

WHAT IS A SERVICE?

Meeting Needs and Creating Value



Interreg
Botnia-Atlantica
European Regional Development Fund



Prosperous forest
Diversification through Inclusion and Specialisation

THE GUIDEBOOKS IN THIS SERIES:

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WHAT IS A SERVICE?

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**The customer
is a co-producer.**

To develop both new and old services, it is first important to reflect on what constitutes a service, its characteristics and its ability to optimise results. We also need to distinguish it from other forms of production and sale to avoid a standardised approach and less optimal implementations. In sales and marketing, the main challenge for many service organisations is to not approach services as if they were goods. Three basic characteristics of a service are:¹

- A service is a process that consists of a series of activities instead of physical objects.
- Services are produced and consumed partly at the same time.
- The customer is a co-producer or participates, at least to some extent, in the service process.

Services cannot be stockpiled

The basic characteristics of a service underline several of the differences between goods and services in their production, sale and consumption.² For example, goods have a more sequential production process where they are followed by consumption. When waiting for future consumption, goods can then be stockpiled. This differentiates it from services that are produced and consumed more simultaneously.

A relational product

A service is more dependent on the situation and its production. Compared with the more static goods, services are heterogeneous, i.e., they differ between occasions depending on variables. A service only exists at the time of production/execution³ but is also inseparable from the individuals who perform and consume the service. As a result, staff interacting with clients are crucial for the client's experience of the service and for demonstrating the value and quality of the service. However, these are not the only interactions important for the experience, for new purchases and for long-term relationships. The interaction between the customer and the company's business system and physical and technical resources and between different customers are also important.



Marketing as part of production

Unlike the sale of goods, where production and consumption are separate, the service production process and sales interaction are a part of the marketing process and a way of managing expectations for relationships and the service (interactive marketing⁴). Due to the diversity of services, it is often hard to distinguish between the immediate or final product of a service or the service and sales interaction (consumption and marketing).

Quality is hard to measure

Since services are both an immediate and relational product and based on social interaction, the direct output and quality of the service is often hard to measure. The interrelationship between the service, the provider and the consumer contributes to this:

“the consumer finds it difficult to isolate service quality from the quality of the service provider”⁵

Given the social and relational nature of services, all service production and offerings should be understood as socially and culturally embedded with dominant norms and perspectives. An understanding of these norms and perspectives is often required to understand the service itself. Uncertainty in cultural products often results in complexity in the production and definition of services.

Forestry culture – an opening for and a challenge to services

In a forestry context, these cultural aspects of service provision have come to the fore with the increasing number of distant forest owners that are not part of the same social and cultural context as previous generations. For example, the social and cultural understanding of the value and quality of a specific service or service provider might not be apparent and, thus, needs to be established in other ways. Research also shows that urban populations often have other motivations, perspectives and practices with both service consumption and forest-related values. However, it is important to remember that these variations are not merely related to distance and place of residence, they can also be present among people living on their property or be related to other aspects, like gender or age. As such, to





to understand and develop a service, it is equally important to understand the customer and the service relationship/situation, including the service producer and process (responsiveness, communication, resources etc).



The value of service

The value of a service is determined in the exchange and production of value-in-use, where the value proposition is realised in consumption. Within economics literature, the purpose of a service is to be “valuable” to consumers by improving, for example, their “quality of life”⁶, “well-being”⁷ or “everyday practices”⁸. From this perspective, a service is understood as:

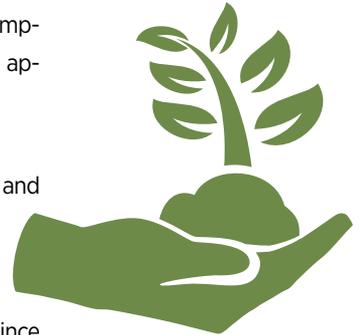
- 1) A support for a customer’s processes and value creation;
- 2) The customer value creation enables the service provider to generate value from the relationship (with the service as a means);
- 3) It is a process where a customer’s and a company’s resources cooperate.

This highlights the role of knowledge, relationship and trust in the service interaction/production and consumption process, both in understanding present services and developing new ones.

Relationships as source of knowledge and value

The significance of a relationship-oriented approach is emphasised when attempting to understand services as a mutual and interrelated process.⁹ Such an approach is characterised by:

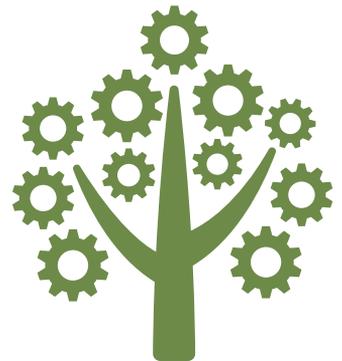
- 1) Long-term business contact;
- 2) The relationship depends on knowledge of the customer's processes and needs;
- 3) The goal is mutual value creation (win-win).



As a process, the service depends on client participation in the production since the client is both a consumer and a production resource during value creation. Therefore, a successful service offering needs a direct relationship between service provider and the client to both create loyal clients and long-term relationships and to manage the service process. The interaction then becomes an opportunity for marketing, communication, influence and sales.¹⁰ This approach to services emphasises that marketing is not a separate department of the company but a function found throughout the organisation¹¹ – especially since the service interaction also incorporates other elements and functions in the process.

Creating value together

The exchange perspective focuses on distributing pre-produced value (goods), where production is separated from consumption through the distribution, while the relationship perspective differs in that production and consumption interact and value is created through this interaction. The two different perspectives thus focus on value distribution and value creation, which shape the processes and relationships of the production and consumption. In addition to the final result, with services the process of interaction is also central to value creation. This is based on goods and services being linked to different logics, with the primary difference being how these logics perceive financial exchange.



(Goods logic) claims that the outputs from production processes, services and goods are exchanged for outputs from other production processes through the use of money. Service logic, on the other hand, claims that what is exchanged is not output but value in use – the utility or service that the outputs, services and goods can create (...). Money thus measures value in use (i.e. service), hence the term service logic.¹²

It also defines different sets of roles in the different processes. Transaction/goods marketing are seen as engaging with independent decisions/choices of the customer in conflict/competitive situations, where marketing partly drives decisions-making. Relationship marketing understands the relationship as not independent. Instead, it takes place in a situation of mutual dependence and interaction/cooperation. In traditional marketing, the customer is seen as an antagonist to be defeated/persuaded to make a purchase, while relationship marketing sees the customer as a resource through which value can be created.



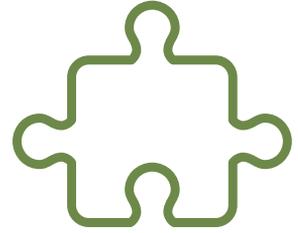
Understanding the service through the forest owner

The relationship perspective and understanding of services as (value creating) processes also highlight that general needs and the market are not static or homogenous. Taking an overly static approach to needs and the market would clearly fall under the limiting goods/transaction perspective of services. In a forestry context, this occurs when forest owners highlight the limitations of contemporary services and do not feel that their needs are acknowledged or feel these needs are potentially overshadowed by the timber needs of the service provider. Service providers experience this as a sense that the value and quality of their services are not acknowledged or understood by forest owners. It is not claimed that a service can cater or be adapted to all needs, but it is important to understand which needs are included and why. This helps with targeting communications, marketing, managing expectations, and the future development and expansion of a service.

Inclusive services and relationships

Forest owners are an increasingly diverse group with equally diverse needs and motivations. Given that a service should add value for the consumer/forest owner, it can be asked what a service is and who it is for in relation to specific needs and motivations. A greater variety of needs in a forest context adds both complexity to and opportunities for the service offering and its development. At the same

time, many forest owners are no longer a part of the social and cultural context in the way previous generations were. This means that values and views of quality of services vary more with gender, age, background and proximity to the forest property. The relationship perspective is seen in the interaction between the client and staff and the understanding of services as a (value creating) processes. Knowledge is a vital part of this value co-creation and utilisation of available resources, and today's forest owners possess knowledge from every aspect of society that can be integrated when developing services. For example, research has shown that female forest owners are more likely than male owners to use knowledge they have acquired from areas outside of forestry to create business opportunities for their forests. Inclusiveness can be a perspective that enriches and improves the process of developing services for each forest owner segment.



Notes

- 1 Grönroos, Christian (2000) Service management and marketing: a customer relationship management approach, p. 59
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- 3 Kotler, P., Bowen, J., Makens, J. C., Moreno, R. R., & Paz, M. D. R. (2003) *Marketing para turismo*, pp. 41ff
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- 6 Ballantyne, David & Varey, Richard J. (2006). Creating value-in-use through marketing interaction: the exchange logic of relating, communicating and knowing, in *Marketing theory*, 6(3), 335-348.
- 7 Vargo, Stephen L. & Lusch, Robert F. (2016) Institutions and axioms: an extension and update of service-dominant logic, in *Journal of the Academy of marketing Science*, 44(1), 5-23.
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This guidebook has been produced as part of Prosperous forest –project funded by the Botnia Atlantica program (Interreg) together with Region Västerbotten, Region Västernorrland Österbotten municipal association and participating partner organizations. The project was implemented between 2018–2021 in collaboration between Swedish University of Agricultural Sciences, Swedish Forest Agency, Helsinki University Ruralia Institute and Finnish Forest Centre.

