the product owner. These seem to have worked well for a couple of agencies and their larger clients. Through this smaller project, the owner has gained support for selling the project internally.

Also one agency has offered free project scoping workshops for their client to facilitate to project scope forming. The workshops have lasted a couple of hours and have been a channel for clients not aware of service design to get to know the topic. The agency risk is that there are no binding contracts on continuity or responsibilities. One agency mentions that there have been cases where three or four agencies have been asked to run a sample workshop as a part of a tendering process. The client got to try and learn the different agencies' way of working in advance. This is in line with Sorsimo's (2012) suggestions on service design tendering.

All in all, agencies' close communication with clients and collaborative interaction seem to have supported the clients' purchasing decision-making. It might facilitate the purchasing even more if the agencies could package their services and offerings better and more in the client's own language.

Agencies mentioned that they like to have a partner-like interaction with the clients, instead of clear client-professional-setting. An ideal client-agency relationship would be a strategic partnership, like in other types of professional services. This would enable the agency to serve the client better. Agency is able to comprehend client's challenges and problems better. Agencies should participate early enough in the development processes, in order to have a role in the project definition phase. One agency sees that the agency is able to deeply integrate himself into the client's everyday world and collaborate in long-term basis. Nevertheless, long-term relationships are not always the optimal solution. Some client accounts are naturally not profitable to be continued.

The client could also define the degree of his participation in the project, by defining his resources and abilities to participate for example in hours per week and utilising these hours together as effectively as possible. Knowing the level of participation well in advance facilitates the collaboration.

*In an ideal situation, it (customer participation) is strong or greater than the agency's. (Agency)*

Agencies have also worked at clients' premises successfully and vice versa. Projects have been experiential for clients, as they have had the chance to work at agency's premises outside the project meetings, and to share the same physical project space. This small gesture has been liked by some clients and helped to form a tighter customer-agency relationship. One agency summarises that "a good relationship allows both parties to get close". Instead of spending a couple of workshop hours together, it might be useful to spend a longer time, a day or two, together. Altogether, certain degree of informality seems to have been beneficial.

*I'd like to have a chance to do more together. Because you notice, that the more we are attached to the client's every day, the better we understand the challenges and are able to make better solutions – faster.*  
(Agency)

The agency-client partnership should be truly co-operative and have two-way communication. The project results are not good if there is no trust between the client and the agency. It might be challenging to get the full trust from the client. Also unpleasant and hard topics need to be discussed. The client has even been a so called “best friend” with an agency team member during the project. The more value the agency is able to give to the client, usually the closer the relationship.

*There should be a strong co-creation culture that typically doesn't exist in purchasing design. - - The challenge should be shared and there should be a shared team.* (Agency)

A perfect client-agency relationship would also allow the client to express when he is not content, or when he wishes to change the working direction. The client should have the courage to be honest, even towards a well-known agency or designer.

Agencies would like to be part in the client organisation's change, after their project, supporting and following that everything is following the planned direction and the implementation roadmap. Some interviewees regard that there should be a model for constant development, instead of having separate projects. Post-project communication and check-ups are wished.

Agencies wish the buyer to have courage to believe in new ideas, decision power and ability to implement, and have good relationships to the management. The buyer should also have real purchasing power and authority to take the project further and realising it. An ideal client would be experienced, adaptable, open and visionary. There should be enough trust in the agency, enough resources given. The client should also have courage to utilise service design comprehensively.

#### **4.4.2 Client perspective**

Clients' main perspectives in ways to facilitate service design purchasing are gathered in the following table.

Table 22 Clients' main perspectives in ways to facilitate service design purchasing

Clients' main perspectives in ways to facilitate service design purchasing	
<ul style="list-style-type: none"> <li>• Agency communications focusing on business impact and improvement</li> <li>• Profound agency pre-work</li> <li>• Agency knowing client's business well</li> <li>• Agency being proactive, seeing the "big picture" and concentrating on things that truly benefit the client and his business</li> <li>• High-quality project documentation from the agency</li> <li>• More visible pricing from agencies</li> <li>• Client's evaluation of their own level of service design knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• A common service design understanding between the client participants</li> <li>• Client buyer also participating in the project as a project owner</li> <li>• Defined core client project team, supported by an extended team or key stakeholders if necessary</li> <li>• Proper internal communications about the project on the client side</li> <li>• Authorizing service design term and certifying service design competence</li> <li>• A supporting external consultant to facilitate service design tendering</li> </ul>

Interviewed clients pointed several features regarding a successful service design project. In the project start, clients should evaluate their level of service design knowledge. Client interviewees agree that the client should have a basic level understanding of the service design ideology and terminology in order to share a common ground with the agency.

*A client should understand that service design is a theme that comprehends of different kinds of research methods and a way the surroundings are being observed. Maybe that is the most important thing. (Client)*

There should also be some kind of a common service design understanding between the client participants. Nevertheless, service design knowledge is not a must at the project lead level. There have been projects with little or no prior service design knowledge. As perfect service design know-how cannot be required from the clients, agencies should find a way to overcome this. Otherwise not too many potential client companies are left. Clients do not for instance need to know how to utilise different service design methods in advance. That is the reason why they hire service design agencies. Clients regard that mutual trust is more important than agency's service design knowledge.

Client's clear project objectives seem to facilitate the service design project. Clients also agree that the objectives should be shared internally in the client company.

Nevertheless, the client does not need to know how these objectives are finally reached with the help of service design thinking and varying methods. Clear project objective seems to constitute to a clear agency brief. Some clients regard that a good brief is the most important single factor in successful projects. The challenge or problem should also be defined as clearly as possible in the brief. Thus, service design ideology does not require too perfect or a strict of a goal, as the scope might become more precise as the project proceeds. The agency could help the client by giving a checklist for its clients to fill for the brief: basic starting facts, what is being aspired of the project, what key performance indicators are needed etc.

For all the interviewees, profound agency pre-work seems essential and clients seem to value that service design agencies prove their understanding of the client organisation's business, including the clients and the end-users (client's customers). Agencies could help the clients in defining their real, sometimes even underlying challenges by creating dialogue.

Proper internal communications about the project, on the client side, seems to have made service design projects better by broadening the understanding to colleagues. This could be done for instance in a form of a presentation. Some find that it has helped when the project owner presents the ideas to his own organisation, and not the design agencies. There might still be some inner scepticism towards external design or consulting companies.

What comes to service design projects' nature, the projects sometimes seem to function as a catalyst for change. Some clients see that the service design discussions should be had with the board of directors, instead of business or marketing leaders. Some see that true change can only be started from the top: from the top management level. One client sees that service design agencies could approach company CEOs and proactively communicate how they could change and improve the company's business with the help of service design. Sharing of new knowledge and educating CEOs is important. This also helps the CEO to address these topics better in front of his own colleagues in the future, and maybe take steps towards a better designed future.

In an ideal client-agency relationship, the parties are mutually committed. Sharing of a common goal of improving things seems vital. The relationship should be built on trust and tight collaboration and communication needs to be active. Clients need to feel valued. Open communication about all kinds of positive and negative things is vital. Mutual respect, appreciation and true collaboration enable communication and design where there is no concern of dishonesty. Both agency and client should have the courage of challenging each other to think differently and not being afraid of for instance showing work that is still in progress.

The agency needs to know the client's business very well, be future-oriented and proactive, and be able to see the client's "big picture". Some clients wish that the

agency could have a stronger, leading role to guide the project and the client on what to do next, what still needs work etc. The agency should concentrate on things that actually benefit the clients, not selling projects just “for the sake of meeting the monthly sales goals”. Traditional business seems to respect numbers and credibility is of importance. Agencies have also managed to help the client specifically with internal communication issues by providing high-quality documentation.

The buyer should not be a “corporate buyer”, only paying attention to agency references and finding safe solutions and favouring big, well-known agencies. Then the buyer might not actively participate in the project itself and his responsibility might end at the purchase decision. It seems to be more efficient to have one responsible person in purchasing service design, and a client core team participating in the project, instead of involving too many people in the project, and keeping them engaged. Additional extended project team could support the core team if necessary. Too big of a project team can cause the splitting of opinions and project purchasing becoming inefficient.

Most of the interviewees think that after the agency has familiarised itself with the client company and both client and agency have made an investment, it would be worthwhile to continue and develop the professional relationship into a partnership, and avoid shorter single project commitments. It seems to be beneficial to have one long-term partner agency that knows the client’s business strongly, in order for the client to avoid explaining their business to new agencies several times. Agencies could have an active take on how they could help the client in his business.

In order to improve the service design awareness, one client suggested that the service design term could be somehow authorized, and that agency employees would need to have a certified qualification. Certificate could create reliability and distinguish educated service design practitioners from other practitioners. The certification could be granted for instance by Finland's Service Design Network, who is part of Europe's Service Design Network. Agencies have also organized events where they, together with their clients, present past cases and project outcomes to potential new clients, which have been found useful.

In order to facilitate service design purchasing, there could be an independent quarter, for instance a service design consultant – a supporting middle-man – who could help clients with the buying or tendering process. In this case, the consultant would need to be very aware of the service design logic and thinking. Similar tendering consultants already exist for instance in the advertising or strategic marketing business.

Regarding the selling of service design services, clients feel that agencies could bundle or productize their services better, to facilitate the purchasing. Agencies might have focused too much on the project process or phases. Clients seem to appreciate clear argumentations of proposed method and tool benefits; for instance, which tools

would be useful for a certain project and why. Also more examples from past project outcomes would be appreciated.

According to the clients, pricing should be made more visible and benefits should be highlighted more. Some clients wish for more standardised pricing and feel this would facilitate the purchasing. One idea that the clients proposed was that service design should be “transformed into a business language to facilitate the selling”.

Some clients see service design cases as strategic change management cases. In this light, the highlight in agencies’ communication should not be in the method – in service design – but rather in the business impact and improvement. Agencies could also sell service design to clients as a methodology when the clients are well aware of the ideology and eager to conduct proper service design projects “by the book”. The challenge here might be that these projects seem to remain rather small, as the real potential might lie somewhere else, possibly in the change management or in more strategic change projects.

All in all, according to the client interviewees, an agency that is able to simplify and optimise a complex matter, usually succeeds in selling the service design project to a client. Also, a good buyer would benefit from having some selling experience.

## 5 CONCLUSIONS

This chapter presents the theoretical and managerial implications and conclusions. Theoretical conclusions are presented according to the order of the research sub-questions and both agency and client viewpoints are discussed simultaneously. The research sub-questions are:

- 1a. How do agencies and clients approach service design?
- 1b. What are service design purchasing processes like?
2. What kinds of challenges have buyers and sellers experienced in relation to purchasing of service design?
3. How can the purchasing be facilitated?

Managerial implications are presented for both service design agencies and potential clients. To conclude this chapter, the research is evaluated and suggestions for further research topics within service design purchasing are provided.

### 5.1 Theoretical contributions

#### 5.1.1 *Approach to service design*

This sub-chapter aims to answer the research sub-question 1a; how do agencies and clients approach service design. In order to understand the purchasing of service design, the agency and client approaches to service design as a methodology or ideology had to be considered. Interviewed agencies and clients had several definitions for service design and their explanations varied slightly. Agencies have naturally a longer history with service design and usually have a broader view on it. Most of the clients' perceptions on service design are based only on one project experience.

What is common to both interviewee groups is that they did not want to define service design in detail and found the question challenging. None of the interviewees referred to the service design definition by Mager (2007), that presents service design's benefits for both clients and suppliers. For both parties, similarly to Tuulaniemi (2011) and Kimbell's (2011) definitions, service design was seen as a strategic activity, tightly related to strategic business development and is about discovering organisational opportunities – and should be taken seriously as a method.

Most definitions given in the interviews followed the theoretical service design definitions, presented in the chapter 2.2. Service design is considered as user-centred, participatory, co-creative and iterative by nature (similarly to Kimbell 2011, Stickdorn

2011, Saco & Goncalves 2008). It was also referred to as a process that provides a toolbox for addressing organisational challenges from a new or different perspective. Service design discipline's methods and tools were described as unique and distinguishable.

For most of the interviewees service design is a certain way of thinking and working – a mentality. Many of the interviewees referred to service design as some kind of a method, ideology or a theory; something that guides the thinking, approaching and solving of organisational challenges – it can be utilised for services or products, and the focus is always on client needs (see e.g. Moritz 2005, Halinen & Jaakkola 2012). Service design is thought to bring a more human-centred perspective and empathy to problem solving – exactly similarly to design thinking definition (see e.g. Mootee 2011; Brown 2008; Kimbell 2011). It was also highlighted that the decisions in service design projects are always based on something. Ideas are tested, prototyped and justified. Therefore, service development is not based on subjective guesswork. Both parties agree that tight client engagement and project involvement in the project is mandatory.

For several clients, service design was related to some kind of an organisational change or transformation (similarly to Yang & Huang 2012). Service design could even be considered as a change tool. It could for example help organisations to find their pain points and face their not-yet-recognised challenges. Clients think that service design suits new or start-up companies specifically well.

Service design agencies seem to have different approaches to service design, and are not necessarily clearly profiled as “service design agencies”. Half of the agency interviewees did not want to define the service design term at all. From the clients' point of view, it may not actually be necessary to clearly define the term service design, in order to successfully purchase and run a service design project. More is learned about service design during the project.

Agencies see that service design is about influencing and developing customer experiences; maybe something between user experience and interaction design. Service design aims to see the client organisation's big picture and think about their service offering as a whole. Agencies agree that service design projects clearly differ from other types of business consulting projects.

### **5.1.2 *Purchasing process***

This sub-chapter aims to answer the research sub-question 1b; what are service design purchasing processes like. Interviewed clients reflected on their service design purchasing experiences, but as purchasing and selling can be thought to occur simultaneously, agencies thought of both their clients' purchasing processes and their

own selling processes. Agencies and clients' viewpoints are presented together, as they complete each other and provide a fuller and more realistic understanding of the features of service design projects' purchasing process.

There seems to be no one clear model of how service design projects are purchased or sold, purchasing resembles the action of muddling-through (similarly to Makkonen et al. 2012). There seems to be a clear difference between the interviewed agencies on how they sell service design. Some consider that service design projects are not "sold" at all and think that clients do not invest in a service design project per se, but rather to a solution that would solve their problem. Therefore, many agencies also take part in tenders or briefs that are not only directly for service design agencies. Agencies might even build offers without utilising the term service design altogether, and see that service design is sold as any type of a professional service. Only minority of the agencies have dedicated salespeople. All in all, agencies seem to have different approaches in getting service design clients.

In line with Seth's (1973) findings on purchasing decision making, service design purchasing decisions are not necessarily systematic decision-making processes. Due to the uniqueness and usually longer duration of service design projects, it may not be considered as a routine purchase (see e.g. Hill & Neeley 1988). Purchasing processes range from informal conversations and trust building to competitions and longer public tendering processes. Most service design projects are bought as single projects, but some multiple year-long partnerships have existed. Projects have usually been strategic and sometimes experienced as expensive, to some degree. Sometimes a specific pre-definition project phase or a smaller trial project have been bought.

In the context of buying service design, the purchasing customer is a business. Nevertheless, it cannot be excluded that in the end there are individual people with human buying behaviour behind the purchase decisions made for organisations. When purchasing services, especially quality is being measured and perceived subjectively (see e.g. Wycott 1992, in Smeltzer & Ogden 2002, 55).

Client organisations seem to have different ways of approaching service design agencies and starting a project. One alternative is that the client has recognised a problem or a challenge to be solved (similarly to Stock & Zinszer 1987), but the client does not know how to proceed in solving it. In this case, service design contributes to addressing this specific need (Design Council 2015, 4). Secondly, the client might have pre-defined solutions to the problem, or possible final deliverables, and seeks for an agency to execute the project. Alternatively, organisations might have recognised a general need for service design. Service design agency partners can be sought after for longer-term development. In this case, service design could be purchased for its mindset, approach or process. Clients can be keen to learn from service designers and experiment with new approaches. Service designers may support in longer-term, deeper

organisational changes. (Design Council 2015, 4.) It seems rarer that the client would have a fully open business challenge to be solved, and have no idea of how the problem might be solved.

The driving force for clients' purchasing might actually be something else than service design itself. Many projects have not been purchased as service design projects. If thinking about concrete buying objectives, service design seems to be purchased for its processes, but also for the end results or for helping in gathering better general customer understanding. Clients do not necessarily think about service design, as a methodology, when purchasing service design projects.

There is no one specific need that is being fulfilled by purchasing service design. Client needs are various, ranging from top level to "grass root" level. The real need is usually figured out after proper conversations between the client and the agency or after some preliminary work. Generally, projects have been bought for 1) change and innovation related development (for example thinking, knowledge transfer, new innovations, change force towards something new), 2) channel-related development (for example digital user interfaces, physical service spaces) and 3) customer experience related development (for example general customer-centricity improvement in operations). In any case, clients have bought mental capability from the agencies (similarly to Shostack 1984).

It seems that the client does not always have a clearly set project goal. Service design project objectives can range for example from new business development to customer satisfaction improvement in a specific service touchpoint. Therefore, there have been different types of service design projects with varying features. The reason behind differing project types can also be explained by the client participating in the actual production of the project (service) as a co-producer (see e.g. Grönroos 2007; Tuulaniemi 2011; Martin et al. 1999). Therefore, every project is unique.

In selecting service design agencies, economically oriented evaluation criteria such as credibility, quality impressions, price and people seem to matter the most for the clients (similarly to Dempsey 1978). Also personal contacts, prior working experience and personal chemistry have an important role in the selection (see e.g. Halinen & Jaakkola 2012). Agency employees' personal track records seemed to be of great interest for the clients. Clients might also find the agency's specific way of working interesting and appealing. If there is doubt and the project start is fuzzy, clients may turn to bigger, better known service design agencies, that have existed for a longer time.

There is usually one buyer and one dedicated project responsible from the client side. Buyers vary and come from different company units, functions or silos. Usually the buyer is a CEO (in smaller companies), or a person responsible for business operations or development, a head of a specific business unit or a brand, a concept or product

manager. These findings are quite in line with Forrester Research's similar service design survey from 2013 (Bodine 2013, 13).

Buyers seem to have some kind of past experience in purchasing professional or consultative services, but they rarely have concrete experience in service design projects. Clients have usually heard about service design from colleagues or friends. They might have taken a service design course, for example at Aalto University's service design program for professionals (Aalto Pro).

Agencies see that service design and development should always be co-designed by the client and the service design agency, in tight collaboration. This is in line with what has been found in other B2B service research (see e.g. Martin et al. 1999). In reality, though, some clients want to outsource almost everything in a service design project, and others want to learn the processes, tools and methods thoroughly. Buyers participate in the project to a degree that is suitable for them, and sometimes also other people from the client organisation are asked to join the project.

Clients regard that there are no specific differences in the actual purchasing of service design, in comparison to purchasing of other types of professional service projects. Service design projects seemed to differentiate mostly from their phases, methods and execution (in line with Moritz's 2005 findings). Projects also seemed to take a relatively large amount of the client's time. However, clients intended to participate even more in the projects than was actually realistic. Nevertheless, active client investment and intensive participation was believed to result in good project outcomes. There were contradicting views on how much and when to include the management level in the project. Some clients see that it has actually been more useful to include the operative people, rather than the management.

There seems to be no differences in service design project contracts compared to any other professional or consultative services. In some projects, quite strict non-disclosure agreements (NDAs) are used. Service design projects are usually funded from business development, marketing or IT budgets. Service design projects are priced differently, ranging from fixed to hourly based, to modular and even incentive pricing. Only some projects had key performance indicators (KPIs), even though both agencies and clients agree that KPIs are important and should be used more.

Primary service design project results have usually been better customer understanding, improved customer satisfaction, higher net promoter scores (NPS), cost cutting and increased company revenues and profitability. In addition to primary outcomes, also secondary outcomes and effects have existed. Similarly to Design Council's (2015, 4, 6) findings, service design projects' impacts usually go beyond single projects. Service design may leave an "innovation footprint" in client organisations. Secondary outcomes have for example been employee empowerment, improved internal communication, cultural change, new type of collaboration for

instance between silos or functions, and improved collective know-how. In general, service design projects' greatest value seemed to be the final project outcomes and personal and collective learnings.

Additionally, service design projects have been a safe platform for the clients to try out new things. Client companies have benefitted from new ways of working together internally, between different functions and units, and combining internal forces in a new way. Projects also provided new kinds of tools to be utilised by the client, also in the future. Service design projects have also helped to change how agencies and business clients can work together. Customer-centric projects have also opened new doors for service design agencies in the client companies.

Service design project purchasing seems to have features of both transaction- and relation-oriented purchasing (see e.g. Axelsson & Wynstra 2002, 23). Generally, there are little follow-up after projects and what happens after the project can be left unknown for the agencies. However, both agencies and clients value and wish to have stronger agency-client relationships. Agencies wish for a client project model for constant development. Even though agencies prefer longer-lasting customer relationships and continuing projects, their aim is to educate their clients in the projects in a way that they are capable to continue to practice service design thinking independently.

### ***5.1.3 Challenges in purchasing***

This sub-chapter aims to answer the second research sub-question: what are the challenges in purchasing service design. The sub-question was approached through five pre-set propositions on possible challenge themes, based on services marketing, organisational buying behaviour and design literatures (in figure 6). The propositions guided the empirical research and with the help of empirical findings, the pre-set propositions are further developed in this chapter (in figure 7). Some of the main findings are not only service design related, but may also be applicable to other types of professional service purchasing.

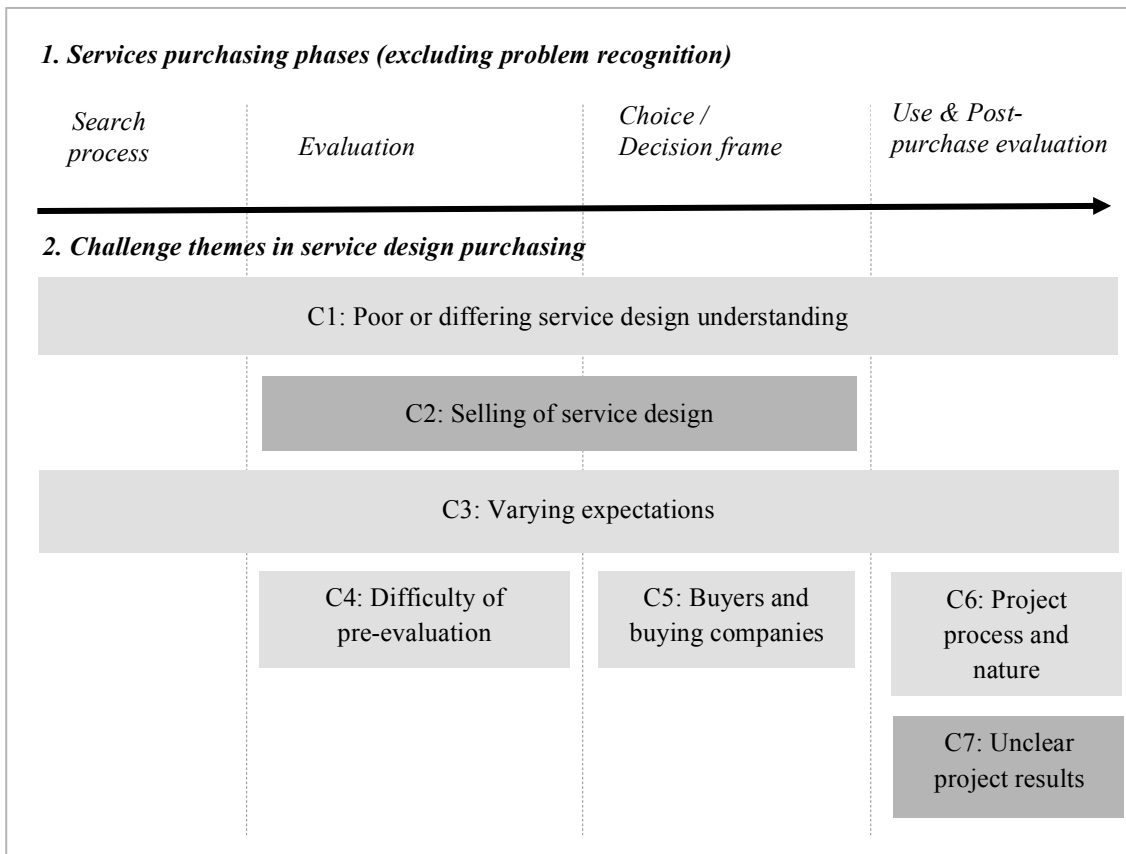


Figure 7 Updated challenge themes in purchasing of service design

All five challenge propositions (in light grey) got support from both interviewed agencies and clients; C1: poor or differing service design understanding, C3: varying expectations, C4: difficulty of pre-evaluation, C5: buyers and buying companies and C6: project process and nature. All interviewees referred to all of the suggested challenges with their own choice of words. In addition to the suggested challenge propositions, also two other challenge themes were recognised (in darker grey); C2: selling of service design and C7: unclear project results. Some of the found challenges could possibly sometimes be considered as barriers to service design purchasing, or may play a role in an unsuccessful service project – and therefore an unsuccessful purchase.

The recognised challenges seem to fall in to all of the proposed service design purchasing phases, from search process to use and post-purchase evaluation. Some particular findings could belong to several purchasing phases and to several challenge propositions, but are placed to the most relevant ones. There were no specific purchasing phases that seem more challenging than others. Of course, the phases preceding a project contract signing can be regarded as more crucial, in order to have a service design project at all.

### **Challenge 1: Poor or differing service design understanding**

Service design still seems to lack visibility (Design Council 2015, 7). Clients' poor understanding of design language and terminology, and false beliefs in service design can be considered as barriers for purchasing. New design terminology can sometimes be experienced challenging. Some clients might also have difficulties in understanding conceptual thinking, that is commonly being utilised in service design projects.

Similarly to Hill and Neeley (1988) and Aarikka-Stenroos and Jaakkola's (2012) findings, clients might not necessarily see the need for service design services. Clients and their managers do not necessarily comprehend possible project benefits and the value that service design could offer. Clients do not necessarily know what they are purchasing. Service design seems to be suffering also from some kinds of credibility issues, due to its young age, unclear project outcomes and limited business impact and missing business cases. Therefore, client companies might not always see the need for service design.

The market is fragmented and agencies have varying approaches to the discipline and to the use of terminology (similarly to the findings of Moritz 2005, Håkansson, et al. 2002 and Bodine 2013). Agencies talk differently about service design and highlight different things. This may be partly due to service designers having various educational backgrounds (see Mootee 2011; Kimbell 2011). It still seems somewhat unclear for agencies and clients where to position service design projects within the client company, and who should run and be responsible for the service design projects.

### **Challenge 2: Selling of service design**

*I don't think that clients feel that they have problems in buying service design. We might have problems if we're selling service design, and not a result to a problem. (Agency)*

The way service design projects are sold can play a part in the success of the whole purchasing process. Basically whoever can practice service design and there are no authorisations or required certificates (see e.g. Mootee 2011). Service design market is a bit unclear and agencies have varying ways of doing business.

Agencies have various ways of selling service design. Some agencies for example avoid using the term service design completely. Others may focus more on presenting the project processes, methods and tools, and others focus on trying to figure out what the customer's true problem is. This might make the comparison of agencies very challenging (similarly to Burton 1990; Hill & Neeley 1988). General understanding of the supplier's business is a must in order to evaluate the potential service providers (Axelsson & Wynstra 2002, 166). However, service design agencies' business might not yet be clearly enough understood, in order to be evaluated.

Agencies might not invest enough time in getting to know the client and his business, during the sales process. Agencies are not always able to see the client's "big picture" well enough. These could be interpreted as a poor will to partner up and cooperate with the client (see e.g. Aspara & Tikkanen 2008). Additionally, agencies might not always be talking to the right person in the client company.

Service design projects have been considered as too expensive for a new trial project. Sometimes seemingly higher project price can be considered to reflect service design's holistic nature and influence (see e.g. Stickdorn 2011; Saco & Goncalves 2008), and its strategic importance for companies. Price can however discriminate a proposal otherwise similar to others, even though price is not the highest on the evaluation criteria list (Dawes et al. 1992). Therefore, there can be winning offers – other than service design influenced – that are more appealing to clients.

### **Challenge 3: Varying expectations**

Agencies and clients can have varying expectations for service design projects; how the project is conducted, what the project outcomes should be and even for the project briefs. An inexperienced buyer might have unrealistic expectations and clients may be influenced by big, international service design cases and might expect revolutionary solutions from a rather small project. Therefore, project expectations may be too high or too broad, or include a wide range of wishes. With unclear defined and high project and agency expectations, clients can forget what is required from them in order to reach the project goal. Clients might forget that the project's value is always co-created between the agency and the client (see e.g. Miettinen & Koivisto 2009).

Expectations are always based on client needs, that are challenging to determine and specify objectively (see Hill & Neeley 1988). There might also be undefined or too broad project targets. Additionally, expectations can sometimes be poorly communicated or even left unwritten. Even though project expectations would be discussed and listed, agencies can be unaware of the clients' underlying, real expectations. Unclear expectations may have an influence in all the purchasing phases, throughout the project.

### **Challenge 4: Difficulty of pre-evaluation**

Pre-evaluation of a service design service can be challenging. Due to the nature of services, understanding and evaluating the potential value and benefits of a service design project and its outcomes might be challenging (see Smeltzer & Ogden 2002; Burton 1990; Grönroos 2007; Aarikka-Stenroos & Jaakkola 2012). Professional services' outcomes are always uncertain (see Hill & Neeley 1988). Service projects vary and are heterogeneous. Service design projects are not identical; they are all unique. (See e.g. Grönroos 2007.) Even project processes are customised and project outcomes are heterogeneous (see Halinen & Jaakkola 2012). Service design projects change and develop during the project, and project goals can be adjusted during the project. It is

difficult to make generalisations about the decision criteria for purchasing, and it might be challenging to measure price-quality ratio or evaluate the project proposition. (Burton 1990.)

In most cases, investing in service design is a new type of an investment for client organisations, and that is why client's information is usually inadequate (see Hill & Neeley 1988). There can be an asymmetry of information, buyer and seller having different kind of information. It can be hard for the agencies to communicate all possible project results and benefits in advance. Some of the project outcomes and benefits can be realised only after a longer period of time and therefore can be more challenging to proof. Created value can also be measured in intangible measures (Grönroos 2008, 303). Agencies might also lack in right kinds of references, or might not be able to talk about past work cases because of strict non-disclosure agreements. There also seems to be little proof of business benefits from earlier projects.

#### **Challenge 5: Buyers and buying companies**

The buyers and buying companies may complicate the purchasing process. As several people are involved in the purchasing and decision-making, interactions become complex (Webster & Wind 1972, 12). The buyer of a service design project can have various roles simultaneously: he can for example be the decider, buyer, and user of the service (see e.g. Webster & Wind 1972 in Wilson 2000).

Service design buyers, their motives, educational backgrounds and experiences affect the purchasing (see also Webster & Wind 1972; Smeltzer & Ogden 2000; Wilson 2000). Buyers also have their personal goals and scopes for the projects, in addition to organisation's purchasing goals that can challenge the project (see also Wilson 2000). Clients may have limited resources and weak decision power within their organisations, and might lack implementation power. Also clients' internal politics can challenge the purchasing or the actual running of a service design project.

There are only few experienced buyers with service design experience. Usually buyers have little previous or no service design purchasing experience at all. Buyers have not developed evaluative criteria for services that they purchase infrequently (see Hill & Neeley 1988).

Service design's position within the client company might be unclear. Service design might face internal resistance in the client company and the client might need to put some extra effort in convincing and selling a service design project internally. In the worst case, the buyer or the company might not have enough courage to try a new type of a (service design) project.

#### **Challenge 6: Project process and nature**

Any project and process related concern can challenge service design purchasing. Main features causing challenges during the actual project phase seem to be unclear project roles and the level of participation (see also Mitchell 1994). There can be poor

or no collaboration at all during the project, which actually is against the core idea of service design. Client might be unable to participate in the project or agencies are not involving clients as much as planned. Poor agency and client involvement and inexistent co-creation has resulted in disappointments on both agency and client sides.

Project plans can create misunderstandings. There might be confusion for instance on what is included in the project and what is left out. This is in line with Smeltzer & Ogden's (2002) findings on the importance of clarity and preciseness of the statement of work. Agencies and clients might be unable to communicate about the project in a similar way to all project stakeholders. Client might even forget what is required of him during the project. Clients might have insufficient resources for the project or there are no clearly defined project budgets. This may be the case if service design projects' nature and potential is not well understood.

Project methods can be experienced heavy and co-creative working methods are not necessarily liked or followed by all project participants from the client side. Committed client participation is required as the client usually has to make numerous decisions during a project. Due to the iterative nature of service design projects, clients may fear of losing the carrying idea, the "common thread" of a project. Agencies do not always spend enough time in understanding the clients' business thoroughly enough, even though that may be one of the top factors affecting client's actual selection of a professional service firm (see Halinen & Jaakkola 2012).

#### **Challenge 7: Unclear project results**

The post-purchase phase of the service and the final project outcomes might be challenging to evaluate (see Burton 1990; Aarikka-Stenroos & Jaakkola 2012). Key performance indicators (KPIs) seem to be used rarely to their full potential, and therefore project performance is challenging to measure. Service design's multidimensional and intangible nature make the measuring of project's return on investment (ROI) challenging. It is often challenging to link design work closely with business impact. (Hertto et al. 2010, 35, 37.) Service providers prefer to speak for instance about return-on-investment (ROI), value creation, revenue generation, cost savings, productivity gain and brand building when service designers like to speak about attributes and benefits (Bau 2010, 101).

Both agencies and clients agree that service design project's final outcomes have not always addressed the core challenges of the client company. This can be due to poor problem formulation and selection. It is actually challenging to determine afterwards whether the set problem was solved correctly (see Hill & Neeley 1988). Client can also feel that he has failed in his attempts in creating a desired internal change, if that was required in the project. The designed service might also be left at a concept level and never be fully implemented – and result in an unclear or non-existent project result.

There might be no project follow-ups or reviewing of the agency's performance (see e.g. Stock & Zinszer 1987). Agencies and clients do not usually follow what kinds of long-term impacts service design projects have had. Agencies might also communicate about their past projects' results poorly.

#### ***5.1.4 Purchasing facilitation***

This last sub-chapter aims to answer the third research sub-question: how can the purchasing be facilitated. In this thesis, purchasing is not only seen as an action ending in project contract signing, but rather in the post-purchase evaluation phase (see Hill & Neeley 1988). Key empirical findings of ways to facilitate purchasing of service design are presented in the following figure, divided between recognised challenge themes from figure 7.

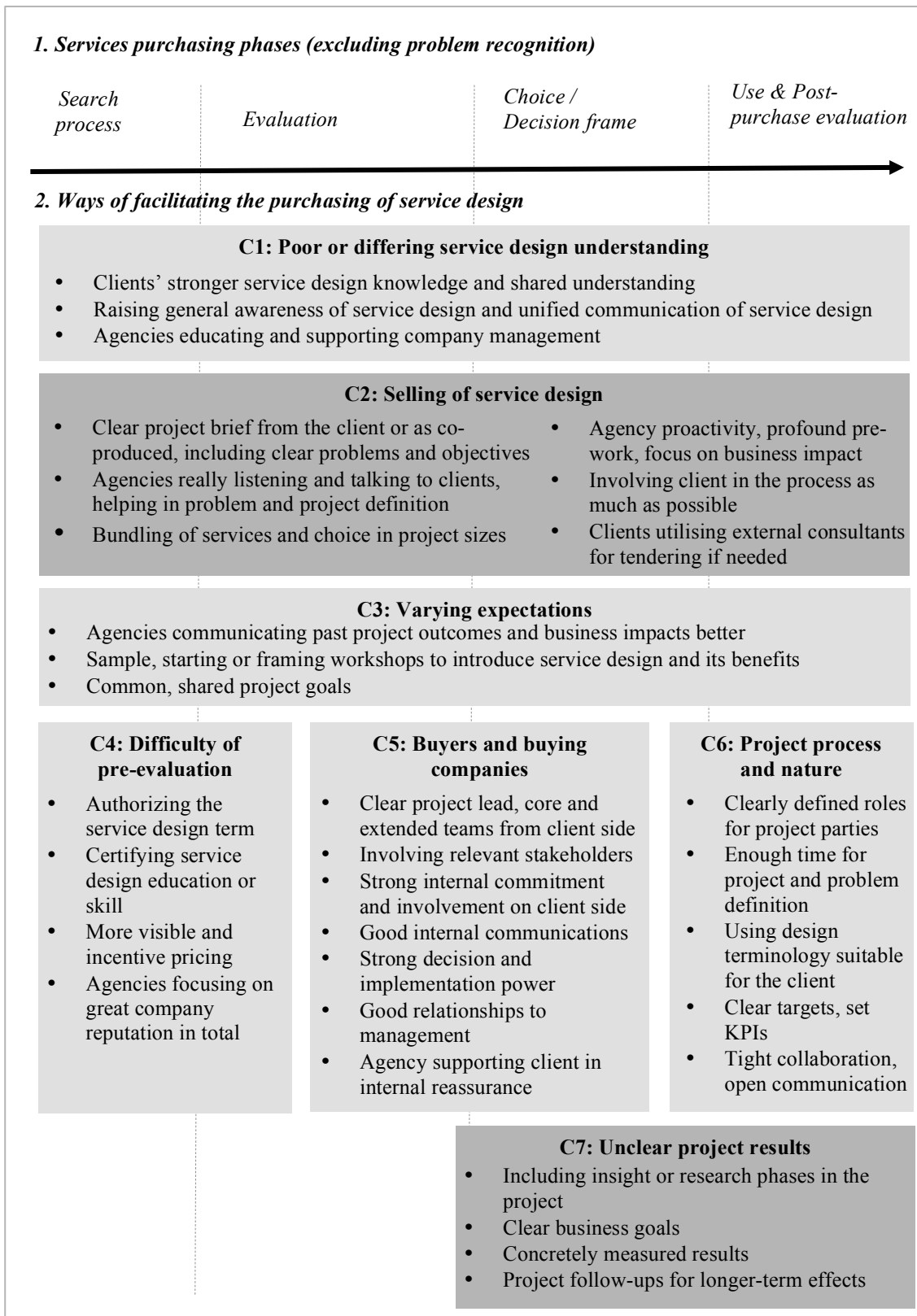


Figure 8 Ways of facilitating the purchasing of service design

Different ways of facilitating the purchasing were proposed by the interviewees. Facilitation could take place in all of the purchasing phases and could be provided either by the service design agencies or the clients. Especially agencies can help clients in purchasing in various ways and reduce client's perceived risk (see Hill & Neeley 1988). Some of the facilitation ways may seem obvious, but are not currently occurring the way they probably should.

Some ideas could be applied to several purchasing phases but are placed only on one, most relevant phase. Some suggested ways of facilitation are more attitude based, others more concrete, actionable improvements. It can be discussed that some facilitation ideas may also ease the actual service design project management and eventually improve projects' final outcomes and success.

### **Challenge 1: Poor or differing service design understanding**

Clients' stronger service design knowledge would be of benefit. The client participants should also have a common, shared understanding of service design. Clients could evaluate their own level of service design knowledge, prior to the project start. Design thinking would be beneficial to be practiced by both, the agency team and the client. Design thinking should also move closer to company executives, closer to where strategic decisions are made. (See also Brown 2009.)

Agencies could facilitate the purchasing by increasing the available external information (see Hill & Neeley 1988). Services developed or improved with the help of service design should be communicated about more. The awareness of these kinds of projects should be greater. Additionally, agencies could raise the general service design awareness and improve the way they communicate about service design themselves. Currently agencies talk differently about service design and highlight various things. This might be one reason for a somewhat unclear market. Agencies could increase the visibility of service design for instance by publishing more articles, participating in seminars and providing reference lists and testimonials (see also Hill & Neeley 1988). Agencies could share their knowledge also by educating clients and company management.

Service design terminology should be used in a way that it suits the customer and what he is comfortable in using. Design terminology should function as a common language for all project participants. It was reflected in the interviews by both interviewed parties that service design development might not necessarily be named the same way in the future. Forrester Research's (Bodine 2013, 16) findings also support the viewpoint; service design vocabulary, tools, methods and mind-set could eventually fade into the background, and shift from a special design field to a standard business practice.

### **Challenge 2: Selling of service design**

The buyer and seller interaction is important especially in the first phases of the purchasing process (van der Valk & Rozemeijer 2009, 10). In the selling of service design, the importance of a clear project brief from the client was highlighted strongly. Client's problem or need and project objectives need to be defined clearly. The brief could also be co-created by the client and the agency. It would be important for the agencies to really listen and talk to clients, and possibly help them even already in the problem definition phase, prior to the project. Agencies could offer problem framing workshops or "starting consulting" to ease client's project start phase. Alternatively agencies could give productized sample workshops, where potential clients could get an idea of how it would be to work with service design and with a particular agency. Pre-work could also help in creating more realistic project expectations.

Clients evaluate professional services' usefulness to their business (see e.g. Lapirre 1997 in Halinen & Jaakkola 2012). Clients appreciate communication focusing clearly on business impact and improvement. Clients also value agencies' proactivity, profound pre-work and agencies showing that they know the client's business well (see e.g. Mitchell 1994). Project offers should be tailor made and well prepared, showing agency's commitment to the client and to the project. It is important for the service design agencies to see the client's "big picture"; the world where the client is in. Agencies should also prepare to demonstrate a real insight into the needs of the client organisation (Mitchel 1994).

Service design agencies could bundle or productize their services better, in order to simplify the market's offerings. Giving the client a choice, by offering for example project proposals of different sizes, could make the buying easier. These could be considered as risk-reducing incentives (see Hill & Neeley 1988).

If the purchasing of service design is troublesome, the use of external tendering consultants could be one option to facilitate the agency selection, where the external consultant would do the pre-work and find suitable agency partner options for the client. Similar consulting firms already exist for example in marketing and advertising fields (see e.g. Breezeway).

To facilitate both purchasing and selling, agencies could have a check-list for the clients to fill in the beginning of the project with all needed information. From project management point of view, agencies should clearly show what is included and excluded from the project, to avoid misunderstandings. All in all, involving the client in the service process as much as possible could facilitate the buying process (see Hill & Neeley 1988).

### **Challenge 3: Varying expectations**

Clients and agencies' expectations seem to be more similar when they share a common goal in their project. In order for clients to better comprehend what can be

achieved with the help of service design approach, agencies could communicate about their previous clients' project outcomes and business impacts more. This can help in understanding what kinds of results could be expected from similar projects. Agencies have already started to hold larger events and give presentations to potential new clients where they present past projects, processes and outcomes (similarly to Hill & Neeley 1988).

Agencies should clearly list possible project benefits of service design (see e.g. Halinen & Jaakkola 2012). Framing or starting workshops can help the buyers in understanding what kinds of results and concrete outputs can be expected with the planned monetary investment, demonstrating the benefits of service design for the development of the particular service (see e.g. Sorsimo 2012, 54).

As there are not many experienced service design buyers, buyers might benefit from peer support and from sharing of experiences. There have already been meetings organised only for clients or in-house service designers, by Service Design Network's Finnish chapter – probably a more neutral operator, compared to private service design agencies (SDN Meetup 2015).

#### **Challenge 4: Difficulty of pre-evaluation**

Authorizing the service design term and certifying service design education can make the market more understandable and service design partner selection easier. For instance, official certificates could be granted to agencies who have completed formal service design education. On the contrary, it is also predicted that service design as a terminology will disappear and become a regular business development vocabulary and business practice (Bodine 2013, 16).

In order to facilitate clients' pre-evaluation, agencies should concentrate on their own company reputation (see Dawes et al. 1992), and build as good a reputation as possible. Agencies can also do a lot in order to develop trust (see e.g. Hill & Neeley 1988). Also well-made past case references and individual agency team track records and skills could help the client's pre-evaluation (similarly to Sorsimo 2012). Recommendations do still play an important role and can increase confidence towards service design agencies (similarly to Hill & Neeley 1988).

More visible pricing could help the evaluation, as different types of pricing are used in service design. Nevertheless, for example a modular type of pricing can be risky in a sense that vital project parts, like insight gathering phase, could be more easily left out, in hopes to reduce the total project cost. Value based pricing, based on a project's success, could be an interesting alternative to consider. Through that type of pricing, the agency could show that they are serious about the client and believe in the project.

#### **Challenge 5: Buyers and buying companies**

Buyer's participation in the project as a project owner is important in order to have a successful project. There should be a clearly nominated project lead from the client side.

Clients should also have service design project ownership. Both agencies and clients regard that the buyer should be actively involved in the whole service design project (similarly to Hill & Neeley 1988).

As an example, a defined core client team, supported by an extended team and recognised relevant key stakeholders are seen as a good project setup. It would be important to include all relevant stakeholders in the project – in suitable roles. Strong internal commitment and involvement from the client is required. Proper and enough internal communications about the project is needed, throughout the project.

The buyer should have decision power and ability to implement the project. He should also have good relationships to management. Agencies could support clients in their missions, and help for example in internal reassurance and politics if needed. Agencies could for example provide support in talking to management and board members.

### **Challenge 6: Project process and nature**

Both agencies and clients should give enough time for the project's definition phase. It is important that the agency and the client share the same project goal. It seems that the better the project and the client's problem are defined, the better the project outcomes are (see Shostack 1984). Agencies and clients should also co-define the relevant problem to be solved, and understand what generates the most value for the client (see Aarikka-Stenroos & Jaakkola 2012). This could give the buyer a chance to define the brief better, and the service providers the chance to get to know the potential client, the situation, ask clarifying questions and affect in the actual final tender (Sorsimo 2012, 54). According to Mitchell (1994), understanding of the client's problem is one of the most critical factors in the evaluation criteria. This can also later on result to higher quality service execution (see Shostack 1984).

Both agencies and clients should have clearly defined roles and responsibilities in the project. Active contract management is vital for successful service purchasing (van der Valk and Rozemeijer 2009, 6). Written and up-to-date project scope, in addition to good project documentation, will facilitate the understanding of what is agreed between the participants. There should be a clear project model that helps to understand the project process and costs. Also drawn service concept visualisations can facilitate shared understanding of the desired outcomes (see Hertto et al. 2010).

Project participants should share an open, two-way communication, in genuine collaborative atmosphere. Also respect and certain degree of informality and openness would benefit the client-agency relationship. Developing the relationship towards a long-term strategic partnership is seen beneficial by all agency and client interviewees. Agency's close relationships with the client also helps in order to stay adaptive in the project.

### **Challenge 7: Unclear project results**

The usefulness of project results is one of the most important factors in client's evaluation criteria (see Parasuraman & Zeithaml 1983, in Mitchell 1994). Therefore, all service design projects should have a clear business goal. Setting of clear targets and ways to measure project results with key performance indicators can facilitate the project performance following (see Hertto et al. 2010). KPIs should not only be financial indicators, but also measuring of for example customer experience development. Additionally, measuring of return of service design investment has become more and more topical (see Hertto et al. 2010).

For possible better project results, service design projects should include phases of insight gathering, research or desktop analysis of client's existing research material or data. These give a stronger foundation for the project and better current-state understanding, and help to make better decisions during the project. There should also be some kind of a follow-up period after the project, in order to recognise and follow long-term service design results and effects. Project follow-ups, during and after the project, can be very critical also in order to keep the client informed and more at ease (see Hill & Neeley 1988).

## **5.2 Managerial implications**

The findings of this thesis should be of considerable interest to both service design agencies and to existing or potential clients buying service design services. Findings provide experiences from other agencies and clients, and features they have found important in purchasing and successfully running service design projects. Both parties can do a lot to improve or change some of the practices of the current business. Some of the main findings are not only service design related, and could possibly be applicable also to other types of professional services.

Service design still does not seem to be fully established or understood, and the business is not as clear as it should be. Buyers have little previous experience of service design purchasing, and therefore they have not yet developed clear evaluation criteria for it. Service design agencies and clients have differing roles to service design and they highlight different elements, but service design's positive impact in organisations' business is clear. Service design seems to be a supporting function and still part of other, bigger organisational development projects. Service design market seems slightly fragmented and agencies aim to position themselves quite differently. Agencies could productise their services more and stronger own viewpoints could be of benefit in the somehow complex market. The benefit of using the term "service design" was actually questioned by some of the interviewees.

There might be a need to clear the service design market. Service design could be authorised and referred to in a more consistent way, in order to make service design business more understandable. Nevertheless, customer-centric way of thinking is hard for any practitioner to standardise, conceptualise nor own. Another future alternative could be that service design is made a part of traditional business development or consulting. Traditional consulting companies have already showed strong interest in service design; during the past years bigger international consulting firms have acquired smaller service design agencies, in order to strengthen their total offering. (See Service Design National Conference 2015.)

This study invites service design agencies to consider that clients can experience different kinds of challenges in different phases of the service design purchasing process. Some of the challenges could become barriers to purchasing and attention should be paid in facilitating these phases. For example, clients do not always see the benefits of service design and recognise the need for it. Agencies have the opportunity to raise service design awareness, spread design thinking and co-creation amongst business organisations. Clients may need help in how to evaluate potential agencies, offering and project plans. As purchasing of service design is almost always a non-routine purchase, with, to some extent, inexperienced buyers, agencies can help and even “teach” the clients in purchase decision framing. Potential clients are not necessarily interested in service design, per se, but only in the final project results. Service design agencies should bear in mind that service design as a method is not an absolute value itself.

Agencies should indicate that they are truly willing to help the client and have some kind of an understanding of his business. Agencies should always understand client business’ big picture and focus on communicating how client’s business can benefit from a service design project. The selling of same methods or modules to all should be avoided. As project tailoring and modification increase, the difficulty of project pre-evaluation, comparison of agencies and project proposals may only increase.

Service design projects have unique features that differ from other types of business consulting services; it offers a holistic viewpoint for developing company’s full service offering from customers’ perspective and optimising customer experiences. Service design projects also seems to be related to some kind of an organisational change or transformation. Projects have managed to function as a “change force”, for example for business development, digitalisation, cultural change, internal ways of thinking and working etc. Usually service design projects seem to bring something new for the client organisation. The organisational change or transformation angle could be seen as an opportunity for service design.

Service design has vast potential to help organisations as service design projects seem to be utilised for various reasons, and projects are bought by various business

functions. In many cases, the driving force for purchasing a service design project is actually something else than service design itself. Project objectives and the ways to start the project are manifold. Buyers have different organisational responsibilities and educational backgrounds. Projects are funded from various budgets (from business development and marketing to IT).

For the overall success of service design projects, it is important to define the project well, with time. Agencies could help the clients by making sure all project participants have the same information and an equal start for the project. Every participant should share a common project goal and be clear about the project roles. Parties should keep a close relationship with open communication to all relevant stakeholders. Certain degree of informality could be of benefit. Proper expectation management throughout the project seems vital.

Service design seems to require significant involvement and time from the buyer. As co-creation is one of the method's corner stones, it seems impossible to successfully fully outsource a service design project. The client project owner should be strong and have mandate to make decisions and implement. It can be discussed; is service design actually something that the client companies should be practicing themselves and should hold the strongest ownership of the development? In a successful service design project, the client learns the methodologies and ways of working customer-centrally. Therefore, the service design agency may become redundant in the end. Most of the service design projects are project based and there seems to be less longer-term partnerships between agencies and clients.

Service design agencies do not seem to know their own clients that well and therefore they might need some service designing themselves. Customer relationship management could be improved and learning more about their own projects' short- and long-term business impacts would be beneficial. KPIs should be used more to measure project performance and business impact. Business cases should be built and previous project outcomes need to be presented more.

In addition to straight business and customer experience value, service design projects have also provided secondary outcomes. They have managed to create cultural changes in organisations, left "innovative footprints" and reminded companies again for whom they are actually doing what they do and the reason behind they are in their business. Service design has also brought more understanding to organisations on how to distinguish from the competitors. Projects have also managed to provide the clients with new kinds of tools, ways of thinking and co-working.

### 5.3 Research evaluation and suggestions for further research

The study is among the first attempts to address questions related to organisational purchasing of service design. There seems to be not much earlier research focusing on the same phenomenon and on which the findings of this research could be compared to (see Eskola & Suoranta 1998, 213). This research's *dependability* is supported by previous research within organisational buying behaviour, services marketing and design literatures. Two types of triangulation were used in the thesis: triangulation of theories and triangulation of data. Several theories were used in explaining, understanding and interpreting the case and evidence was gathered from multiple empirical sources, to crosscheck information. (Eriksson & Kovalainen 2008, 293.)

As the study's analysis represents qualitative analysis, it also includes researcher's own interpretations of meanings (see Hirsjärvi & Hurme 2009, 137–138; Guba & Lincoln 1994, 114). The researcher designed and conducted the interviews, and interpreted the transcribed interviewing data. Personal assumptions have always an effect on the dependability of the research results. For example, the concepts of “challenge” and “facilitation” can be understood and defined subjectively. Other researchers might have approached the terms differently and chosen for instance a different angle for the research propositions. This has an impact on the study's *transferability*.

The research explored and measured what it aimed to measure; the purchasing of service design and the existence of selected propositions in service design purchasing challenges. Most of the research findings were in line with existing theories. The proposed challenges got support, and also other challenge areas were recognised. This could also indicate that there can be more, yet not recognised, challenges. The research process was thorough and included detailed interview data transcribing and analysis, focusing on finding repeating themes from the discussions. There were no recognised clear contradictions in the interview data. These strengthen study's dependability. (see Guba & Lincoln 1994, 114.)

The study has some *limitations*. The interviewee sample size was limited to eight on the agency side and five on the client side. All companies and clients were located in the capital city area in Finland. In order to strengthen the study's *confirmability*, some more interviews could have been conducted on both buyer (client) and seller (agency) perspectives, for better data sufficiency and accuracy. (Guba & Lincoln 1994, 114; Eskola & Suoranta 1998, 214.) Both seller and buyer viewpoints and interviewees with various positions and job titles were included in this research, in hopes to form a more holistic understanding. Altogether, there were more agency interviews and more people participating from the agency side. That is why the majority of the empirical data was

gathered from the agencies. Service design agencies have more experience on service design projects compared to clients.

The interviewed client organisations were suggested by the interviewed service design agencies. It has to be noted that client-agency relationships might have affected which clients were suggested to be interviewed, and thereby how the interviews and results turned out. Some client interviewees might have kept a more positive attitude when others were more honest.

It has to be considered that all service design agencies had their own approach to service design. Agencies were also different in size, and had differing operations for instance in digital and physical service development. Clients also operate on different business sectors and service design has played a varying role in the clients' projects – being stronger in some projects than in others. Also interviewees' backgrounds and personal interests have had an influence. All interviewees' opinions and experiences are based on their personal experiences and past; hence, their opinions do not necessarily represent the views of their companies.

The interview topic seemed to be somewhat delicate, including business sensitive information, and thus might have had an impact on the research results, even though the interviews were conducted anonymously. The research tackled topics that were business wise very relevant for all agencies and client organisations. For example, the purchasing challenges are hardly shared between competing service design agencies. Some of the interview topics had not been discussed at all between the service design agencies and their clients.

Overall, the thesis had quite a large research scope and it could have been narrowed down a bit. For example, the service design purchasing process could have been researched on its own. The challenge was that not much prior research material exist. This thesis covers the purchasing process now only on a lighter level. The research findings might have been different if only selected buyer positions were interviewed from the client side, for instance top management only.

The interviews were conducted two years before the final research analysis. In this light, new research on service design purchasing, recognised challenges and means of facilitation might already exist. These research results have to be considered to depict the situation of service design purchasing in 2013.

The research topic seemed to be of great interest amongst the interviewees and all saw the need to understand the topic. The interviews were a moment of self-reflection for many interviewees. Many referred to the interviews as a nice, even a therapeutic moment for sharing ideas and experiences of the industry.

Only some *generalisations* of organisational service design purchasing can be made. The research results can give more of a first direction of the nature of the topic. Even though the findings are specifically related to service design purchasing in Finland,

some findings and ideas can also be considered to reflect other types of business services as well.

Being such a new area of research, service design purchasing deserves to be research more vastly, in order to fully understand this phenomenon. This study can be considered as a starting point for *further research* on purchasing of service design services. A logical option to continue the research would be a broader quantitative research, with the same research scope. A similar kind of a study would also be interesting to conduct in different counties, with local service design agencies and clients. Alternatively, the theoretical framework could be enlarged and various new challenge propositions could be tested. It would also be interesting to find out which specific organisational needs are being fulfilled with service design projects, and what are the longer-term business impacts of such projects. This would be useful knowledge for both service design agencies and potential clients. Thesis's findings on ways to facilitate the purchasing could also be taken further and more concrete actions could be suggested.

## 6 SUMMARY

There has been an increase in the interest in service design, as the role of services and service sector have become more dominant in the business world, businesses have become more customer-centric and the focus has shifted to customer experiences. The design and optimisation of services are believed to be strategic problem-solving actions that can help to provide a competitive advantage. Design seems to have a more important role than ever, and the interest in service design services is strong. Nevertheless, the field of service design is not necessarily well-enough understood from the business side.

The actual purchasing of service design services has been given little attention, until recent years. This thesis has been one of the first attempts to address questions related to organisational purchasing of service design. Study's findings provide additional understanding in purchasing business services with a focus on service design.

*The purpose of this study is to explore the purchasing of service design from the perspectives of sellers (service design agencies) and buying clients (business organisations).* The sub-questions of this thesis were:

- 1a. How do agencies and clients approach service design?
- 1b. What are service design purchasing processes like?
2. What kinds of challenges have buyers and sellers experienced in relation to purchasing of service design?
3. How can the purchasing be facilitated?

In order to address and research the phenomenon, the theory chapter discussed the special features of services, service design and the nature of purchasing services in general. The core ideology of service design has already existed for a longer time, and does not differ that much from traditional customer-centric marketing theories. *Service design is a holistic, multidisciplinary field that helps organisations find strategic business opportunities in services, either by innovating or improving existing services.* Service design tackles the functionality and form of services from the user's perspective. *The aim is to meet real customer needs with offerings that create value for the customers.* Service design helps to make the service interfaces useful, usable and desirable, simultaneously benefitting the organisation who is offering the services. *The goal is to optimise the customer's experience.* Well-designed services are effective, efficient and distinctive for the service supplier. Service design is seen as a co-creative, user-centred exploratory enquiry, and as the true design goal is never fully reached, service design helps to design *for* services. Service design differs from business management by its more empathetic and human centred ideology. To mention a few,

discovery, iteration, quick prototyping, testing and constant reframing usually depict service design process.

*The whole professional services purchasing process, from the problem recognition to service use and post-evaluation, is challenging.* The buyer is usually more dependent on the service provider, a greater effort is placed in search of a right service provider, service outcomes are usually more uncertain and re-doing the service can be impossible. *The buying process is rarely linear and systematic.* The buyer rather shifts away from the problematic situation, little by little, searching for an optimal and satisfactory solution – within real-life restrictions.

*The pre-evaluation of services, their potential benefits and value are difficult.* The information that the client has is almost always inadequate, and the client is heavily dependent on information coming from others than from own experience, usually from other professionals. The buyer can even be more dependent on the professional's evaluation and definition of her business problem. Professional services are not bought that frequently and the buyer may lack in purchasing experience. Even though creating good decision criteria is difficult, buyer's evaluation of the service provider does not end only at the choosing of the provider – the performance and whole service relationship is evaluated throughout the project. Product and its attributes, provider performance and provider's underlying capabilities are the most important evaluation criteria for buyers. Also the reputation and experience in client's industry are top factors affecting the selection of a professional service firm. Positive past experiences with the service provider and peer endorsements play a significant role in corporate buying.

Even though organisations may tend to think they are experts in buying services, *usually a high level of perceived risk is involved in purchasing of professional services. Several challenges may arise at any point of the purchasing process.* These can be related to the buyer or the service provider. The IHIP service characteristics have a role in increasing the difficulty in decision framing. Service post-evaluation can be difficult after professional services are concluded. It can even be impossible to determine whether the problem was solved correctly.

Nevertheless, both the service provider and buyer can facilitate the organisational purchasing. The buyer's purchasing decision process can be supported by increasing the available external information, or improving the customer's control of the decision process and reducing the most apparent risks. The buyer can even be "helped" to construct a wished decision frame. Also service company's brand, reputation and credibility have a significant importance.

This thesis follows qualitative research. Semi-structured interviews, both on service design providers (service design agencies) and buyers (clients), were conducted to form a more complete view of the phenomenon. The interview findings in every sub-question were categorised based on recognised themes. The thesis utilised abductive reasoning,

which starts with combining various literary fields (ranging from services marketing to design and organisational buying behaviour), then forming propositions based on the theories. Challenge propositions were then tested empirically against real-life business cases, and finally the proposition framework was updated based on the findings. The proposition framework also guided the operationalization of the research question.

The interview results of this thesis show both *similarities and differences in service design agencies and clients' approaches to service design as a discipline*. Results also describes the nature of service design purchasing process and projects. Service design is not an easy term to define, and some prefer to avoid using the term at all. *Service design represents a strategic activity to both agencies and clients, that helps in clients' business development and in discovering opportunities*. For most, it is also *an ideology; a way of thinking and working*. Service design is seen to bring a human-centric perspective and empathy to problem solving. It is about influencing and developing customer experiences – by seeing the service offering as a whole. Ideas in service design are always tested and justified, and never based on subjective guessing. Tight project participation from both project parties is seen as mandatory. Service design projects are usually *related to some kind of an organisational change*.

There are various ways to purchase or “sell” service design. Service design is not necessarily considered to be “sold” per se, but rather a solution that will solve the client’s problem, is sold. It seems that many times the driving force for purchasing service design is actually something else than service design itself. Service design projects have started from a recognised problem or a need, from pre-set final deliverables or from a general need for service design process, mindset or approach. Projects seem to have been bought for *1) change and innovation related development, 2) channel related development* or for *3) customer experience related development*.

Service design buyers come from various company functions, and represent various positions in the client organisations, ranging from product managers to CEOs. Buyers rarely have past purchasing experience in service design. Projects have usually been funded from business development, marketing or IT budgets.

Service design is seen to differ from other professional projects by its phases, methods and execution. According to it, services should be developed in a co-creative manner. The greatest client value seems to be the project outcomes: primary (business and customer experience impact) and secondary outcomes (such as employee empowerment and internal cultural change), in addition to personal and collective learnings.

A total of seven challenge themes in service design purchasing were recognised in the interviews: *1) poor or differing service design understanding, 2) selling of service design, 3) varying expectations, 4) difficulty of pre-evaluation, 5) buyers and buying companies, 6) project process and nature* and *7) unclear project results*. The challenges

can take place at any point of the purchasing process and could be caused by either participant, the agency or the client. Some of the recognised challenges could be considered as barriers to purchasing or they can play a role in an unsuccessful service project – and therefore, an unsuccessful purchase.

All the *recognised purchasing challenges could be facilitated in various ways by either the service design agency or the purchasing client*. The findings on ways to facilitate purchasing enrich and add to the recognised challenges. The challenge proposition framework was further developed with suggestions for facilitation. Some suggested ways of facilitation are more attitude based, others more actionable improvements and related, for example, to project management. Purchasing facilitation may have an impact on the actual project and its management, and eventually on the final service outcome and general success.

Managerial implications for both agencies and clients are discussed in the final part of the thesis. These implications help both parties to understand the current perceptions and benefits of service design, the nature of purchasing it and what could be done in order to facilitate the purchasing and run more successful, collaborative service design projects. Both theoretical and managerial findings can be used to improve the selling and purchasing of service design services.

In the tight competition for customers and the increasing focus on customer experience, service design cannot be ignored by business organisations. Service design seems to hold a lot of potential and can help companies in various business fields. As the field of service design is still rather young, there is still room for more research. From the business perspective, *it would be useful to focus on finding how service design has managed to – measurably – support companies in their business development, also in the long-term*.

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## **APPENDIX 1     Agency interview structure**

Interview questions for agencies in Finnish.

### **1. Yleiset ja yritykseen liittyvät kysymykset**

- Oma tausta ja työnkuva?
- Millainen rooli palvelumuotoilulla on yrityksessänne (liiketoimintamielessä)?
- Miten määrittäisitte palvelumuotoilun?
- Mikä on palvelumuotoilulähestymistavan tuoma lisäarvo?

### **2. Ostokäyttäytymiseen liittyvät kysymykset**

- Miten palvelumuotoiluprojekteja myydään? (mikä on ominaista)
- Voisitko kuvailla asiakkaiden ostoprosessia?
- Miten asiakkaat arvioivat toimistoja ja tarjouspitchejä, mikäli näitä on?
- Mitkä ovat tärkeimmät palvelumuotoilutoimiston valintaan vaikuttavat tekijät?
- Mitä arvioit, miksi ja mitä varten asiakkaat ovat ostaneet palvelumuotoiluprojekteja? (mihin ongelmaan / haasteeseen)
- Ketkä ovat asiakasorganisaatiosta osallisina palvelumuotoilun ostamisessa?
- Millaiset ovat asiakkaan ostoroolit?
- Millaista aikaisempaa ostokokemusta asiakkailla on ollut?
- Millaisia ovat palvelumuotoiluprojektin sopimukset?
- Millä tavalla palvelumuotoiluprojekteja hinnoitellaan?
- Miten asiakas rahoittaa palvelumuotoiluprojektinsa?

### **3. Haasteisiin liittyvät kysymykset**

- Minkälaisia odotuksia asiakkailla on ollut ja vastattiinko näihin odotuksiin?
- Onko palvelumuotoiluprojekteihin liittynyt väärinymmärrystä, konflikteja tai tyytymättömyyttä? Mistä tämä on aiheutunut?
- Miksi asiakkaat eivät ole lähteneet palvelumuotoiluprojektiin mukaan?
- Eroavatko palvelumuotoiluprojektit muunlaisista projekteista? Miten?
- Onko palvelumuotoiluprojektien ostamisessa jotakin erityistä verrattaessa muiden palveluiden ostamiseen?
- Minkälaisia avaintulosmittareita projekteissa on käytetty ja miten ne määriteltiin/valittiin?
- Onko design-terminologia on aiheuttanut haasteita? Minkälaisia?

- Minkälaisia vaikutuksia asiakkaan heikolla palvelumuotoilutuntemuksella voi olla?
- Minkälaista panostusta ja osallistumista asiakkaalta odotetaan?
- Miten halukkaita asiakkaat ovat luomaan yhdessä (co-create)?
- Onko palvelumuotoiluprojekteja kohtaan ollut vastustusta asiakasorganisaatiossa? Millaista?
- Onko palvelumuotoiluprojekti vaatinut sisäistä vakuuttamista asiakkaan organisaatiossa?
- Miten pystytään määrittämään palvelumuotoiluprojektin onnistuneisuus?
- Minkälaisia vaikutuksia palvelumuotoiluprojekteilla on ollut asiakasyritykseen?

#### **4. Oston helpottamiseen liittyvät kysymykset**

- Mikä on vakuuttanut asiakkaat investoimaan palvelumuotoiluprojektiin ja mikä on pannut projektin alulle? (triggerit)
- Miten olet onnistunut vaikuttamaan asiakkaan ostopäätökseen?
- Mikä oston vaihe vaatisi eniten helpotusta?
- Miten asiakkaan tulisi tietää palvelumuotoilusta ja miten häntä voitaisiin tukea?
- Kenen asiakkaan puolelta tulisi olla mukana palvelumuotoilun ostamisessa ja kenen tulisi olla mukana projektissa?
- Minkälainen aikaisempi kokemus on ollut hyödyllistä palvelumuotoilua ostettaessa?
- Miten asiakas voisi etukäteen arvioida projektin laatua ja arvoa helpommin?
- Minkälainen hinnoittelu ja minkälaiset sopimukset helpottaisivat ostoa?
- Miten palvelumuotoiluprojekteja tulisi myydä?
- Mitä toimistot voisi tehdä toisin helpottaakseen ostoa?
- Millainen olisi ideaalinen asiakas-toimisto-suhde?

## **APPENDIX 2     Client interview structure**

Interview questions for clients in Finnish.

### **1. Yleiset ja yritykseen liittyvät kysymykset**

- Oma tausta ja työnkuva?
- Millainen rooli palvelumuotoilulla on yrityksessänne? (liiketoimintamielessä)
- Miten määrittelisit palvelumuotoilun? / Mitä palvelumuotoilu on sinulle?

### **2. Ostokäyttäytymiseen liittyvät kysymykset**

- Mihin olet ostanut palvelumuotoilua?
- Miten tunnistit tarpeen palvelumuotoiluprojektille? (Mikä oli triggeri ostolle?)
- Voitko kuvailla palvelumuotoiluprojektin ostoprosessia?
- Miten pystyit arvioimaan projektin arvoa ja laatua etukäteen?
- Mikä vakuutti sinut investoimaan palvelumuotoiluprojektiin?
- Jos käytit kilpailutusta, miten arvioit tarjouksia?
- Mitkä ovat tärkeimmät kriteerit palvelumuotoilutoimiston valinnassa?
- Ketkä yrityksestä ostivat palvelumuotoilua? Millaisia olivat ostajien roolit ja vastuut?
- Millaista aikaisempaa ostokokemusta ostajilla oli?
- Miten palvelumuotoiluprojekti rahoitettiin?
- Oliko palvelumuotoiluprojektin sopimuksessa jotakin erityistä?
- Miten palvelumuotoiluprojekti oli hinnoiteltu?
- Mikä palvelumuotoiluprojektissa tuotti sinulle arvoa?

### **3. Haasteisiin liittyvät kysymykset**

- Voitko kuvailla palvelumuotoiluprojektikokemuksiasi? Mikä oli haastavaa?
- Eroavatko palvelumuotoiluprojektit muunlaisista projekteista, miten?
- Mikä saattoi johtaa väärinymmärrykseen, konfliktiin tai tyytymättömyyteen?
- Aiheuttiko design-terminologia haasteita, millaisia?
- Minkälaista osallistumista ja panostusta teiltä vaadittiin asiakkaana?
- Miten halukas olet luomaan yhdessä (co-create)?
- Minkälaisia avaintulosmittareita (KPI) projekteissa on käytetty ja miten ne määriteltiin/valittiin?
- Minkälaisia tavoitteita ja odotuksia teillä oli? Saavutettiinkö nämä?

- Onko palvelumuotoiluprojektille ollut yrityksen sisäistä vastustusta?
- Vaatiko projekti sisäistä vakuuttamista, millaista?
- Miten määrittelisit palvelumuotoiluprojektin onnistuneeksi?
- Millaisia vaikutuksia palvelumuotoiluprojektilla on ollut yrityksenne?
- Miksi et lähtisi mukaan palvelumuotoiluprojektiin?

#### **4. Ostos helpottamiseen liittyvät kysymykset**

- Miten asiakkaan tulisi tietää palvelumuotoilusta ja valmistautua palvelumuotoiluprojektiin? Miten häntä voitaisiin tukea?
- Mitä tekisit toisin edellisessä palvelumuotoiluprojektissasi?
- Miten asiakas voisi arvioida projektin arvoa ja laatua helpommin etukäteen?
- Kenen tulisi olla mukana palvelumuotoilun ostamisessa ja projektissa asiakkaan puolelta?
- Miten palvelumuotoiluprojekteja olisi hyvä hinnoitella ja minkälaisia sopimusten tulisi olla?
- Miten palvelumuotoiluprojektit tulisi rahoittaa?
- Miten projektin lopputuloksen laatua voisi mitata?
- Miten mielestänne toimistojen kannattaisi myydä palvelumuotoiluprojekteja?
- Miten toimistot voisivat helpottaa palvelumuotoiluprojektien ostamista? Mitä toimistojen tulisi tehdä toisin?
- Millainen olisi ideaalinen asiakas-toimisto-suhde?